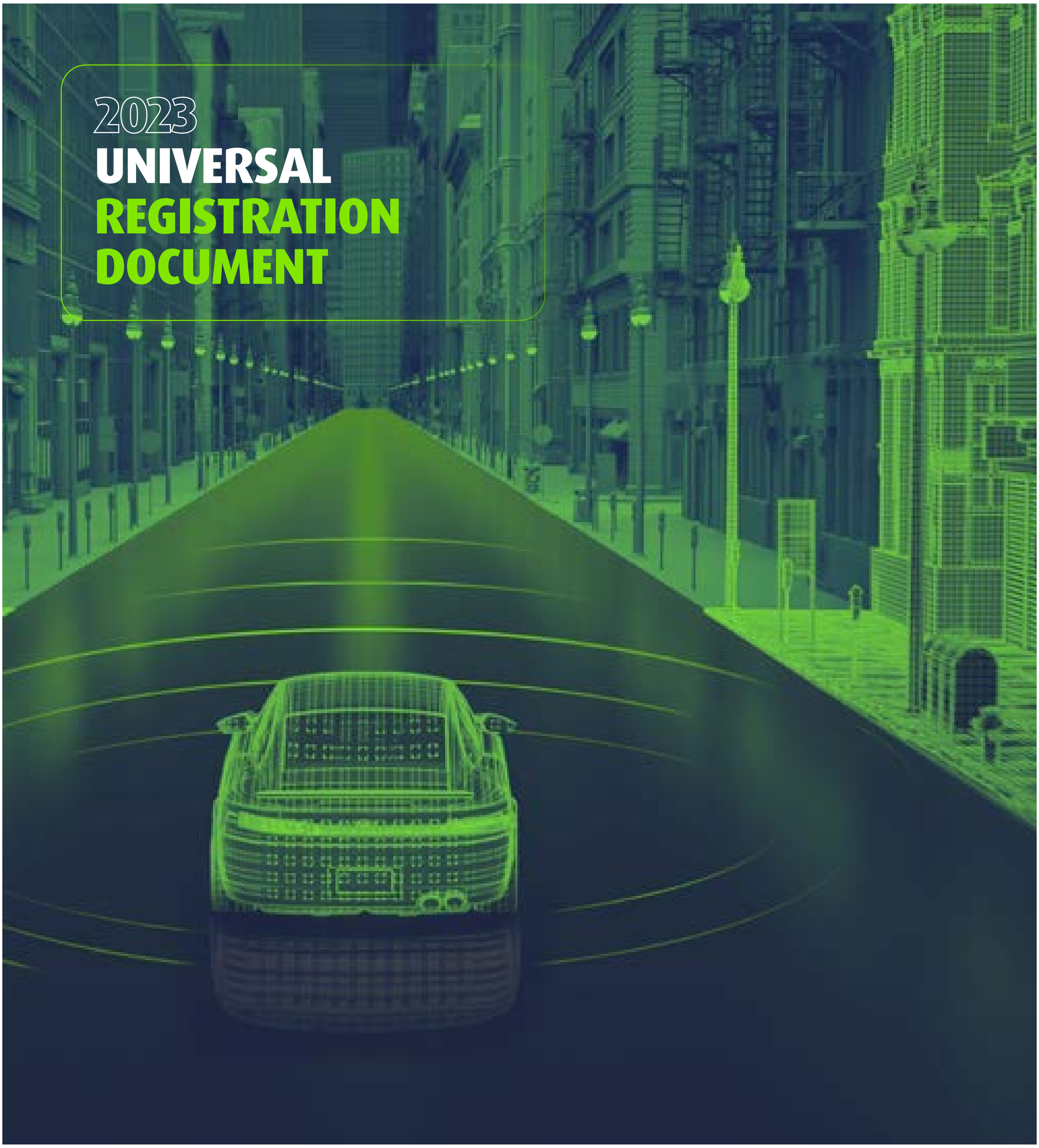

SMART TECHNOLOGY FOR SMARTER MOBILITY

Corporate governance and sustainable development report

Annual Financial Report

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

Valeo

2023
UNIVERSAL REGISTRATION DOCUMENT

- Integrated report
- Annual financial report
- Corporate governance and sustainable development report

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French language version of this Universal Registration Document was filed on March 29, 2024 with the French financial markets authority (*Autorité des marchés financiers* – AMF) in its capacity as competent authority within the meaning of EU Regulation 2017/1129, without prior approval, in accordance with Article 9 of said regulation.

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

The English language version of this Universal Registration Document is a free translation from the original, which was prepared in French. In all matters of interpretation, views or opinions expressed in the original language version of the document in French take precedence over the translation.

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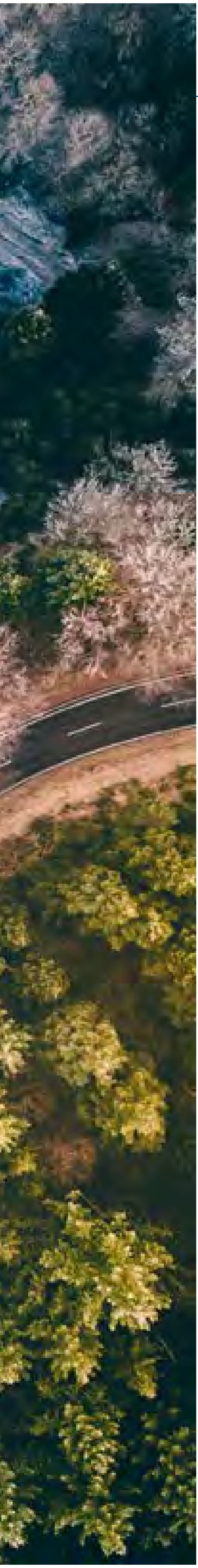
Valeo

FOR THE NINTH YEAR RUNNING, VALEO HAS ELECTED TO USE INTEGRATED REPORTING TO PRESENT ITS PURPOSE AND BUSINESS MODEL.

From the vantage point of Group strategy, the report provides an overview of the mechanisms through which its financial and non-financial performance, governance and outlook within its ecosystem contribute to short-, medium- and long-term value creation. Valeo complies with the International Integrated Reporting Council's (IIRC) framework and applies all the recommendations in its Integrated Report.

It addresses all of the Group's stakeholders, namely shareholders, employees, customers, suppliers, the financial community, institutional and non-governmental organizations, and other local partners. The report covers the Group's financial, sales and non-financial performance for 2023, and its carbon neutrality contribution ambition. The Integrated Report is prepared by Valeo's Investor Relations Department and is the result of a collective effort to collect information and contributions from several departments. It is included in the Universal Registration Document and the standalone version is also available on the Valeo website www.valeo.com

Contents



Our corporate purpose

VALEO'S AMBITION, AS A TECH COMPANY, IS TO PLAY A MAJOR ROLE IN TOMORROW'S MOBILITY.

At the heart of today's environmental and social issues, future mobility must be greener, safer and more diverse.

It must also contribute to the well-being and safety of citizens and consumers. We will achieve our ambition thanks to our unique positioning and technological leadership in areas that are at the heart of the transformation of the automotive industry and sustainable mobility, across the globe.

This positioning and leadership are rooted in our expertise, innovations and operational excellence. They are driven by our values and business culture, oriented towards serving our customers, employees, shareholders and the regions in which we operate.

"All of Valeo's financial and non-financial commitments were met in 2023."

GILLES MICHEL
CHAIRMAN OF THE BOARD OF DIRECTORS

CHRISTOPHE PÉRILLAT
CHIEF EXECUTIVE OFFICER

"Valeo is fully focused on the success of the Move Up strategic plan."

Joint interview
WITH THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

How would you describe Valeo's performance in 2023?

Gilles Michel: In 2023, Valeo continued to benefit from its positioning and the acceleration in its markets, particularly for driver assistance systems, software-defined vehicles and electrification. In this regard, the record high order intake attests to the validity of our strategic vision. In addition, all of Valeo's financial and non-financial commitments were met during the year and, on behalf of the Board of Directors, I would like to express our deepest thanks to Valeo's teams, whose dedication and excellent work made this performance possible.

Christophe Périllat: In 2023, the Group met all its financial objectives, sustaining the continuous improvement momentum underway since the launch of our Move Up strategic plan in early 2022. Our sales rose by 11%, passing the 22 billion euro mark for the first time, while our original equipment sales outperformed the global automotive market by 3 percentage points[1].
We successfully completed negotiations with customers to overcome the major challenge of securing compensation for inflation, and pursued our initiatives to adjust costs. As a result, our margins continued to improve, and we generated 379 million euros in free cash flow for the year.

Lastly, we secured a record 34.9 billion euros in order intake, demonstrating the quality of our technological positioning and the appeal of our innovative solutions for our automaker customers. The margin on these orders largely exceeded the objective initially set in our medium-term strategic plan.

What are the Group's priorities and outlook for 2024 and beyond?

C. P.: This trajectory for growth and margin improvement will continue well beyond 2023. Today, the entire Group is totally engaged and fully focused on one overarching objective: the success of the Move Up strategic plan, which is building a Valeo that is at once technologically stronger, operationally more efficient and financially more robust.
In this respect, 2024 will be a particularly important year when Valeo will accelerate the pace of transformation.
The plan to merge our Powertrain Systems and Thermal Systems Business Groups is fully aligned with this strategy, and will enable us to create a more comprehensive, consistent and competitive portfolio of electrified vehicle solutions for our customers. By 2025, the Group should start reaping the benefits from the excellent margins on orders booked since the launch of Move Up.
G. M.: The Board of Directors will continue to support the Group in deploying its strategy and ensure that it fulfills its commitments, through close, constructive dialogue with Executive Management.
Led by people with varied yet complementary backgrounds and career paths and grounded in a solid, trusting relationship, this dialogue is enabling the Board to deliberate smoothly and efficiently, while underpinning high-quality governance practices.

What are your thoughts about the Group's social responsibility and environmental initiatives?

G. M.: In 2023, as for a number of years now, Valeo's non-financial performance was recognized by the leading rating agencies, maintaining its position as one of the highest rated automotive suppliers. I'm delighted to see that the Group has become a benchmark in environmental, social and governance performance.
That's because one of the Board's constant concerns is to ensure that, in both its strategy and its operations, the Group meets the most demanding social responsibility expectations of its shareholders, employees, customers and, more generally, society as a whole.
This is the purpose of the CAP 50 plan, which has set ambitious medium- and long-term objectives for reducing our CO_2 emissions. Since the plan was rolled out in 2021, Valeo has met its reduction objectives every year.
C. P.: Sustainable development is embedded in Valeo's DNA and is at the heart of its corporate mission, which is to use its technologies to actively contribute to the development of less carbon-intensive forms of mobility. Valeo is pursuing its transformation to decarbonize all its operations, products and value chain. That's a huge challenge in which we are fully engaged and that we are well on the way to meeting. The Group is also accelerating its commitment to the circular economy, as demonstrated by the recent launch, with Stellantis, of the world's first remanufactured front camera at our circular electronics laboratory in Nevers, France.
Lastly, Valeo is actively preparing to comply with the new EU Corporate Sustainability Reporting Directive (CSRD) applicable from January 1, 2024, with initial disclosures in 2025.

(1) Like for like on an adjusted basis.

PROFILE & POSITIONING

100 years of innovation

"From the modest workshop just outside Paris, where it all began in 1923, to the global technology company we've become, that's 100 years of history, engagement and passion that we celebrated this year."

Christophe Périllat, Chief Executive Officer of Valeo.

1923 1950

BEGINNINGS AND GROWTH

Founded by automotive pioneer Eugène Buisson in a small workshop just outside Paris, Société Anonyme Française du Ferodo (SAFF) begins producing the first friction materials made in France. In the early 20th century, SAFF is already leading the automotive revolution and by the eve of the Second World War, it dominates the French brake linings and clutches market. By the early 1950s, it employs nearly 2,500 people.

1950 1980

THE REVOLUTION IS UNDERWAY

In France, the thirty-year post-war period of prosperity is a boon for automakers and automotive suppliers alike. Valeo steps up its innovation drive and broadens its business portfolio to all types of electrical automotive equipment, including spark plugs, alternators, starters and ignition, lighting and wiper systems. The strategy soon pays off, enabling the Group to begin expanding internationally in the early 1960s through a series of acquisitions.

1980 2000

VALEO, AN INTERNATIONAL UMBRELLA BRAND

As the 1980s dawn, the company has operations in 15 countries through more than 70 subsidiaries. At the May 28, 1980 Annual Shareholders Meeting, the company changes its name to Valeo. From its first foray into the Spanish market to its rise to prominence in Asia in the 2000s, Valeo gradually builds a position as a leader in the global automotive market.

2000 (...)

2000S: NEW, MORE SUSTAINABLE TECHNOLOGIES

In 2009, a new strategy focused on innovation and technological solutions is implemented with two main drivers: technologies capable of reducing greenhouse gas emissions and enabling autonomous driving, and geographic expansion in Asia and emerging markets.

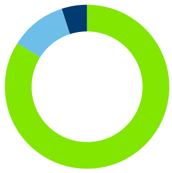
Valeo at a glance

Valeo is an automotive supplier and long-term partner to automakers worldwide, with a balanced global presence geographically located close to customer sites. In 2023, it reported more than 22 billion euros in total sales. **The Group's original equipment (OE) activity is organized around four Business Groups,** and accounted for the majority (85%) of the Group's sales in 2023. **Each Business Group holds leading positions in its segment. The aftermarket business,** which accounts for 10% of sales, is structured as a cross-Business Group unit.

Valeo shares are traded on the Euronext Paris stock exchange with a free float of 90%, alongside such leading shareholders as Bpifrance Participations and the Dassault family (through the Belgian company SITAM), as well as Group employees.

€22bn
TOTAL SALES

85% Original equipment
10% Aftermarket
5% Other



175 PLANTS

66 R&D SITES

112,740 EMPLOYEES

Four Business Groups

worldwide market position and % of total sales

COMFORT & DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP (CDA)	#1	21%
POWERTRAIN SYSTEMS BUSINESS GROUP (PTS)	#1	31%
VISIBILITY SYSTEMS BUSINESS GROUP (VIS)	#1	25%
THERMAL SYSTEMS BUSINESS GROUP (THS)	#3	21%
OTHER		2%

EUROPE
(INCL. AFRICA)

48%
OF SALES(1)
€9.0bn in sales(1)
75 plants
34 R&D sites
55,230 employees

ASIA
(INCL. MIDDLE EAST & OCEANIA)

32%
OF SALES(1)
€6.0bn in sales(1)
72 plants
24 R&D sites
38,179 employees

o/w China, 15% of sales(1)
31 plants
11 R&D sites
18,297 employees

NORTH AND SOUTH
AMERICA

20%
OF SALES(1)
€3.7bn in sales(1)
28 plants
8 R&D sites
19,331 employees

Non-exhaustive list

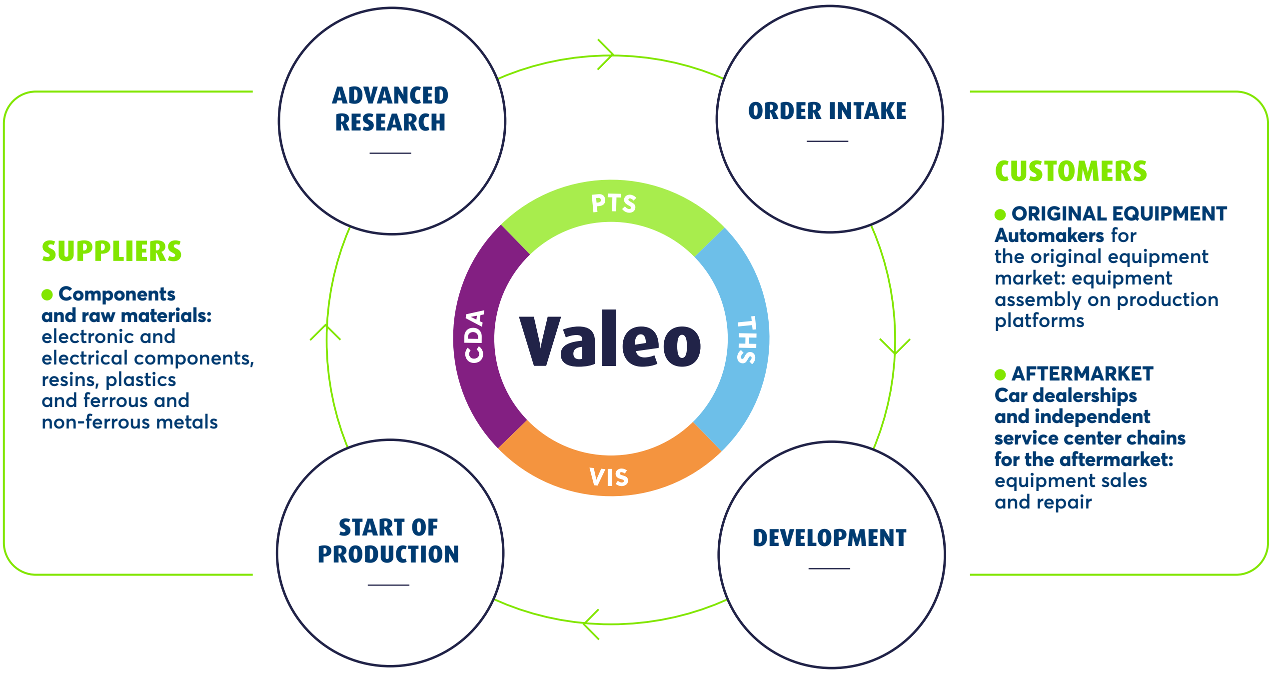
(1) Original Equipment sales.

The Group's positioning

POSITIONING IN THE INDUSTRY VALUE CHAIN

Valeo is a tier-one automotive technology supplier that serves its automaker customers with a wide array of electrical, electronic, thermal and other technologies and equipment, including application software.

At the heart of the Group's business model lies a commitment to innovation, driven by its powerful Research and Development capabilities. Its cross-Business Group organization is a source of economies of scale. Thanks to its **5 Axes operational excellence model**, Valeo can meet and exceed the automotive industry's highest standards of quality.



66
R&D CENTERS

- Cross-functional centers serving the four Business Groups, by type of R&D expertise
- Integrated, shared technology platforms for all areas of expertise

RESEARCH PARTNERS

- Universities
- Technology institutes
- Competitiveness clusters
- Start-ups

€2.6bn
IN GROSS R&D EXPENDITURE
11.8% of sales

More than 1,600
PATENTS FILED
Valeo is the world's leading French patent filer

Nearly 20,000
PEOPLE DEDICATED TO R&D
including more than 9,000 in software

The 5 Axes operational excellence model

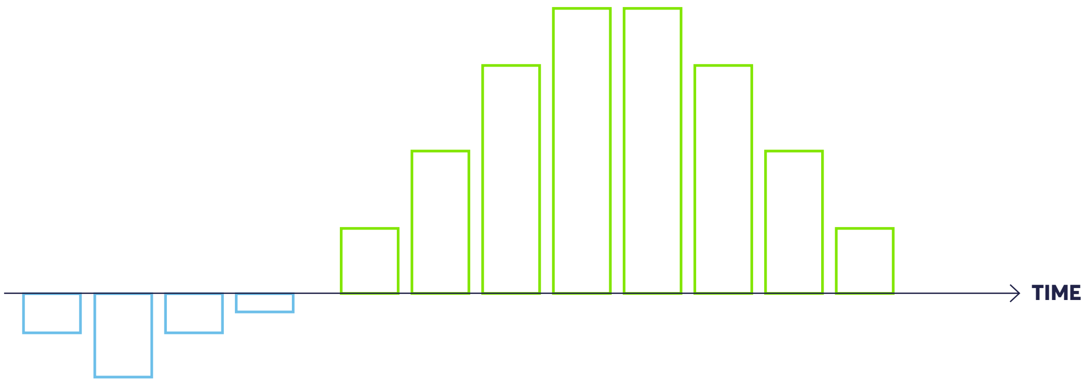
PROJECT LIFE CYCLE

The most innovative projects have a relatively long life cycle, comprising:

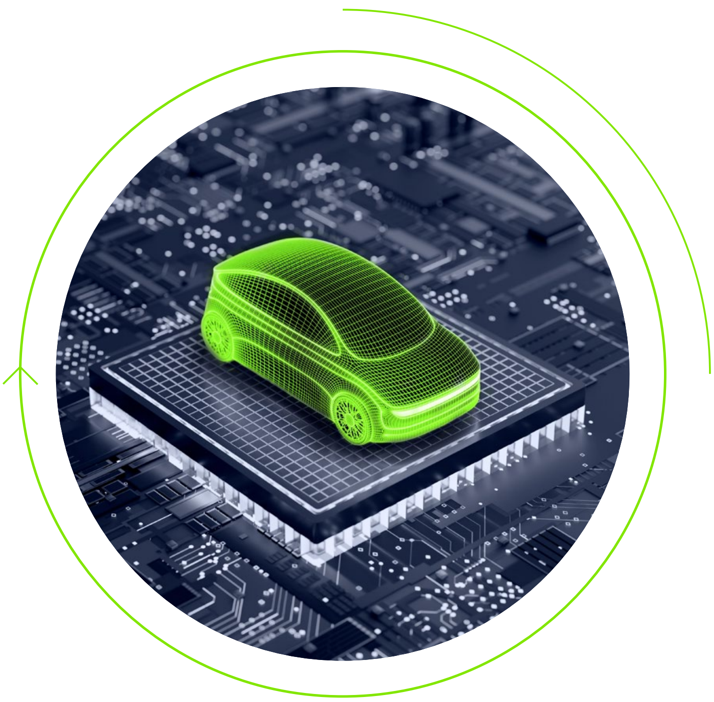
- the **upstream research** phase, which lasts two to four years;
- then the **development** phase, which begins after the order is booked and can last another two to four years;
- and lastly, the **production** phase, which can last up to eight years until the end of the project's life.

Project cash flow cycle

4 to 8 years
Production phase



2 to 4 years
Investment phase



The typical project life cycle presented above is summarized from all of Valeo's many different projects. Cash flows may vary from one project to another.

Product positioning

Thanks to its technological solutions, Valeo is ideally positioned to **serve the megatrends shaping tomorrow's cleaner, safer, more diverse mobility market.** The four Business Groups are constantly innovating, to offer widely affordable products to meet every need.

DEVELOPING A SAFER, MORE IMMERSIVE IN-CABIN DRIVING EXPERIENCE

The Comfort & Driving Assistance Systems Business Group designs and markets advanced driver assistance (ADAS) solutions:

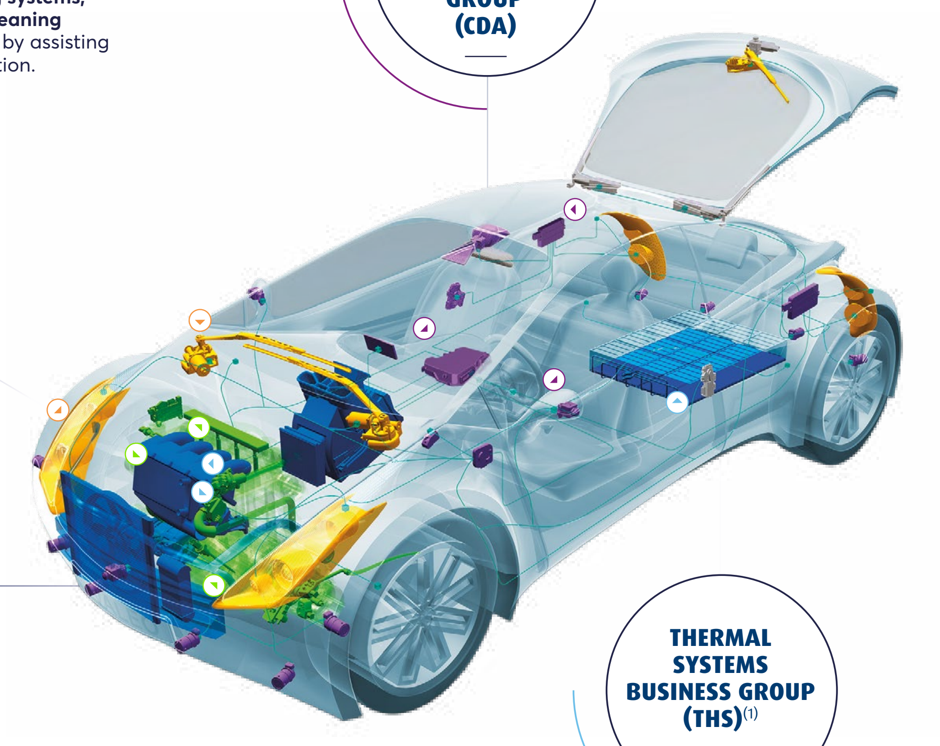
- **external sensors** (cameras, LiDAR, etc.);
- **interior systems** to monitor the driver (interior camera) and improve life on board (head-up display);
- **data or zone control units and onboard computers;**
- **embedded software.**

COMFORT & DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP (CDA)

OPTIMIZING VISIBILITY FOR BETTER SAFETY AND MORE FREEDOM OF DESIGN

The Visibility Systems Business Group designs and produces **innovative, smart exterior and interior lighting systems, wiper systems and sensor cleaning systems** that improve safety by assisting drivers in every driving situation.

VISIBILITY SYSTEMS BUSINESS GROUP (VIS)



POWERTRAIN SYSTEMS BUSINESS GROUP (PTS)[1]

THERMAL SYSTEMS BUSINESS GROUP (THS)[1]

ENABLING LOW-CARBON MOBILITY

The Powertrain Systems Business Group offers a comprehensive range of **electrification solutions** for hybrid and electric vehicles, from mild-hybrid 48V systems to high-voltage electrification systems (electric motors, inverters, onboard chargers, etc.), as well as automated and hybrid **transmissions systems**.

DECARBONIZING MOBILITY AND OPTIMIZING ENERGY MANAGEMENT

The Thermal Systems Business Group offers an array of **solutions for electric vehicles:**

- **battery thermal management**, to maintain range and battery life and facilitate rapid charging;
- **cabin thermal management**, including heat pumps and other energy-efficient equipment.

These innovations are improving the efficiency of thermal systems and enhancing onboard comfort.

(1) A project was presented to employee representative bodies on January 3, 2024 to merge the Powertrain Systems Business Group and the Thermal Systems Business Group, both of whose products play a core role in vehicle electrification. This would enable the Group to offer customers a consistent, comprehensive, end-to-end range of solutions.

Sustainable development, the Group's DNA

Sustainability is embedded in Valeo's DNA.

A member of the UN Global Compact since 2004, Valeo has structured its sustainable development commitment around a dedicated department since 2011.

The Sustainable Development Department is part of the Strategy and Research & Development Department.

The Group's Sustainable Development strategy is supported by four pillars closely aligned with the Group's challenges, addressing seven of the UN's Sustainable Development Goals.

To measure its performance, **Valeo has defined 20 priority non-financial performance indicators, with targets for 2025 and/or 2030**.

The four pillars of the Sustainable Development strategy

1 INNOVATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — 11 SUSTAINABLE CITIES AND COMMUNITIES — 13 CLIMATE ACTION

- Low-carbon mobility solutions

2 ECO-ENVIRONMENTAL EFFICIENCY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Carbon efficiency
- Waste
- Water

3 EMPLOYEES

4 QUALITY EDUCATION — 5 GENDER EQUALITY — 8 DECENT WORK AND ECONOMIC GROWTH

- Health and safety
- Training
- Fostering diversity
- Quality of worklife

4 SOCIAL RESPONSIBILITY

4 QUALITY EDUCATION — 11 SUSTAINABLE CITIES AND COMMUNITIES

- Integration across the value chain
- Local community engagement

THE EUROPEAN TAXONOMY

EU Taxonomy reporting illustrates Valeo's sustainable positioning thanks to its high-tech electrical, thermal and visibility solutions.

2023	Turnover	CapEx	OpEx
ELIGIBLE PORTION[1]	21%	14%	19%
ALIGNED PORTION	19%	13%	19%

Valeo performed well in 2023, with alignment of almost 100% for each indicator (turnover, capital expenditure and operating expenses) relating to eligible activities under the climate change mitigation objective.

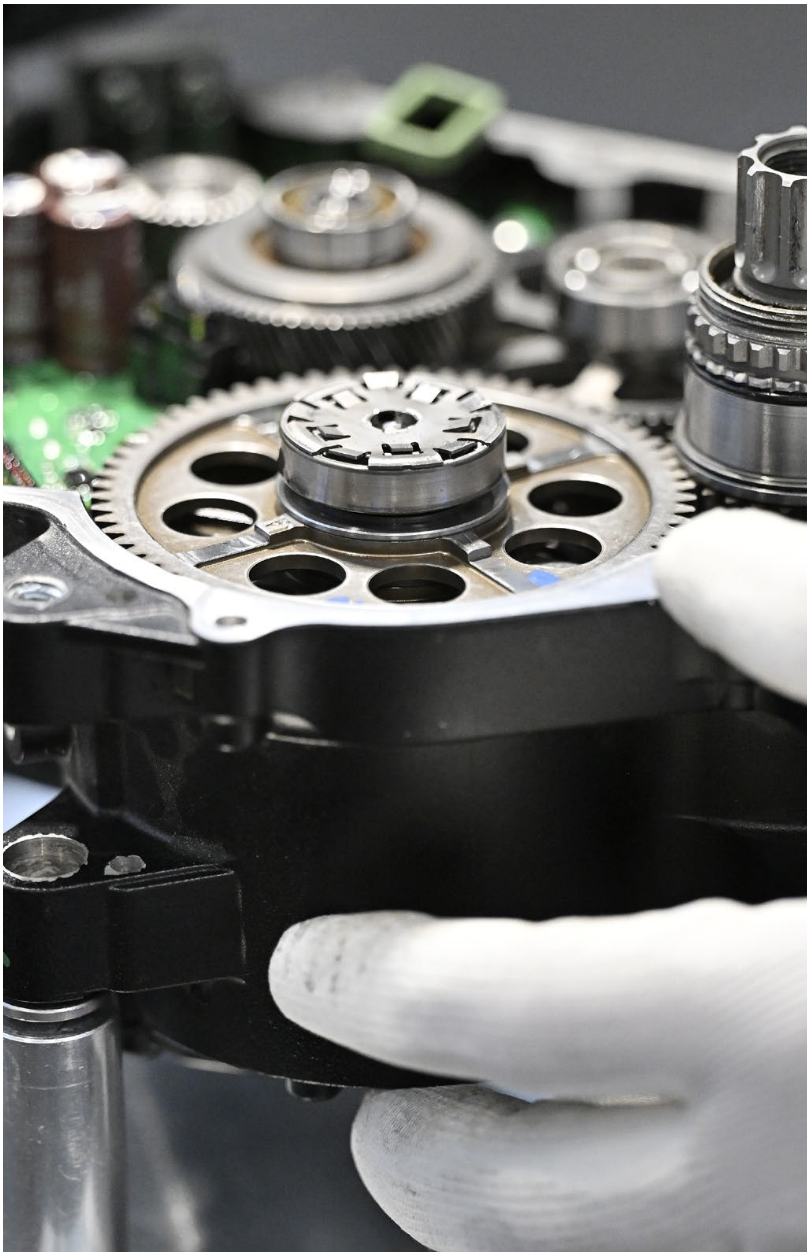
100%

A major proportion of Valeo's turnover (sales), CapEx (capital expenditure) and OpEx (operating expenses) is eligible under Taxonomy rules.

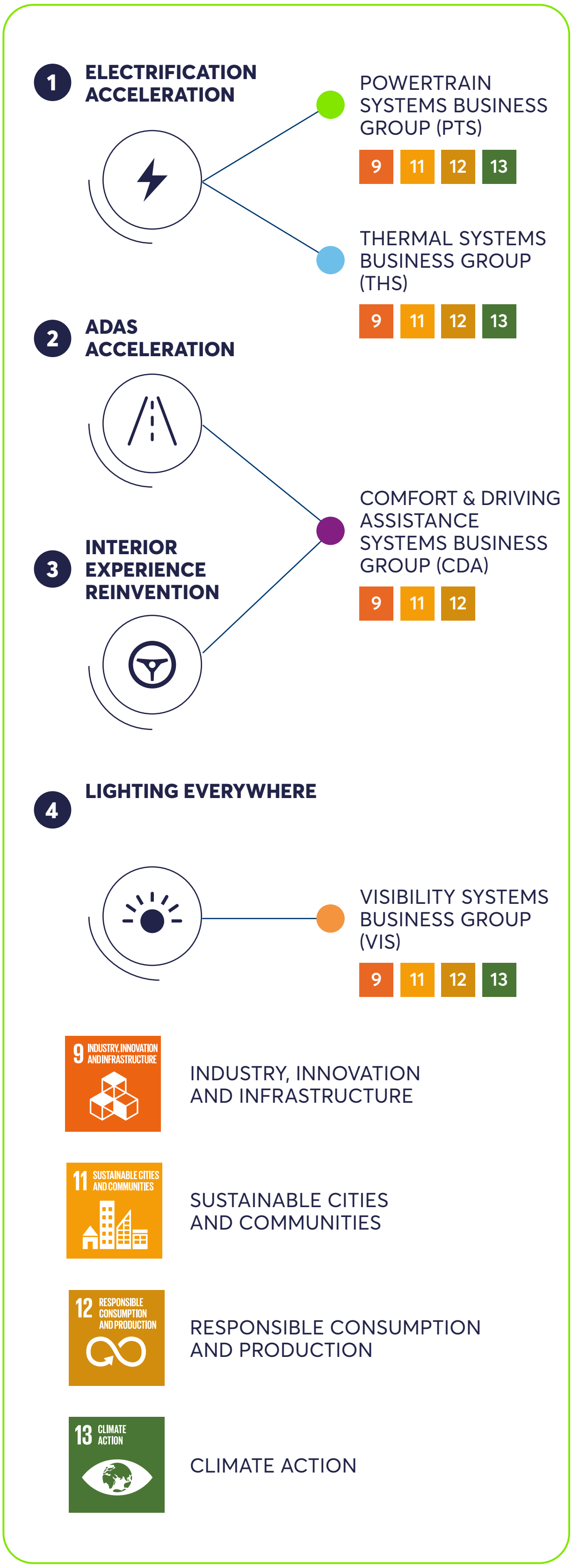
The aligned portions are very high, reaching 100% in almost every key indicator.

(1) In Taxonomy categories 3.4, 3.18, 3.6, 5.1, 5.2, 6.5.

MARKET TRENDS



Megatrends and the aftermarket



Megatrends

To address the transition to safer, cleaner mobility, **Valeo has identified four structural growth megatrends**:

- Electrification acceleration
- ADAS[1] acceleration
- Interior experience reinvention
- Lighting everywhere

For Valeo, these megatrends are driving a sharp increase in value of content per vehicle. In addition, each one is directly helping to advance several of the UN's Sustainable Development Goals.

All four Business Groups are positioned in at least one of these megatrends. Of the four, ADAS and electrification offer the most growth opportunities for Valeo over the long term.

In the case of ADAS, more complex driving situations mean higher levels of automation and more sensors and control units fitted on board each vehicle.

As for electrification, shifting to electric mobility demands a full range of electrification solutions, from hybridization to mild and high-voltage electrification (electric motors, inverters, onboard chargers, etc.), all of which considerably increase content per vehicle.

Aftermarket

The aftermarket segment is enjoying resilient growth, led by:

- the rising average age of vehicles on the road;
- growing digitalization and the development of new assistance services;
- our product diversification strategy; and
- the network's geographic expansion into new markets such as China and the United States.

The aftermarket offers a compelling response to the social responsibility challenge of improving circularity. Replacing end-of-life parts with similar quality refurbished parts, for example, not only optimizes materials use, but also enables us to offer products at lower cost.

(1) ADAS: advanced driver assistance system.

Electrification acceleration

The electrification market is expected to see robust growth through 2030, expanding nearly four-fold over the decade to around 150 billion euros[1]. Expansion is being led by the **high-voltage** segment (e-powertrain market), **40% of which is outsourced to equipment manufacturers.**

For Valeo, electrification means around a five-fold increase in content per vehicle by 2030. While in the short term, growth in the electrification market is volatile, particularly in Europe, **Valeo intends to increase the value of its content per vehicle over the medium to long term.**

In addition, the Group is committed to leveraging its **expertise in 48V systems,** to seize growth and diversification opportunities in **light two-, three- and four-wheeled land mobility platforms,** such as electric bicycles, tricycles and scooters, small city electric vehicles and automated droids.

Thermal systems are also benefiting from the growth in electrification. Thermal management is critical to optimizing electric vehicle range, supporting ultra-fast battery charging and preserving battery life.

ELECTRIFICATION MARKET[1]

(in billions of euros)

Powertrain and thermal (e-thermal) systems for electrified vehicles

(1) Source: Valeo, February 2024.

OUTSOURCED HIGH-VOLTAGE MARKET

(2) OBC: onboard charger.
(3) DC/DC: direct current.

Electric motor
30%
outsourced to automotive suppliers

Inverter
40%
outsourced to automotive suppliers

OBC[2]- DC/DC[3]
90%
outsourced to automotive suppliers

FAVORABLE REGULATORY DEVELOPMENTS

New national legislation is spurring a gradual increase in the proportion of electric vehicles in new vehicle production, which is expected to rise to 25% by 2030.

European Green Deal "Fit for 55"

A firm commitment to electric vehicles

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

GROWTH IN THE TAKE-UP OF ELECTRIC TECHNOLOGY

Yesterday

Beginning of the electric car
- Pioneer
- Passion for technology
- Sensitivity to climate issues

Today

Increasing take-up of electric cars
- Innovation
- Subsidies
- Regulations
- New models
- Convenience
- Performance

Tomorrow

Electric cars the norm
- Obligation
- New electric vehicle models
- Autonomy
- Charging speed
- Performance ++
- Running costs
- Infrastructure
- Recyclability
- Contributing to carbon neutrality

Advanced driver assistance systems (ADAS) acceleration

By 2030, the global market for advanced driver assistance systems (ADAS), software-defined vehicles and the interior experience reinvention is expected to more than double in less than a decade. The momentum is being fueled by **driver expectations** for smarter, more intuitive, more connected cars and by **legislation** pushing the market towards safer vehicles.

Today, nearly 50% of vehicles are equipped with ADAS, **a percentage that will rise to more than 90% of new vehicles** in 2030.

With its **broad portfolio of sensors, control units, advanced cameras, software, artificial intelligence, cybersecurity and other ADAS products,** Valeo is reaping the benefits of this increase in content per vehicle, with a multiplier of around 2.5, and the market penetration of its technologies.

As the world's leading manufacturer of ADAS sensors, Valeo has already supplied **more than 1.5 billion units over the past 30 years and will produce another 1.5 billion over the next five years.**

THE ADAS, SOFTWARE-DEFINED VEHICLE AND INTERIOR EXPERIENCE REINVENTION MARKET[1]

(in billions of euros)

● New opportunities arising from software-defined vehicles and software as a product solutions

(1) Source: Valeo, February 2024.

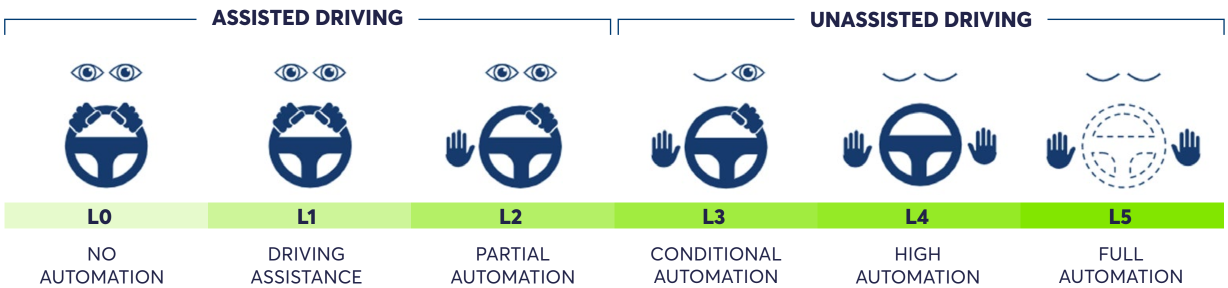
THE STRONG GROWTH IN ADAS IS BEING SUPPORTED BY:

- **consumer demand for** safer, more comfortable vehicles promising more free time at the wheel and higher tech content;
- **and increasingly stringent regulations.** In **the European Union**, for example, all new vehicles marketed after July 2024 will have to be equipped with active safety systems covering advanced emergency braking, intelligent speed assistance, a lane departure warning and a driver drowsiness and distraction warning.

The systems require an increasing number of cameras and sensors both inside and outside the vehicle.

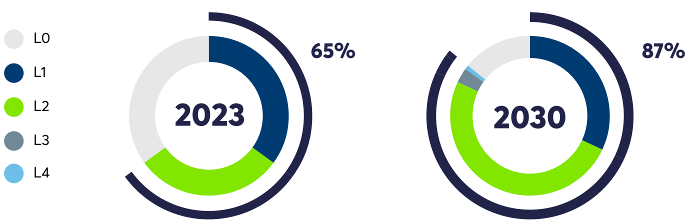
SAE[2] AUTOMATION LEVELS

L = Level



(2) SAE: Society of Automotive Engineers.

TAKE-RATE OF ADAS CONTINUES TO INCREASE



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

Interior experience reinvention

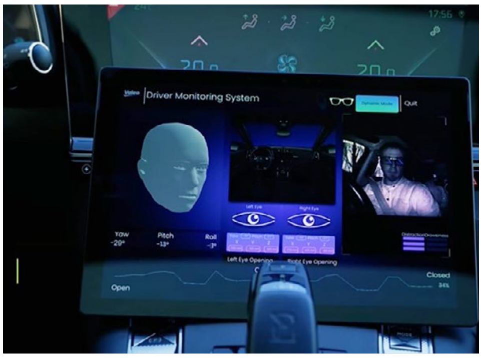
The interior experience reinvention market is going to expand significantly in the coming years, with around **10% average annual growth between now and 2030.** By 2030, **it is estimated that 90% of new cars will be connected.**

This growth is being driven by accelerating consumer demand for comfort and safety with intuitive interfaces and by favorable regulations making driver monitoring systems (DMS) mandatory in Europe from July 2024.

"By 2030, it is estimated that 90% of new cars will be connected."

SAFETY

HEAD-UP DISPLAY



DRIVER MONITORING

COMFORT

5G TELEMATICS CONNECTIVITY

INTERACTIVE SURFACES

Vehicle lighting

In addition to playing an essential role in improving driving visibility, lighting systems have become a powerful vector for improving road safety, given that **72% of fatal accidents occur at night,** when visibility is poorest.

Business Group growth is being driven by **safety concerns and regulations** through the content per vehicle multiplier.

Lighting improves the vehicle's communication with its environment, as well as onboard driver and passenger comfort.

It also offers automakers **a source of differentiation** with new, increasingly efficient technologies.

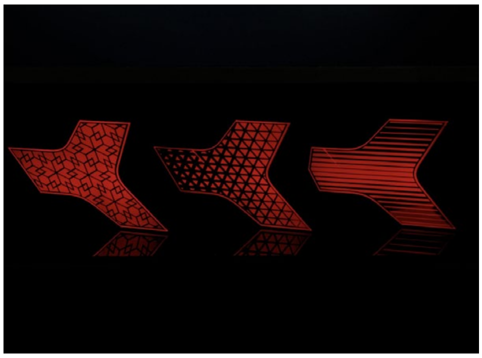
It is a business that demands a high level of industrial expertise, as well as increasingly prominent software skills.

THE LIGHTING and wiper systems market[1]
(in billions of euros)

(1) Source: Valeo, February 2024.

"Lighting improves the vehicle's communication with its environment, as well as onboard driver and passenger comfort."

FRONT LIGHTING



REAR LIGHTING

...LIGHTING EVERYWHERE

STRATEGY

Innovating to support more sustainable mobility and the climate transition

Since 2009, Valeo has been developing technological products and solutions to support more sustainable mobility. With automotive and truck transportation accounting for almost 18% of all greenhouse gas emissions[1], every stakeholder across the value chain has a responsibility to take action. **Valeo is assertively facilitating the transition to cleaner, safer mobility** with products that have a direct impact on reducing new vehicle greenhouse gas emissions and improving road safety.

Reducing or avoiding carbon emissions thanks to our electrification technologies

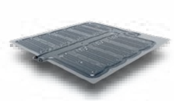
POWERTRAIN SYSTEMS BUSINESS GROUP (PTS)

E-MOTOR

POWER ELECTRONICS

THERMAL SYSTEMS BUSINESS GROUP (THS)

HEAT PUMP



BATTERY THERMAL MANAGEMENT

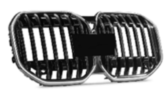
Improving road safety thanks to our driving assistance and visibility technology

COMFORT & DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP (CDA)

ULTRASONIC SENSOR

INTERIOR CAMERA

VISIBILITY SYSTEMS BUSINESS GROUP (VIS)

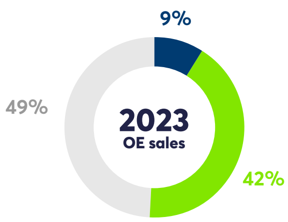


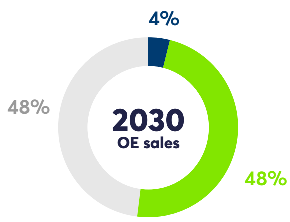
LED-ILLUMINATED GRILLES

MATRIX & PIXEL LIGHTING

INCREASING EXPOSURE TO THE ELECTRIFIED VEHICLE SEGMENT[2]

% of OE sales





PTS & THS

- Products for internal combustion engines
- Electrified vehicles

CDA & VIS

- Powertrain-agnostic technologies

(1) Source: Road mobility, August 1, 2022, By Timo Möller and Patrick Schaufuss, & Global emissions by industry (Répartition sectorielle des émissions dans le monde), Ministère de la transition écologique.
(2) Source: Valeo, February 2024.

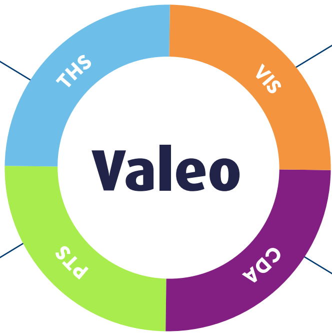
Commercial partnerships

A core component of Valeo's strategy, commercial partnerships are **win-win** arrangements designed to **share development costs and shorten new product time-to-market**. Commercial partnerships have been formed in **each of the Business Groups with renowned companies around the world**.

2023 saw the conclusion of a number of partnerships that are strategic for Valeo:

- **in May,** the software-defined vehicle partnership with **Renault**, following on from the partnership with BMW in 2022;
- **in October,** the high-definition imaging radar partnership with **Mobileye**, following on from the successful 2015 partnership in front-facing cameras.

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



Strategic alliance for the development, production and marketing of illuminated front grilles and panels for the Chinese automotive market.

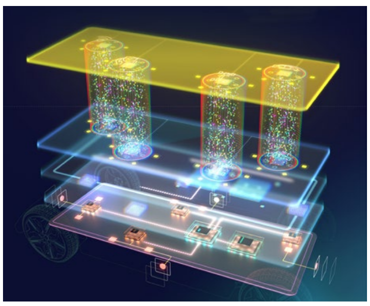
Strategic alliance to provide exterior illuminated front panels in North America and Europe.

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

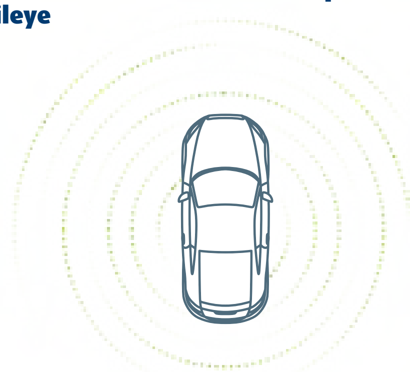
Major contract with the BMW Group for which Valeo will provide the ADAS domain controller, sensors and software for parking and low-speed maneuvering on the next generation BMW "*Neuer Klasse*" platform, due to launch in 2025.

The software-defined vehicle partnership with Renault

- Renault Group and Valeo have extended their collaboration on the software-defined vehicle (SDV).
- Valeo will supply key electrical and electronic components for the SDV, including the high-performance computer, and help to develop software.
- With Google, Qualcomm and Valeo, Renault Group is expanding its tech ecosystem and gaining proficiency across the SDV value chain.



The high-definition camera and radar partnership with Mobileye



- Since 2015, Valeo has delivered 20 million front-facing cameras to Mobileye. This is a fast-growing market, with around 90% of new vehicles expected to be equipped with the technology by 2030.
- Building on the success of their initial collaboration, Mobileye and Valeo have signed a new partnership in imaging radars.
- The next generation will offer a detailed, four-dimensional image of surroundings with a range of up to at least 300 m, with 10 times better resolution than traditional radars, which improves Level 2+ autonomy and is crucial for Level 3 and higher.

(1) Electrically Excited Synchronous Motor.

Human capital

Valeo employs more than 110,000 people worldwide in its production plants, R&D centers and headquarters. These employees are **an essential asset** for the Group, which means that the Human Resources Department has a major role to play in managing and developing our human capital.

GENDER EQUALITY

33.1%
WOMEN IN THE WORKFORCE

88.9 pts(1)
GENDER EQUITY INDEX

Interview with Agnès Park, Chief Human Resources Officer

What are Valeo's main Human Resources challenges?

Agnès Park: Valeo's human resources community is extremely vast, with a broad spectrum of job families from research and engineering to production and aftermarket service. Our human capital stems from the very wide variety of profiles and backgrounds among our employees. So we are, by nature, representative of the Company. Our main HR challenge is to help our people develop more effectively, by offering programs that are both tailored to employee needs and consistent with the growth in our business. In terms of strategy, this requires us to be at once highly results-oriented and capable of 360 degree thinking, to address all the job levels in our operations worldwide. In terms of action, this means aligning our capabilities with market needs, particularly technological needs, and upgrading leadership skills across the managerial chain, in a spirit of inclusion and respect – two values dear to Valeo.

Inspire

In 2023, Valeo launched the **INSPIRE** leadership development program for all its senior managers, totaling around 550 people. Designed and delivered in partnership with the London Business School, the 18-month program is designed to enhance the managers' leadership profiles, so that they can respond agilely to new situations and needs.

The program includes three main aspects of leadership: (i) improving business impact; (ii) strengthening personal impact and building trust; and (iii) motivating and empowering high-performance teams in a fast-paced environment.

Attracting and retaining talent is becoming a major concern for every organization. How is Valeo's approach different?

A. P.: Today, we're in a period when skills are scarce, so there's more competition to attract and retain the best talent. Our hiring initiatives focus on the many opportunities, particularly in-house, for training and skills development, and on leveraging personal ties and solidarity to support intergenerational

CULTURAL DIVERSITY

141
NATIONALITIES

GENERATIONAL DIVERSITY

26.4%
EMPLOYEES
AGED 20 TO 29

DISABILITY

1.9%
EMPLOYEES
WITH DISABILITIES

skills handover, thanks to our network of more than 2,000 in-house experts and trainers. This is how Valeo, which celebrated its 100th anniversary in 2023, has succeeded in reinventing itself several times despite the constant change in its markets. Valeo is also extremely attentive to the workplace environment, particularly for the production workstations. Lastly, our Group is conscientiously working to decarbonize mobility, a commitment that is very meaningful to our employees – by working at Valeo, they're helping to advance the climate transition.

What progress has been made in increasing women's representation in the workforce? What specific initiatives are planned to meet the target of 32% women in the top 300 by 2030?

A. P.: The manufacturing industry suffers from a lot of unconscious image bias among women. Together with our industrial peers, we need to gradually reinvent manufacturing, so that it becomes more attractive to women. As of end-December 2023, 23.6% of our Management Committee members were women. Valeo has made steady progress in this metric from the initial 16% when it was introduced in 2018, but still needs to step up efforts to get more women into the workforce and particularly onto our Management Committees. That's why we've set an ambitious, proactive target of 32% in 2030. But this requires a bolder strategy, one that pushes us to be daring – daring to retain more diversified and less conventional profiles, daring to accelerate the careers of women with less traditional career paths.

Valeo firmly believes in the importance of diversity of its employees at all levels of its organization and in all areas of the Company. Valeo works for diversity, equity and inclusion, key elements of its culture, in four areas:

- gender equality;
- intergenerational cohesion;
- cultural diversity;
- the inclusion of people with disabilities.

Pulse, the annual engagement survey of Valeo employees

Since 2021, Valeo has measured employee engagement once a year with the Pulse survey. In 2023, 81% of employees responded to the survey, four points higher than in 2022.

Available in 23 languages and sent to 94,000 eligible employees in 29 countries, Pulse provides a clear snapshot of employee engagement. The findings enable teams to capitalize on identified strengths and recommend improvement action plans, so that everyone can thrive in their workplace environment.

(1) The Gender Equity Index covers all sites located in countries worldwide with at least 150 Managers and Professionals. It is based on performance in five criteria.

Climate strategy

Valeo's Climate strategy is pursuing two main pathways:

1 Significantly reducing its direct and indirect carbon emissions with **the CAP 50 plan**

2 Supporting the circular economy with the dedicated **4R program**

1

THE CAP 50 PLAN: A DUAL OBJECTIVE

CAP 50 SCIENCE BASED TARGETS BUSINESS AMBITION FOR 1.5°C

On February 4, 2021, **Valeo unveiled a plan to contribute to carbon neutrality.** Known as CAP 50, the plan covers the entire value chain, including suppliers, operating activities and the end use of products sold by the Group (Scopes 1 and 2 direct and Scope 3 indirect emissions).

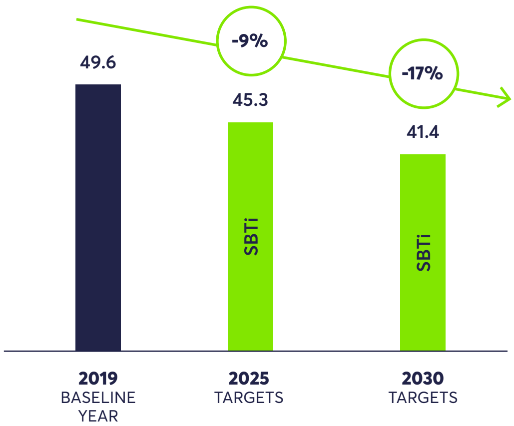
Valeo is committed to:

- **achieving net zero** 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);
- **reducing Scope 1 and 2 emissions** from its operating activities by 75% and its upstream (supply chain) and downstream (product use) Scope 3 emissions by 15%, in absolute terms, by 2030 compared with the 2019 baseline. In all, Valeo aims to reduce its emissions across all scopes by 17% by 2030. These targets have been approved by the SBTi[1].

In addition, Valeo's technologies are expected to enable third parties to avoid 13.6 $MtCO_2$eq. of greenhouse gas emissions, or the equivalent of 27% of its 2019 baseline emissions.

EXPECTED REDUCTION IN CO_2 EMISSIONS IN METRIC TONS AND PERCENT

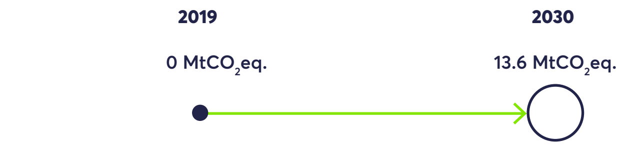
(% reduction compared with the 2019 baseline year)



2030 CO_2 EMISSIONS REDUCTION TARGETS BY SCOPE VALIDATED BY SBTI

(compared with the 2019 baseline year)

THIRD-PARTY EMISSIONS AVOIDED



(1) Science Based Targets initiative.

2

THE CIRCULAR ECONOMY POLICY STRUCTURED AROUND FOUR PILLARS

According to the *Circularity Gap Report*, the global economy's is barely circular today, with only 7% of resources cycled back into use. Aware of the importance of the circular economy in its industry and markets, **Valeo deployed the 4R circularity program in 2022 and strengthened it in 2023**.

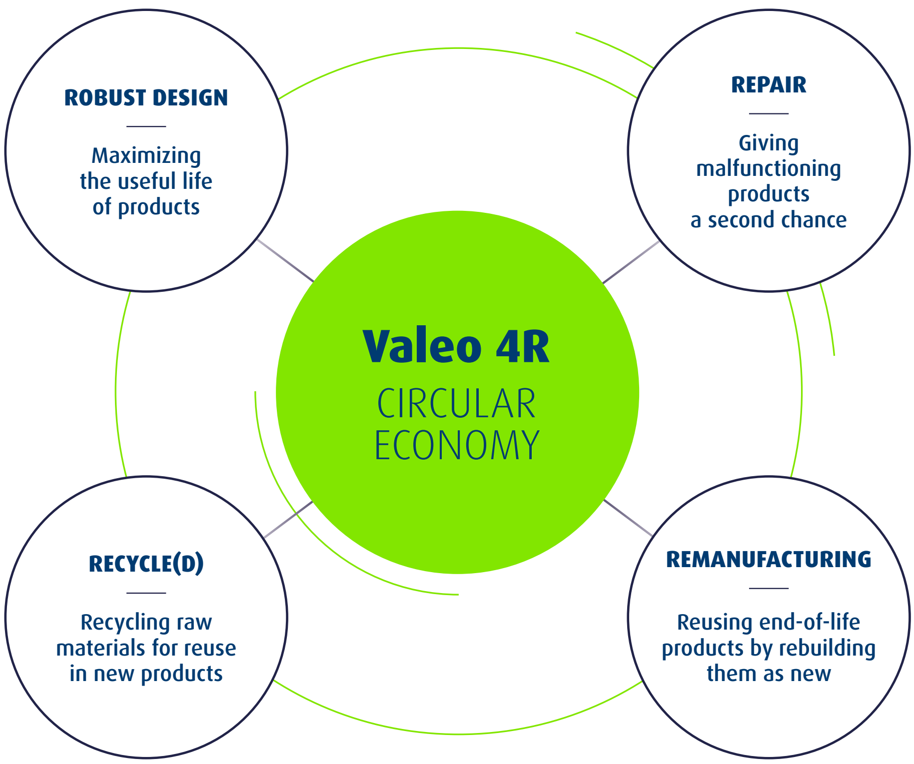
The program addresses the full range of circularity issues, based on four pillars as described below. In particular, the approach focuses on:

- preventing and managing waste
- collecting damaged or obsolete assembled products from across the Group
- recycling process waste
- reusing packaging materials
- and sustainably using resources, with policies and action plans covering water use and supply and the more efficient use of fewer raw materials

The 4R program is proving to be most impactful in the development of Valeo's aftermarket business. In December 2023, Valeo and Stellantis signed a major circular economy strategy cooperation agreement to launch the first windshield-mounted video front camera remanufactured by Valeo at its Circular Electronics Lab in Nevers, France.

Valeo is committed to gradually extending its 4R program:

- **to all its geographies,** whereas it is currently focused mainly on Europe;
- **to all products, including electronics.**



Suppliers

Valeo's supplier relationships are anchored in quality, service, competitiveness, innovation and technology. This is reflected in the purchasing policy's sustainability objectives.

It is also reflected in Valeo's commitment to supporting suppliers in their sustainability initiatives. Valeo's sustainability standards are systematically included in agreements with suppliers, who are expected not only to align their targets with Group commitments, but also to cascade these standards down through their own value chain.

Valeo has also set up a training program to help suppliers ramp up their skills in addressing sustainability issues, with a particular focus on reducing their greenhouse gas emissions.

KEY FIGURES

1,986 suppliers account for **95%** of purchased production inputs

10 largest suppliers represent **14.3%** of purchases

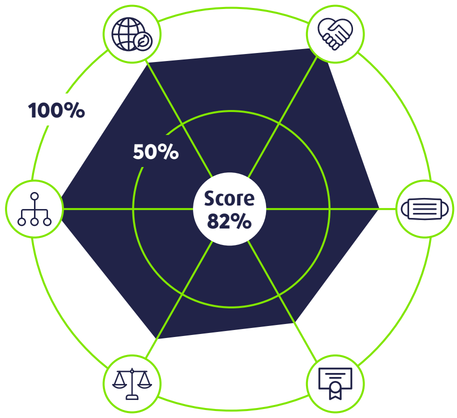
Assessing and supporting suppliers' sustainable development practices

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

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

IN 2023 **85%** **of Valeo's purchased production inputs were covered by a self-assessment questionnaire.**

EXAMPLE OF SUPPLIER ASSESSMENT



SPOTLIGHT ON THE CAP 50 PLAN AND UPSTREAM SCOPE 3 EMISSIONS REDUCTION

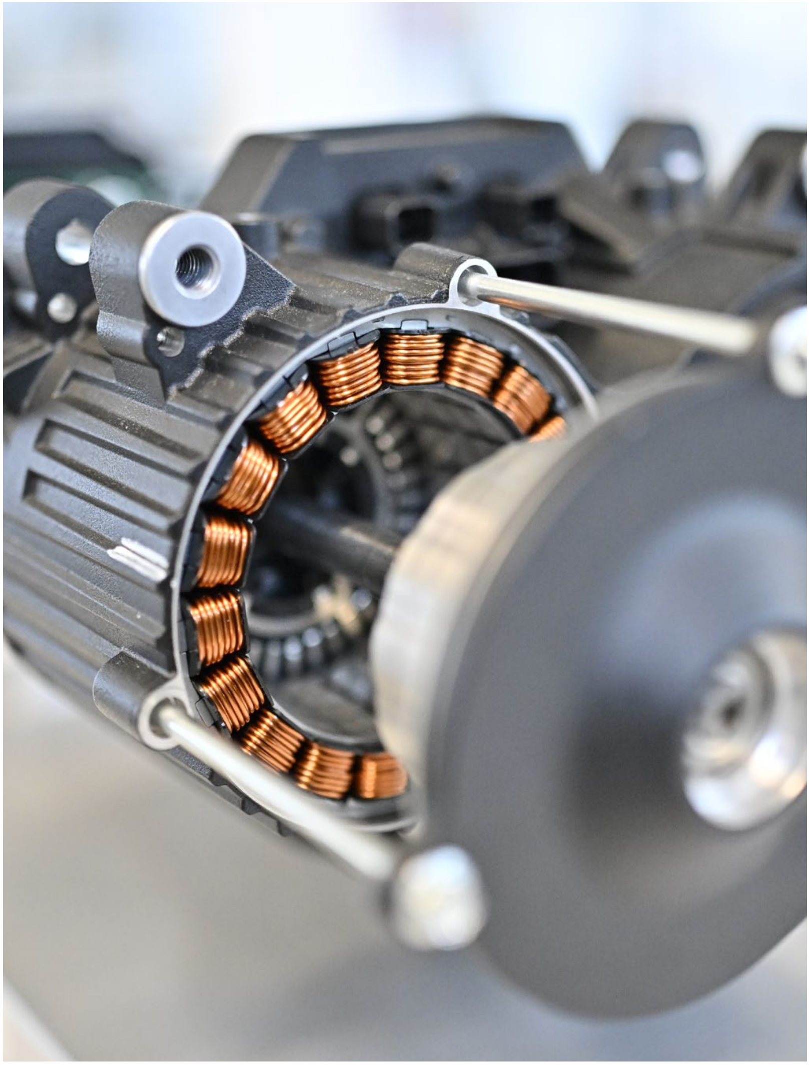
To meet its targets on reducing upstream Scope 3 emissions and help its suppliers improve their carbon maturity, Valeo sets deadlines and objectives for them depending on their level of maturity. Valeo has established four maturity levels (from 0 to 3). By 2025, all suppliers will be required to be at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

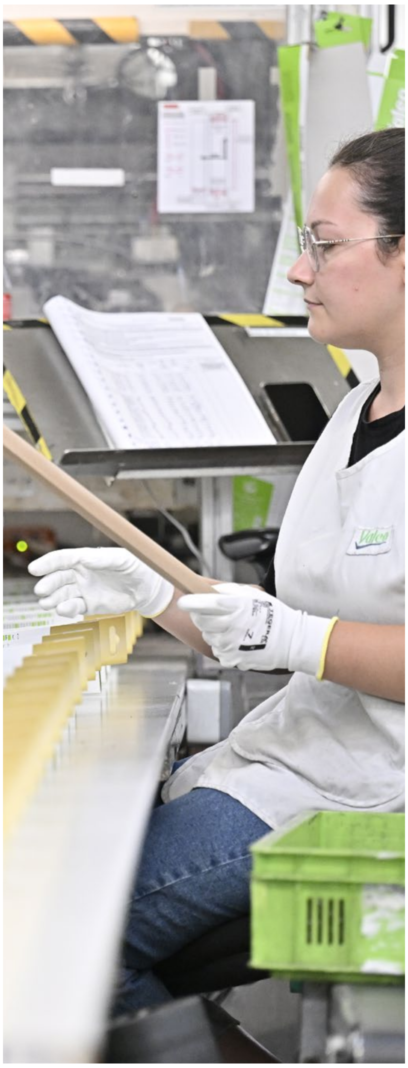
CARBON MATURITY LEVELS

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

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

SOLUTIONS ALIGNED WITH MARKET TRENDS





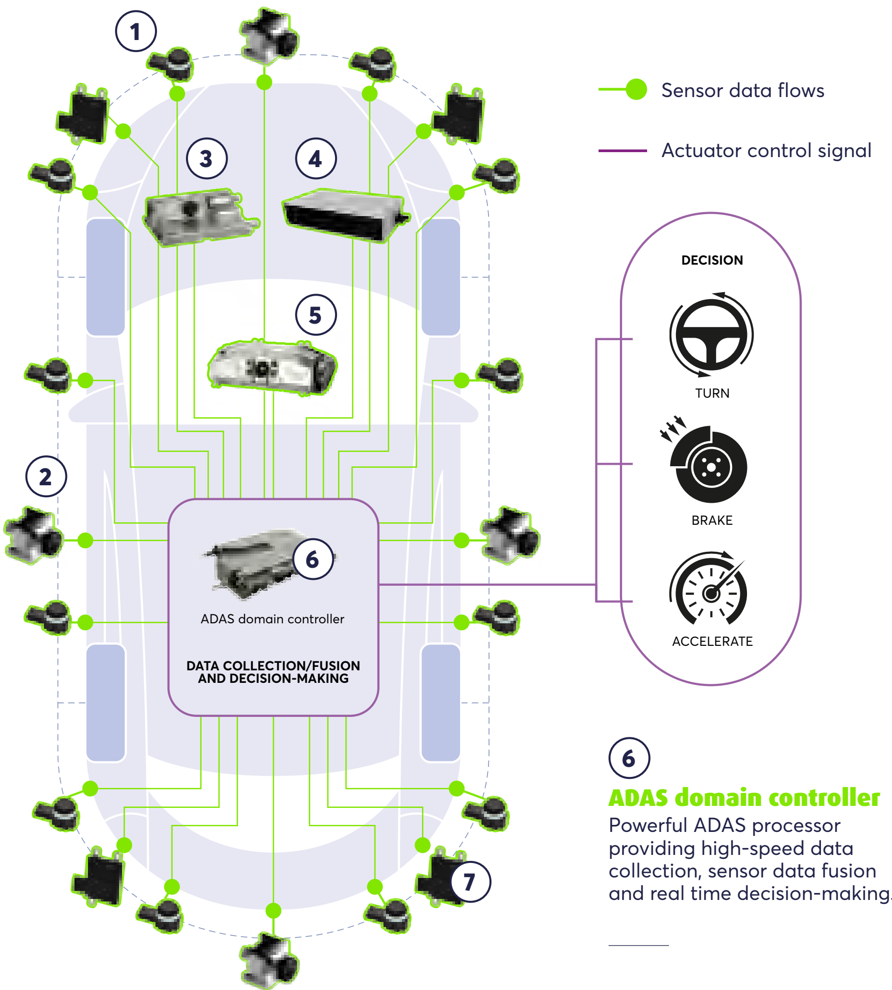
ADAS technological solutions

Valeo offers a comprehensive range of advanced driver assistance systems (ADAS) comprising components, instrumentation (sensors) and control units (domain and zone controllers), as well as functional software delivering active safety features and supporting Level 2+ automation and above[(1)].

With this triple expertise in sensors, electronics and software, Valeo is now positioned as an ADAS **integrator-validator**.

The Group enjoys proficient **ADAS** expertise, enabling it to produce ever-more efficient solutions at optimal cost. Today, Valeo is the world leader, equipping **one out of every three new cars** on the market.

In 2023, more than half of the Group's order intake was for advanced driver assistance and software-defined vehicle solutions. Building on its success, during the year, the Group launched the new **Valeo anSWer** software suite.



1

Ultrasonic sensor

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

2

Surround-view camera

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

3

Front camera

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

4

LiDAR

Sensor using a laser beam to scan and display a 3D vision of the vehicle's surroundings, and to detect, classify and track objects and road markings up to more than 200 m. As the latest generation of autonomous vehicle sensors, LiDAR can also accurately position the vehicle on a high-definition map to within just a few centimeters.

5

Interior camera

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

6

ADAS domain controller

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

7

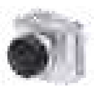
Radar

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

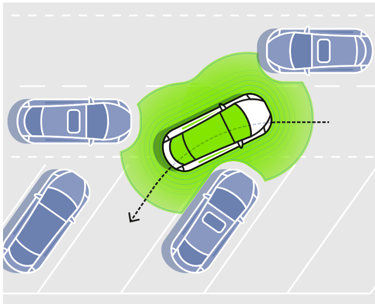
(1) See page 18.

Low-speed maneuvering & parking assistance

Ultrasonic sensor



Surround-view camera



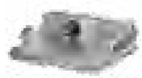
Valeo develops all **parking assistance solutions**, including sensors and functional software, from entry-level to fully automated systems.

Autonomous parking applications, in which the system takes control of steering, accelerating and braking, requires a set of sensors that includes **ultrasonic sensors and surround-view cameras.**

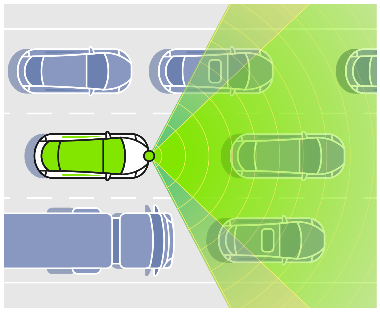
Valet parking applications (i.e., in which the driver is not in the vehicle) require a broader set of sensors, with various possible arrangements between vehicle-mounted and infrastructure-mounted.

High-speed driving assistance

SCALA LiDAR 3



Front camera

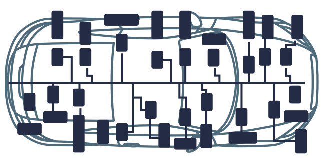


Valeo's ADAS solutions can be used to **delegate driving** in many situations (Level 2 automation[1] and above), including on the highway at speeds of up to 130 km/h. Our sensor and software-based perception systems enable a vehicle to get a precise picture of its surroundings and support driving assistance functions for greater safety and comfort. In particular, our LiDAR can detect an object, such as a tire, left on the roadway at a distance of more than 150 m, thereby preventing collisions, and paves the way for Level 3 automation capabilities, such as traffic jam assist.

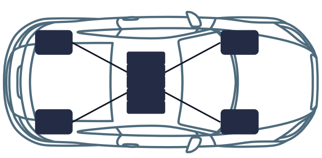
The software-defined vehicle

The vehicle of tomorrow is being developed under the emerging software-defined vehicle concept, whose software architecture is centralized rather than distributed, as previously. This enables a car's features and functions to be upgraded throughout its lifetime with new, updated or improved applications. **In this new architecture, Valeo supplies:**

- operating systems, application software and related services;
- the high-performance computer controlling vehicle driving strategies and advanced driver assistance systems (ADAS);
- zone controllers to improve power management performance and substantially reduce the amount of wiring;
- power distribution modules;
- ADAS components, such as ultrasonic sensors, driving and parking cameras.



YESTERDAY Distributed architecture



TODAY Centralized architecture

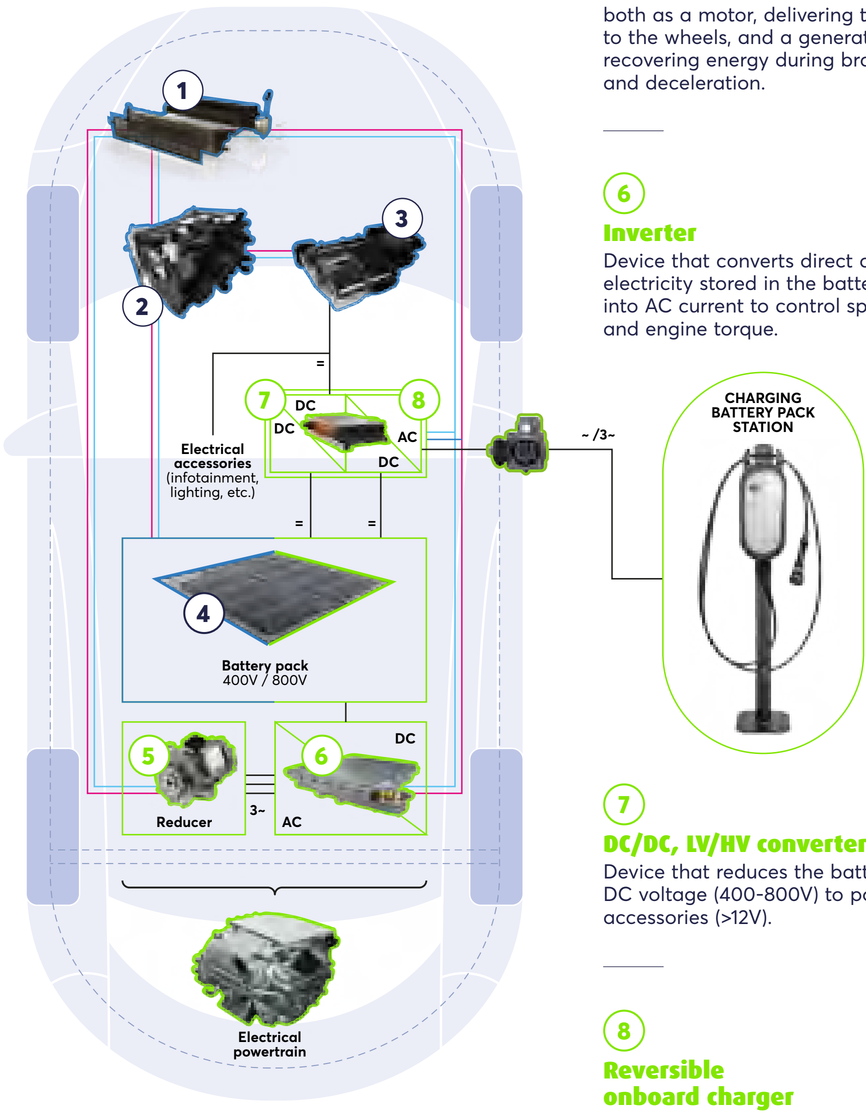
(1) See page 18.

Electric vehicle technological solutions

Valeo supplies an end-to-end range of technological solutions for electric vehicles, covering:

- **powertrain systems**, from low-voltage (LV) to high-voltage (HV) solutions, including electric motors, inverters, onboard chargers and DC/DC converters;
- **thermal systems**, which fully optimize energy efficiency in cooling modules, air-conditioning modules, battery thermal management systems and other components.

The Group holds global leadership positions in each of these markets, with growth expected to remain strong over the medium and long term, particularly in high-voltage applications. Valeo booked 6 billion euros in high-voltage orders in 2023, lifting total backlog since 2021 to around 10 billion euros.



1
Compact, quiet front-end cooling module
Disperses heat and cools the engine, electronics, battery and heat pump.

2
Smart heat pump
Compact and efficient system with an integrated compressor that provides cooling and heat for the vehicle's cooling and heating loops.

3
Silent HVAC module
Regulates cabin temperature and ensures passenger comfort. Electric vehicle HVAC systems are quieter and more efficient.

4
Battery thermal management system
Large heat exchanger to maintain the battery cells in the right temperature range (25-40°C), preserving their lifespan and reliability over time. Also cools the battery during rapid charging.

5
Electric motor
Electric device that can serve both as a motor, delivering torque to the wheels, and a generator, recovering energy during braking and deceleration.

6
Inverter
Device that converts direct current electricity stored in the battery into AC current to control speed and engine torque.

7
DC/DC, LV/HV converter
Device that reduces the battery's DC voltage (400-800V) to power accessories (>12V).

8
Reversible onboard charger
Charges the vehicle battery by converting alternating current from the power grid into direct current. Can also send electricity stored in the battery to the power grid during periods of peak demand.

Powertrain system
Thermal system
Electricity flows
Heating/cooling flows
DC or "=" direct current
AC or "~" alternating current
3~ three-phase power

Aftermarket solutions

Valeo Service offers a variety of mobility aftermarket solutions, supplying both original equipment spares and services to car dealer networks (OES market) and replacement parts to the independent aftermarket (IAM market).

Valeo Service's vision is to be a partner that is: 1 Trusted → 2 Smart → 3 Sustainable → 4 Premium Experience

1

A trusted partner

Valeo Service supports the growth of automotive aftermarket professionals in the vehicle maintenance, crash and repair markets with:

- **solutions for both cars and trucks;**
- responses to the underlying trends reshaping the automotive business, thanks to the Group's original equipment expertise and **innovative solutions developed specifically for aftermarket applications.**

2

A smart partner

Valeo Service is continuing to develop **Valeo Tech@ssist, a smart online technical support platform for garages,** co-designed with auto repair professionals and dealers.

3

A sustainable partner, engaged in the climate transition

To reduce their carbon footprint, vehicle fleets are gradually going electric, opening up aftermarket opportunities for new replacement parts for hybrid and electric vehicles (particularly powertrains and thermal systems). More than ever, Valeo Service is supporting **the circular economy strategies being pursued by car and truck makers.**

4

Premium experience

Every day, Valeo Service teams are dedicated to offering their customers the highest quality and most memorable experience possible. **Recognition of Valeo Service's steadfast customer commitment** was underscored in 2023 **by five awards from four major automotive aftermarket customers:** Supplier of the Year from Nexus Automotive and AutoDistribution International; a double Supplier of the Year award from Groupauto International in the Heavy Duty and Marketing and Workshop Support categories and a Special Recognition Award from Temot, celebrating Valeo's 100 years of Innovation.

150 COUNTRIES COVERED

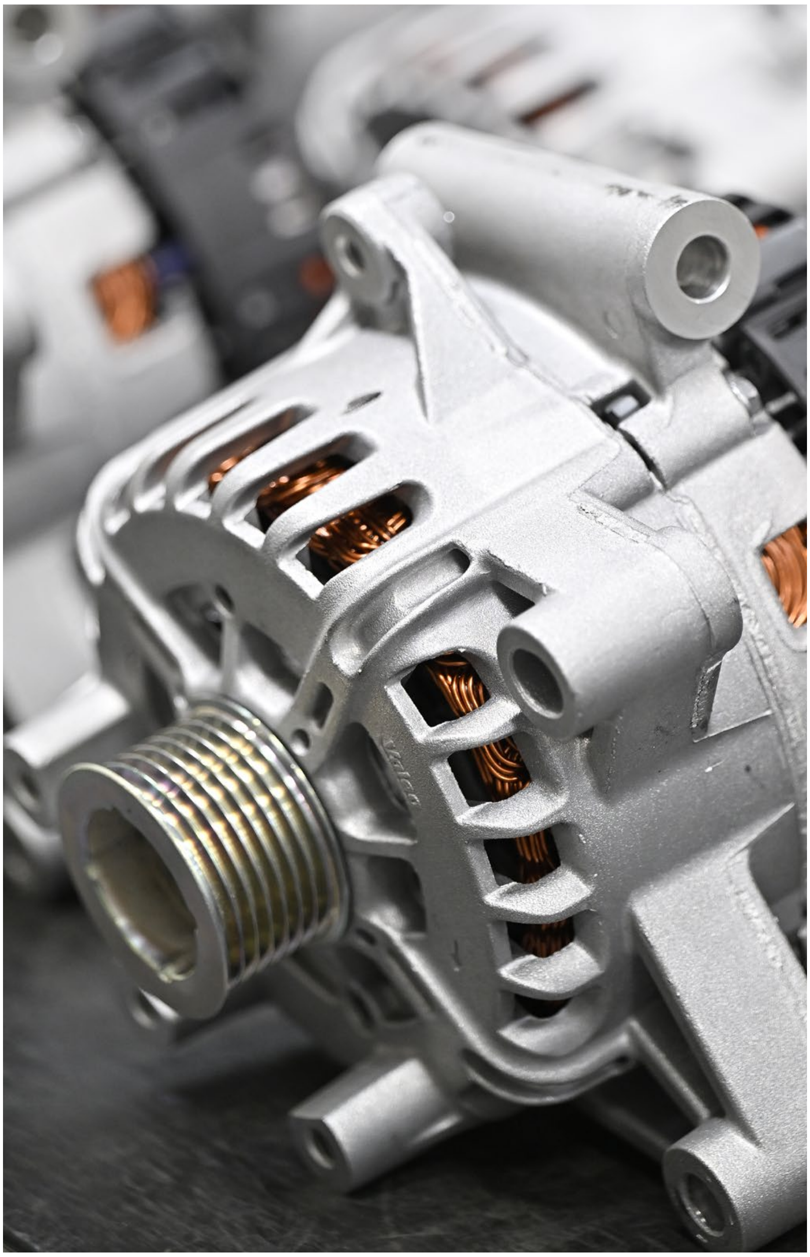
18 DISTRIBUTION PLATFORMS

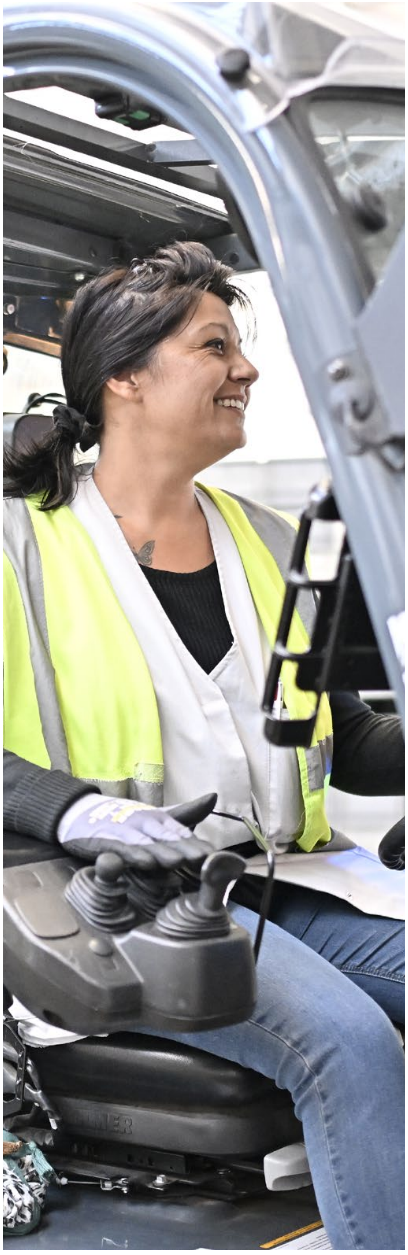
13 PRODUCT LINES (for light vehicles)

AFTERMARKET BUSINESS SERVING OUR FOUR BUSINESS GROUPS

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

GOVERNANCE, RISK MANAGEMENT, ETHICS AND COMPLIANCE





The Board of Directors

The Board of Directors determines Valeo's **business strategies** and ensures that they are implemented effectively. In line with best market practices, the roles of Chairman of the Board of Directors and Chief Executive Officer were separated.

14
DIRECTORS
including 9 independent directors and 2 directors representing employees(1)


1

2

3

4

5

6

7

8

9

10

11

12

13

14

1- **Gilles Michel***, *Chairman of the Board of Directors*
2- **Christophe Périllat,** *Chief Executive Officer*
3- **Bruno Bézard***
4- **Bpifrance Participations*,** *represented by Alexandre Ossola*
5- **Alexandre Dayon***
6- **Fonds Stratégique de Participations*,** *represented by Julie Aurane*
7- **Stéphanie Frachet***
8- **Mari-Noëlle Jégo-Laveissière***
9- **Thierry Moulonguet(2)**
10- **Éric Poton(1)**, *Director representing employees*
11- **Patrick Sayer***
12- **Ulrike Steinhorst(3),** *in charge of CSR issues*
13- **Grzegorz Szelag(1),** *Director representing employees*
14- **Véronique Weill***

**Independent director*

10 MEETINGS IN 2023	**42%** WOMEN(4)(5)(6)	**98%** ATTENDANCE RATE IN 2023(6)	**75%** INDEPENDENT DIRECTORS(1)(4)(6)	**4** NATIONALITIES

(1) In accordance with the recommendations in Article 10.3 of the AFEP-MEDEF Code, directors representing employees do not count toward the number of independent directors.
(2) On June 8, 2023, Thierry Moulonguet had served on the Board for 12 years and therefore ceased to qualify as an independent director as from that date.
(3) On February 24, 2023, Ulrike Steinhorst had served on the Board for 12 years and therefore ceased to qualify as an independent director as from that date.
(4) At December 31, 2023.
(5) In accordance with Article L.225-27-1 of the French Commercial Code, directors representing employees do not count for the purpose of determining the proportion of men and women on the Board.
(6) Rounded to the nearest percentage.

The four Specialized Committees

At December 31, 2023

The Board of Directors has set up four committees to **issue recommendations on key matters, improve its operating procedures and, ultimately, secure the Group's sustainable growth**.

Audit & Risks Committee

- **Ensure that** the accounting policies adopted to prepare the consolidated and parent company financial statements are relevant, consistent and properly applied
- **Review the financial and accounting treatment of acquisitions or disposals** in excess of 50 million euros
- **Monitor the implementation and efficiency of all mechanisms** designed to improve the Group's control environment, in particular risk management, internal control, compliance and internal audit
- **Ensure that the rules,** principles and recommendations aimed at guaranteeing the independence of the Statutory Auditors are complied with
- **Oversee the selection** or reappointment of the Statutory Auditors
- **Seek regular updates on the Group's financial position,** particularly with regard to liquidity and cash position, and on the main thrusts of the Group's finance and tax policies
- **Stay informed of the Group's** insurance, IT system governance, IT security, cybersecurity and non-financial policies as well as the organization of the finance teams and the succession plans for their members. Periodically review the Ethics and Compliance policy.
- **Receive,** at least once a year, **a presentation given by the member of the Governance, Appointments & Corporate Social Responsibility Committee (GACSRC) in charge of CSR issues** and present the Audit & Risks Committee's work on non-financial issues to the GACSRC.
- **Review external financial communications** prior to their publication

7
MEMBERS
83.3% independent(1)

5
MEETINGS
97.14% attendance rate

Strategy Committee

- **Issue opinions and recommendations on the Group's key strategies,** market trend information, analyses of research activities, competition benchmarking and the resulting medium- and long-term outlook for the business
- **Issue opinions and recommendations on the analysis of the Group's development projects,** particularly external growth transactions, investments or borrowings representing more than 50 million euros per transaction
- **Issue opinions and recommendations on the review of development or expansion projects** in a country **where the Group does not operate** and which represents a particular risk

5
MEMBERS
60% independent(1)

6
MEETINGS
100% attendance rate

(1) The director representing employees does not count in the calculation of (i) the proportion of women on the Board, pursuant to Article L.225-27-1 of the French Commercial Code, or (ii) the rate of independent directors, in accordance with the recommendation in Article 16.1 of the AFEP-MEDEF Code.

Governance, Appointments & Corporate Social Responsibility Committee

- **Analyze how** the Board of Directors and its Committees operate
- **Assess and update corporate governance rules and ensure that the assessment** of the Board of Directors' operation is carried out in line with market practices
- **Prepare the composition of the Company's governing bodies** by providing reasoned proposals on the appointment of corporate officers to the Board and its committees
- **Draw up a succession plan** for executive corporate officers and directors
- **Review the independence** of each director
- **Ensure that the diversity policy** for Board members is prepared and implemented
- **Select candidates** for the position of director
- **Review CSR and safety policy**, identify CSR objectives and challenges, oversee the gradual and increasing implementation of CSR policy, and assess the Group's contribution to sustainable development
- **In conjunction with the Audit & Risks Committee, gain an understanding of the risks and issues involved in corporate social responsibility,** and obtain information about the resources the Group can call on to pursue its strategy in this area
- **Issue opinions and recommendations** to help the Board make informed decisions.
- **Nominate, among the members of the Committee a member in charge of CSR issues**, tasked in particular with reviewing the Group's CSR strategy, commitments and policies, the action plan and its implementation

5
MEMBERS
75% independent(1)

4
MEETINGS
89.47% attendance rate

Compensation Committee

- **Review and make recommendations** concerning the compensation paid to executive corporate officers, including the variable portion of said compensation and any benefits of any kind, performance shares and stock options from any Group companies, provisions relating to post-employment benefits, and any other benefits of any kind
- **Recommend to the Board of Directors an aggregate amount of directors' compensation** to be proposed at the Shareholders' Meeting
- **Make recommendations to the Board on the rules for allocating** directors' compensation and the individual amounts to be paid
- **Give its opinion to the Board of Directors on the general policy for allotting** free shares or performance shares, as well as on the stock option, free share and performance share plans set up by the Group's General Management
- **Keep informed of the compensation policy** for the main executive managers who are not corporate officers of the Company or of other Group companies
- **Review any questions** about share issues reserved for employees

5
MEMBERS
75% independent(1)

5
MEETINGS
88% attendance rate

The Executive Committee

Figures at January 2, 2024

4
NATIONALITIES

The Executive Committee meets once a month to review the operational management of the Business Groups, coordinate project management and help implement Group strategy.

From left to right: Catherine Delhaye, *Chief Ethics, Compliance and Data Protection Officer;* **Marc Guédon,** *Vice President, Group Purchasing;* **Detlef Juerss,** *Senior Vice-President, Sales & Business Development;* **Xavier Dupont,** *President, Powertrain and Thermal Systems Business Groups;* **Éric Antoine Fredette,** *Group General Counsel and General Secretary;* **Maurizio Martinelli,** *President, Visibility Systems Business Group;* **Edouard de Pirey,** *Chief Financial Officer (since January 2, 2024, previously Deputy Chief Financial Officer);* **Éric Schuler,** *President, Valeo Service Activity;* **Agnès Park,** *Group Chief Human Resources Officer;* **Robert Charvier,** *Advisor to the Chief Executive Officer and Chief Financial Officer until January 1, 2024;* **Christophe Périllat,** *Chief Executive Officer;* **Marc Vrecko,** *President, Comfort & Driving Assistance Systems Business Group;* **Geoffrey Bouquot,** *Chief Technology Officer and Vice-President, Strategy;* **François Marion,** *Senior Vice-President, Group Corporate Communications & Investor Relations*

Structure of the Chief Executive Officer's compensation

The Chief Executive Officer's 2024 **compensation**, as defined in the 2024 compensation policy[1], breaks down as follows: **24% fixed compensation and 28% variable compensation**, representing annual short-term compensation; **48% performance shares,** representing long-term compensation. In this way, **76% of the Chief Executive Officer's compensation is subject to performance conditions.**

ANNUAL VARIABLE COMPENSATION – MAXIMUM 120% OF FIXED COMPENSATION			CRITERIA WEIGHT (ADDING UP TO 100%)
QUANTIFIABLE CRITERIA	• EBIT: **18%** • Free cash flow: **18%** • Net income: **16%** • Net debt/EBITDA: **18%**		**58%**
QUALITATIVE CRITERIA	• Strategic vision: **14%** • Risk management: **12%**		**22%**
QUALITATIVE CSR CRITERIA: EMPLOYEE-RELATED	• Safety performance • Increase in the gender equity index • Deployment of a Group CSRD reporting process	**12%**	**10%**
QUALITATIVE CSR CRITERIA: CAP 50	• Reduction trajectory of CO_2 emissions in line with the CAP 50 plan: **12%**		**10%**

PERFORMANCE SHARES – MAXIMUM 200% OF FIXED COMPENSATION		CRITERIA WEIGHT (ADDING UP TO 100%)
INTERNAL PERFORMANCE CRITERIA	• ROCE: **30%** • EBIT: **30%**	**60%**
EXTERNAL PERFORMANCE CRITERION	• Total shareholder return (TSR): **10%** CAC 40 TSR **10%** Europe Automotive Equipment Suppliers Panel TSR	**20%**
CSR CRITERION: DIVERSITY	• Women on the different Group management committees	**10%**
CSR CRITERION: CAP 50 PLAN	• Reduction trajectory of CO_2 emissions in line with the CAP 50 plan	**10%**

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

(1) Subject to approval at the Shareholders' Meeting.

Risk management

Because the Group conducts its business in a constantly changing environment, it is exposed to risks. **Risks are mapped using a global, iterative approach involving several stages:**

- **identification:** their causes and consequences are analyzed using various methods, including interviews with key stakeholders;
- **prioritization:** based on their assessed net impact and probability of occurrence;
- **management:** action plans are prepared and controls implemented with the aim of continually improving risk management and limiting the impact and/or likelihood of occurrence of said risks as much as possible;
- **review:** the risk map is reviewed and updated at regular intervals.

RISK CATEGORIES	RISK FACTORS	Criticality
STRATEGY RISKS	Risks related to the automotive equipment industry	High
	Risks related to attracting and retaining talent	High
OPERATIONAL RISKS	Risks related to the development and launch of new products	High
	Risks related to the quality and safety of products and services sold	High
	Cybersecurity	High
	Supplier and supply chain failure risk	High
FINANCIAL RISKS	Risks related to an increase in operating costs	High
	Foreign currency risk	Medium

Criticality ● High ● Medium

Ethics and compliance

A comprehensive ethical and compliance process with:

- the engaged commitment of executive management;
- a Code of Business Ethics;
- precise, explicit compliance programs;
- multilingual tools and guidelines available to employees;
- annual e-learning courses;
- targeted classroom or online awareness-building sessions;
- a Compliance Office and a network of Compliance Champions and Data Protection Champions by country, Business Group and function;
- a whistleblowing system based on a global online platform and a network of corporate and local correspondents.

nearly **100%**

OF NEW HIRES HAVE ACKNOWLEDGED RECEPTION OF THE CODE OF BUSINESS ETHICS

86%

OF NEW EMPLOYEES FOLLOWED AND PASSED THE INDUCTION TO COMPLIANCE PROGRAM MODULE

nearly **100%**

OF THE EMPLOYEES CONCERNED COMPLETED THE ANNUAL ANTI-CORRUPTION TRAINING MODULE

Interview with Catherine Delhaye, Chief Ethics, Compliance and Data Protection Officer

What are Valeo's main ethics and compliance challenges?

Catherine Delhaye: Among the major challenges facing Valeo, strictly complying with international sanctions against Russia demands especially diligent implementation and tracking of all the related transactions. Although Valeo has announced the sale of its operations in Russia, the Group remains vigilant and is striving to strictly abide by export controls and other international rules. Moreover, as a tech company that is rapidly expanding in software, led by the strong growth in software-defined vehicle demand, we operate in a very fast moving competitive environment, which is seeing the emergence of new competitors, so we have to be extremely attentive to competition rules. Lastly, we're continuing to focus sharply on fighting against corrupt practices and protecting personal data, in line with our various compliance programs and our Code of Business Ethics, which will be revised in 2023.

How does Valeo's whistleblowing system work and what have been the outcomes?

C. D.: Valeo introduced a whistleblowing system back in 2014, well before it was legally required to. Today, it is accessible to every stakeholder, enabling them to report possible violations of any ethics or compliance issue, including corruption, competition, harassment, safety and fraud. The mechanism is well publicized, and reports are systematically and diligently investigated, in the strictest of confidence, and followed up on a weekly basis. In line with Valeo's zero-tolerance policy, proven allegations are sanctioned in line with the violation and corrective measures are taken as necessary, under the supervision of the Alerts Committee, which meets every month. Lastly, this procedure enables any serious violation likely to expose Valeo to be immediately notified to the highest level of corporate governance.

How does Valeo protect the personal data it collects *through* its products?

C. D.: Valeo processes two types of personal data. The first concerns our operations and the protection of employee, partner and customer data. The second, which is less conventional, concerns the products and technologies we've developed that use or generate personal data and that, as such, may be subject to data protection regulations. This is the case for the CDA Business Group's ADAS systems, which use sensors and cameras located both inside and outside the vehicle. Even though we don't own the data managed by the sold vehicles, our program enables us to work with customers to address any personal data protection issues concerning our onboard products and technologies.

Business model

Valeo

OUR RESOURCES

HUMAN CAPITAL

- 112,747 employees
- 141 nationalities
- 37% women and 32% under 25s in new hires

INTELLECTUAL CAPITAL

- 19,376 R&D employees working at 19 research centers and 47 development centers
- Net R&D representing 9% of 2023 sales
- 1,666 patents filed in 2023
- 9,450 software engineers

INDUSTRIAL CAPITAL

- Investments in property, plant and equipment: 4.4% of 2023 sales
- 175 plants
- 29 countries

SOCIAL CAPITAL

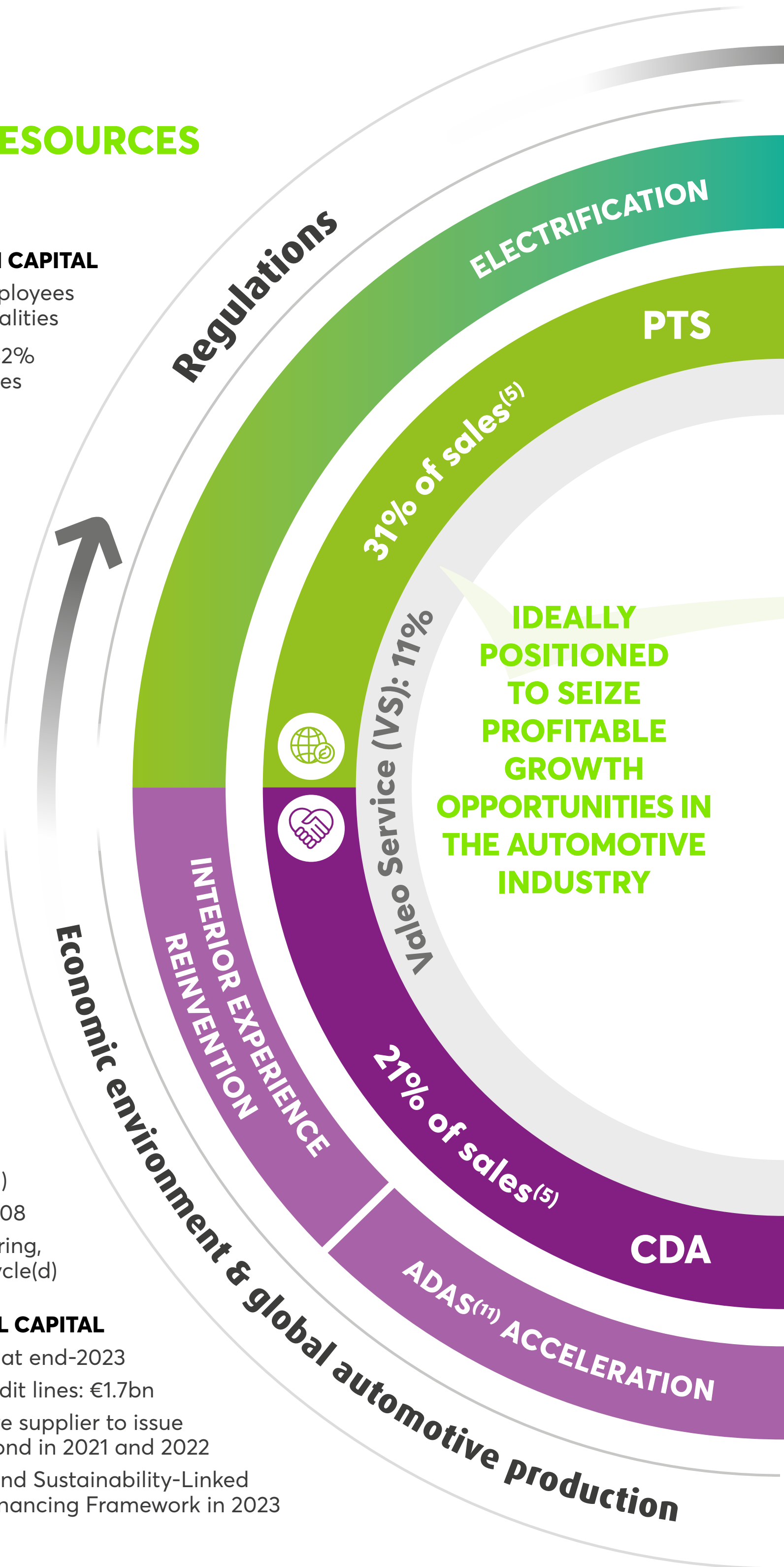
- 1,986 suppliers representing 95% of Valeo's needs, with the top 10 suppliers accounting for 14.3% of Group purchases
- 85% of Group production purchases from suppliers whose ESG practices have been assessed
- Supplier adherence to Business Partners Code of Conduct

NATURAL CAPITAL

- Development of technologies that reduce GHG[6] emissions and decarbonize the value chain (CAP 50 PLAN)
- 60% reduction in water consumption since 2008
- 4Rs: Robust Design, Remanufacturing, Repair and Recycle(d)

FINANCIAL CAPITAL

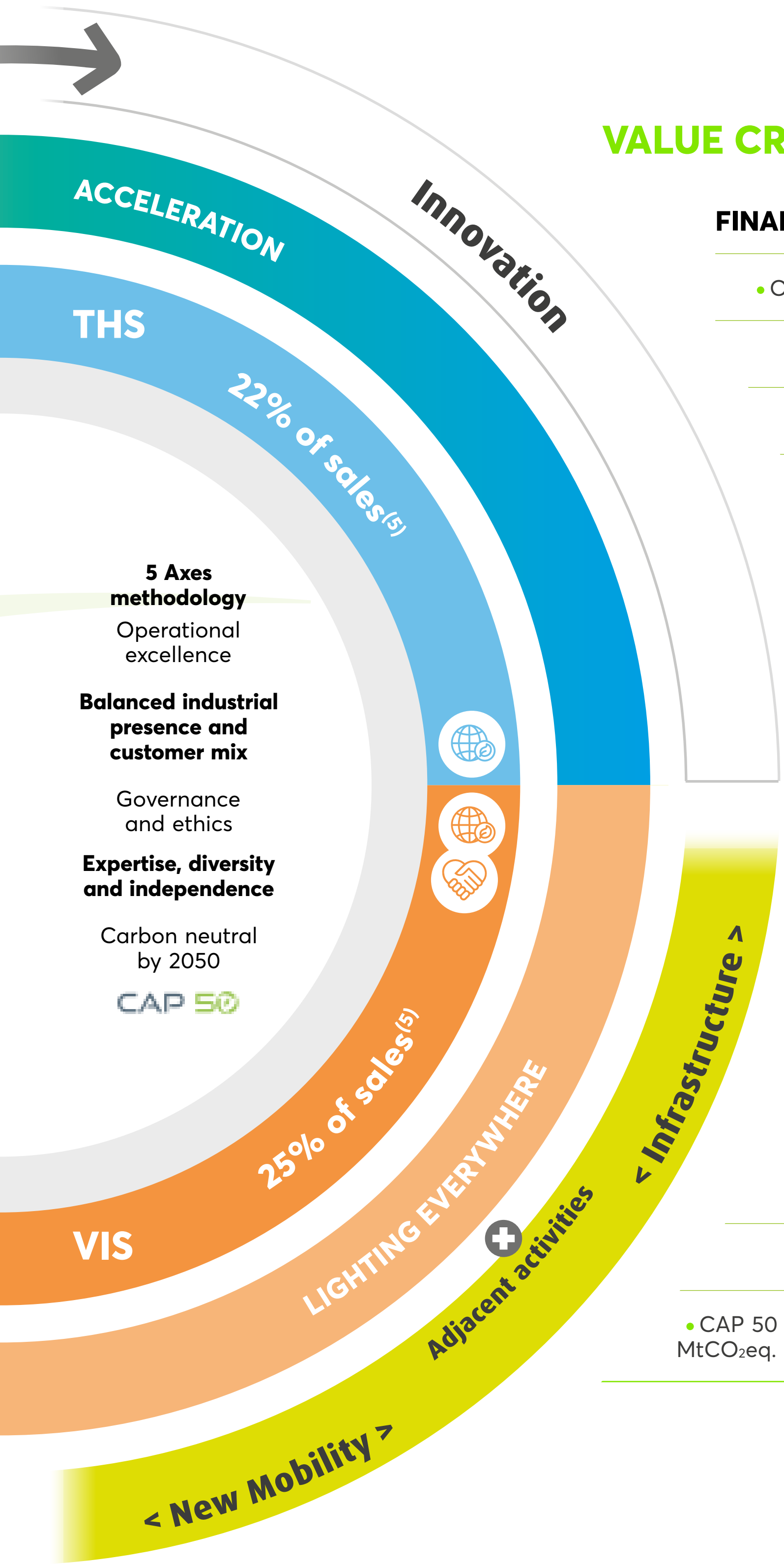
- Available cash of €3.0 billion at end-2023
- Undrawn credit lines: €1.7bn
- First European automotive supplier to issue a sustainability-linked bond in 2021 and 2022
- Roll-out of the Green and Sustainability-Linked Financing Framework in 2023



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

Contributes to: cleaner mobility

Contributes to: safer mobility



VALUE CREATED

FINANCIAL PERFORMANCE	2023	
• Order intake (€bn)	34.9	
• Sales (€bn)[2]	22.0	
• Outperformance[3]	3 pts	
• EBITDA margin[1]	12.0%	Comp.
• Operating margin[1]	3.8%	Comp.[10]
• Free cash flow (€m)[1]	379	Comp.
• Leverage ratio[1]	1.5x	

DIVIDEND PER SHARE	2023
In respect of 2023[4]	€0.40

NON-FINANCIAL PERFORMANCE	2023	
• Accident frequency rate	0.8[9]	Comp.
• Gender equity index	88.9 pts	Comp.

	2023	
• Percentage of women in Group management committees	23.6%	Comp.
• CAP 50 plan: reduction in GHG[6] emissions in $MtCO_2eq$. – Scopes 1, 2 & 3 (validated by SBTi[8])	-9%[7]	Comp.

(1) *See glossary.*
(2) *Original equipment sales: 85%, Aftermarket: 10%, Miscellaneous sales (R&D, tooling): 5%.*
(3) *Outperformance versus S&P Global Mobility figures in 2023 on an adjusted basis. See glossary, page 46.*
(4) *To be submitted for approval at next Shareholders' Meeting.*
(5) *% of total sales, and other sales 1%.*
(6) *Greenhouse gas.*
(7) *Vs. 2019 baseline year.*
(8) *Science Based Targets initiative.*
(9) *Number of lost-time occupational accidents per million hours worked (frequency rate [FR1]).*
(10) *Under the 2020 performance share plan.*
(11) *ADAS: advanced driver assistance system.*

Comp. **Criterion included in the short-term variable compensation and/or long-term compensation of the Chief Executive Officer (subject to shareholder approval at the Annual Meeting on May 23, 2024).**

Financial and non-financial performance highlights

FINANCIAL PERFORMANCE

ORDERS	2022	2023
ORDER INTAKE FOR THE YEAR (IN €BN)	**32.6**	**34.9**

FINANCIAL PERFORMANCE	2022	2023
GROUP SALES (IN €M)	**20,037**	**22,044**
Original equipment sales (in €m) *As a % of Group sales* ***Performance***	16,748 *84%* ***+3 pts***	**18,701** ***85%*** ***+3 pts*** [1]
Aftermarket sales (in €m) *As a % of Group sales*	2,256 *11%*	2,267 *10%*
Miscellaneous sales (in €m) *As a % of Group sales*	1,033 *5%*	1,076 *5%*
R&D expenditure (in €m) *As a % of Group sales*	(1,880) *(9.4%)*	(2,029) *(9.2%)*
EBITDA (IN €M) *As a % of Group sales*	**2,401** ***12.0%***	**2,647** ***12%***
OPERATING MARGIN EXCL. SHARE IN JVS (IN €M) *As a % of Group sales*	**635** ***3.2%***	**838** ***3.8%***
Share in net earnings of JVs (in €m) *As a % of Group sales*	115 *0.6%*	17 *NS*
Net attributable income (in €m) *As a % of Group sales*	230 *1.1%*	221 *1.0%*
BASIC EARNINGS PER SHARE (IN €)	**0.95**	**0.91**

STATEMENT OF CASH FLOWS	2022	2023
Change in working capital *As a % of Group sales*	231 *1.1%*	278 *1.3%*
Investments excl. capitalized development expenditure (in €m) *As a % of Group sales*	(832) *(4.1%)*	(1,006) *(4.6%)*
Capitalized development expenditure (in €m) *As a % of Group sales*	(657) *(3.3%)*	(995) *(4.5%)*
FREE CASH FLOW (IN €M)	**388**	**379**

FINANCIAL STRUCTURE AND DIVIDEND	2022	2023
Net debt (in €m)	4,002	4,028
Leverage ratio: Net debt to EBITDA	1.7x	1.5x
DIVIDEND PER SHARE (IN €)	**0.38**	**0.40** [2]

(1) On an adjusted basis, see glossary page 46.
(2) To be submitted for approval at the Shareholders' Meeting to be held on May 23, 2024.

NON-FINANCIAL PERFORMANCE AND OBJECTIVES[3]

CHALLENGES	ENVIRONMENTAL INDICATORS	2019	2023	2025 OBJECTIVES	2030 OBJECTIVES	SDG IMPACTED
CARBON NEUTRALITY CONTRIBUTION PLAN	Emissions from operating activities – *Scopes 1 & 2 (MtCO₂eq.)*	1.1 *Baseline*	0.65 *-41%*	0.65 *-41%*	0.28 *-75%*	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Emissions from purchased goods and services – *Upstream Scope 3 (MtCO₂eq.)*	9.5 *Baseline*	8.3 *-12.6%*	8.9 *-6%*	8.1 *-15%*	11 SUSTAINABLE CITIES AND COMMUNITIES
	Emissions from the use of Valeo products – *Downstream Scope 3 (MtCQeq.)*	39.0 *Baseline*	36.2 *+7%*	35.8 *-8%*	33.1 *-15%*	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Total Scopes 1, 2 and 3 emissions (MtCQeq.)	49.6 *Baseline*	45.2 *-9%*	45.3 *-9%*	41.4 *-17%*	13 CLIMATE ACTION
ENERGY	Energy consumption as a proportion of sales (MWh/€m)	142 *Baseline*	133 *-6%*	134 *-6%*	-30%	13 CLIMATE ACTION
	Share of low-carbon electricity purchased	5.5%	43.8%	50%	80%	
WATER	Water consumption as a proportion of sales (cu.m/€m)	197 *Baseline*	148 *-25%*	185 *-6%*		12 RESPONSIBLE CONSUMPTION AND PRODUCTION
DISCHARGES AND WASTE	Production of hazardous and non-hazardous waste as a proportion of sales (t/€m)	16.4 *Baseline*	12.7 *-23%*	15,0 *-9%*		12 RESPONSIBLE CONSUMPTION AND PRODUCTION

CHALLENGES	EMPLOYEE-RELATED INDICATORS	2019	2023	2025 OBJECTIVES	2030 OBJECTIVES	SDG IMPACTED
HEALTH AND SAFETY	Accident frequency rate (FR1): number of accidents with lost time per million hours worked	1.9	0.8	<1		
PROMOTING EQUALITY AND DIVERSITY	Gender equity index	82 pts	88.9 pts	90 pts		5 GENDER EQUALITY
	Percentage of women on the Group's management committees (the 300 most important Group management positions)	16%	23.6%	24%	32%	
	Percentage of sites run by local directors	78%	77%	>80%		8 DECENT WORK AND ECONOMIC GROWTH
	Percentage of employees with disabilities on Group payroll	2.1%	1.9%	2.5%		
	Percentage of new hires under 25	20%	32%	>35%		4 QUALITY EDUCATION
QUALITY OF WORKLIFE	Rate of compliance with the "Building a well-being environment" Employee Engagement roadmap	61%	53%	75%		8 DECENT WORK AND ECONOMIC GROWTH
SKILLS	Number of hours of technical training (in thousands of hours)	1,743	5,026	3,000		4 QUALITY EDUCATION

CHALLENGES	SOCIAL INDICATORS	2019	2023	2025 OBJECTIVES	2030 OBJECTIVES	SDG IMPACTED
PURCHASING AND SUSTAINABLE DEVELOPMENT	Share of production purchases for which the suppliers' sustainable development practices were assessed during the year (% of total purchases)	80%	85%	82%		8 DECENT WORK AND ECONOMIC GROWTH
LOCAL INTEGRATION	Organization of initiatives and events by the Valeo sites with educational and vocational training institutions (in % of sites)	68%	73%	85%		4 QUALITY EDUCATION
LOCAL COMMUNITIES	Share of sites participating in the "One Plant, One Initiative" program	50%	64%	100%		11 SUSTAINABLE CITIES AND COMMUNITIES

(3) Changes shown in the table are versus the 2019 baseline year.

2024-2025 outlook and the Move Up plan

Targeted increase of more than 60% in operating income and cash flow between 2023 and 2025

Valeo stays the course set out in its Move Up strategic plan and accelerates its transformation

For over a decade, Valeo has been investing in technologies that place its product portfolio at the heart of the automotive industry's shift towards safer, greener and more connected mobility solutions. The Group has strengthened its software capabilities in all its businesses, and now proposes a separate offering in this area, known as Valeo anSWer. The sharp rise in order intake to 34.9 billion euros in 2023 and the significant improvement in the margins embedded in these orders demonstrate the validity of these strategic choices.

Expected acceleration in organic growth – based on prudent assumptions – driven by the start of production on profitable new orders booked since 2022

The Group is confident as to growth in its original equipment sales in all production regions, notably in Europe. In 2025, the start of production on large orders booked since 2022 should lead to an acceleration in original equipment sales. For greater comfort, Valeo's new medium-term growth objectives are based on prudent assumptions:

- Light vehicle production 3% below the S&P Global Mobility scenario released on February 16, 2024;
- Stable sales in high-voltage electrification over the period 2023-2025, taking into account significant current volatility in the electrification market and uncertainty as to the timetable for the ramp-up of electric vehicles.

New cost reduction measures

Valeo is accelerating the reduction in its costs through:

- Specific, targeted cost reduction measures, representing an expense of 300 million euros over the next two years, including those associated with the expected improvement in operating efficiency in the Powertrain Systems and Thermal Systems segments;
- Accelerated R&D efficiency through standardization of "project" developments (technological platforms) and the addition of essential skills, particularly in software development, in cost-competitive countries.

To better prepare Valeo for the accelerating pace of vehicle electrification, the Group announced a plan to reorganize and merge these two previously separate activities to create a coherent, comprehensive and competitive technology offering. The proposed reorganization is in line with the many similar reorganizations already carried out by major automaker customers.

	2023 REPORTED	2024 GUIDANCE(1) (2)	2025 OBJECTIVES (2)	PREVIOUS 2025 OBJECTIVES (February 2022)
Sales *(in billions of euros)*	22.0	22.5 to 23.5	24.5 to 25.5	~27.5
EBITDA *(as a % of sales)*	12%	12.1%-13.1%	13.5%-14.5%	~14.5%
Operating margin *(as a % of sales)*	3.8%	4.0%-5.0%	5.5%-6.5%	~6.5%
Free cash flow before one-time exceptional cost reduction measures (3) *(in millions of euros)*	–	~500	~800	–
Free cash flow after one-time exceptional cost reduction measures(3) *(in millions of euros)*	379	~350	~650	~800-1,000

(1) Second-half margins and free cash flow generation higher than in the first half, thanks to higher production volumes and efficiency gains.
(2) For greater comfort, figures are based on (i) light vehicle production 3% below the S&P Global Mobility scenario released on February 16, 2024, and (ii) stable sales in high-voltage electrification over the period 2023-2025.
(3) Includes, but is not limited to, potential restructuring measures.

Strict cash-oriented management of our businesses and capital allocation with a focus on deleveraging, targeting an expected leverage ratio of 1.0x EBITDA in 2025

Ratings

ESG ratings (as of March 1, 2024)

ESG performance and commitments recognized by non-financial rating agencies

S&P GLOBAL 68/100	SUSTAINALYTICS 10.1 low risk	ISS ESG B- Prime
CDP CLIMATE A-	MSCI ESG RATINGS AAA	MOODY'S 63/100

ESG indices (as of March 1, 2024)

ESG stock market indices of which Valeo is a member

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

Credit ratings (as of March 1, 2024)

Deleveraging as a Group priority

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

Glossary

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

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

EBITDA margin: EBITDA/sales.

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

Gearing ratio: Net debt/stockholders' equity.

Leverage ratio: Net debt to EBITDA.

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

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

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

Order intake corresponds to business awarded by automakers during the period to Valeo, and to joint ventures and associates based on Valeo's share in net equity, less any cancellations. Figures are based on Valeo's best volume, sale price and service life estimates. Unaudited indicator.

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

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

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

1

PRESENTATION OF VALEO

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

1.1 History and development of the Group

Founded in 1923 as Société Anonyme Française du Ferodo, the Group originally distributed and produced brake linings, then clutches.

It gradually diversified into thermal systems, lighting, wiper systems, alternators and ignition systems, and began to expand internationally in the 1960s (Spain and Italy, Germany, United States, etc.).

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

In the 1990s, the Group continued to expand in Asia (China, India and Japan) and Eastern Europe (Czech Republic, Poland, Hungary and Romania).

In 1991, Valeo invented the first driving assistance solutions, with ultrasonic sensors for parking, and in 2004, the Group became one of the pioneers of electrification with the launch of the Stop-Start system.

In 2009, the Group focused its positioning on technologies to reduce CO_2 emissions and improve road safety, for safer, cleaner, and smarter mobility.

Since then, the Group has gradually established itself as a world leader in electrification (powertrain and thermal systems), driving assistance, lighting and wiper systems, and at the same time strengthened its expertise in key areas such as electronics, software and artificial intelligence.

Thanks to its innovations and having anticipated the industry's transformation toward the electric, autonomous and software-defined vehicle, the Group is gradually evolving from a traditional automotive supplier into a technology company at the heart of the revolutions driving mobility.

Its technologies now extend beyond the automotive industry, equipping many forms of mobility (2 and 3-wheelers, light urban quadricycles, delivery droids, autonomous shuttles), right through to infrastructure for the smart city (data center cooling, charging stations, etc.).

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

In February 2024, Valeo announced that it is staying the course set out in its Move Up strategic plan and accelerating its transformation: based on prudent assumptions, it has set the objective of increasing operating margin and cash generation by more than 60% between 2023 and 2025.

ACQUISITIONS AND JOINT VENTURES:

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

DISPOSALS OF ENTITIES, BUSINESSES AND JOINT VENTURES:

- **Access Mechanisms Business (2013)** – sale of the business (strategic refocusing) to Japanese group U-Shin;
- **Passive Hydraulic Actuators business** (2017) – business sold further to the remedies requested by the European Commission for the acquisition of FTE automotive;
- **Kuantic** (2023) – onboard telematics and connectivity business (part of the Comfort & Driving Assistance Systems Business Group);
- **Mirror** (2023) – business in Japan (part of the Visibility Systems Business Group).

INVESTMENTS IN TECHNOLOGY START-UPS:

- **Aledia** (2015) – development of 3D LED technology;
- **Navya** (2016) – development of innovative and intelligent mobility solutions.

INVESTMENTS IN VENTURE CAPITAL FUNDS:

- **Cathay Innovation** (2015) – innovative companies, mainly French, American and Chinese;
- **Trucks Venture** (2016) – emerging transportation-sector companies, mainly American;
- **Iris Capital** (2017) – innovative French and German companies;
- **Maniv Mobility** (2017) – emerging transportation-sector companies, mainly Israel;
- **Cathay CarTech** (2017) – innovative Chinese automotive-sector companies.

RESEARCH AND TECHNOLOGY PARTNERSHIPS WITH:

- **Safran** (aerospace, defense, security) (2013) – driving assistance and autonomous vehicles;
- **Mobileye** (2015) – microprocessors, computer vision algorithms and laser scanner technology;
- **NTT Docomo** (2018) – development of new mobility services for connected cars;
- **Baidu** (2018) – strategic partnership with Apollo, the open autonomous driving platform;
- **Meituan** (2019) – strategic cooperation agreement in last-mile autonomous delivery services;
- **Renault Group** (2022) – Renault Group, Valeo and Valeo Siemens eAutomotive joined forces to develop and manufacture the new-generation automotive electric motor in France;
- **Motherson** (2022) – Motherson and Valeo signed a partnership to create the automotive interior of the future;
- **TotalEnergies** (2022) – TotalEnergies and Valeo signed an agreement to develop an innovative way of cooling electric vehicle batteries using a new, very high-performance dielectric fluid;
- **SRG Global®** (2022) – Valeo and SRG Global® entered into a strategic alliance agreement to provide the next generation of exterior illuminated front panels to the automotive industry;
- **Ningbo Swell** (2022) – Valeo and Ningbo Swell Industry entered into a strategic alliance agreement for the development, production and marketing of the next generations of illuminated front grilles or panels for the Chinese market;
- **CNRS** (2022) – Valeo and the CNRS entered into a shared research program partnership, aimed at accelerating the development of innovations that will lead to cleaner and safer mobility for both people and goods;
- **VEN.AI** (2023) – Valeo, NTT Data and Embotech formed a consortium to provide automated parking solutions;
- **BMW** (2023) – BMW and Valeo engaged in a strategic cooperation to co-develop the next-generation Level 4 automated parking experience;
- **Renault Group** (2023) – Renault Group and Valeo signed a partnership in Software Defined Vehicle development;
- **Mobileye** (2023) – Mobileye and Valeo launched a partnership for world-class imaging radars;
- **Qualcomm** (2023) – Valeo and Qualcomm deepened their strategic collaboration to support small mobility in India (two-wheelers and three-wheelers).

Highlights

JANUARY 2023

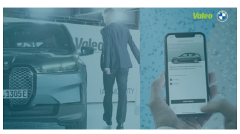
The VEN.AI consortium for automated parking solutions

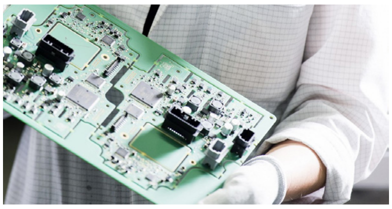
NTT Data, a global digital business and IT services leader, Valeo, and Embotech, a software scale-up for autonomous driving systems, create the VEN.AI consortium, which aims to be the go-to provider of automated parking solutions.

FEBRUARY 2023

BMW and Valeo join forces for Level 4 automated parking

BMW Group and Valeo announced a new cooperation aimed at co-developing fully automated parking technologies up to Level 4 automation, as well as a range of services to support fully automated parking and recharging in public parking facilities and sites.

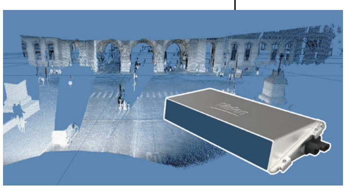




MARCH 2023

Valeo is the leading French patent filer with the EPO

Valeo is the number one French patent filer with the European Patent Office (EPO), with 588 applications filed in 2022. The Group ranks 31st among global applicants in Europe. The 10 places gained illustrate the acceleration of the Group's innovation to meet industry challenges.



MARCH 2023

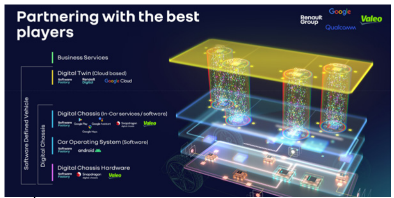
Two major new contracts for Valeo's third-generation LiDAR

Valeo, the global leader in ADAS, announces that, following on from Stellantis in 2022, its SCALA 3 LiDAR has been chosen by a leading Asian automaker and a forefront US robotaxi company. SCALA 3 orders now stand at over 1 billion euros.

MAY 2023

Renault and Valeo partner in software-defined vehicle development

Renault Group and Valeo announce a partnership to develop the electrical and electronic architecture of Renault Group's next generation vehicles. Valeo will supply key electrical and electronic components for the SDV, including the high-performance computer (HPC), and help to develop software.



JUNE 2023

Valeo launches Canopy, the first wiper blade designed to reduce CO_2 emissions

Valeo launches Canopy, the first wiper designed to reduce CO_2 emissions, which offers a 61% reduction compared to a Valeo wiper blade representative of the majority of blades sold on the European market. The performance has been verified by Bureau Veritas, an independent organization.

SEPTEMBER 2023

The Valeo anSWer suite of software solutions and services

At IAA Mobility 2023, Valeo introduces Valeo anSWer, a new suite of software solutions and services. The open, scalable and modular offering is built around end-user applications, middleware and a range of software architecture design, integration, validation, testing and maintenance services.

anSWer

SEPTEMBER 2023

Mobileye and Valeo partner in high-definition radars

At IAA Mobility 2023 in Munich, Mobileye and Valeo announce a new partnership to deliver software-defined imaging radars. These innovative, high-performance radars will be designed to meet the needs of next-generation driving assistance and automated driving features.

OCTOBER 2023

Valeo completes a 600 million euro green bond issue

Valeo announces the successful completion of its 600 million euro green bond issue. The European Investment Bank (EIB) has subscribed in an amount of 150 million euros. The proceeds will be used to finance an identified portfolio of around 2 billion euros in sustainable technology solutions.

NOVEMBER 2023

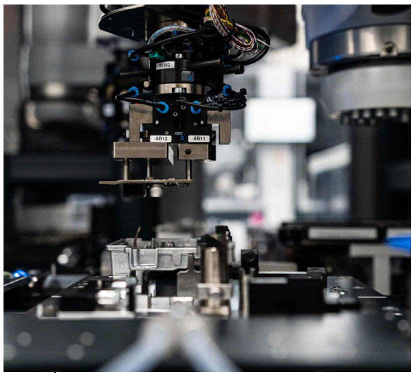
Valeo and Qualcomm deepen their collaboration to support small-scale mobility in India

Valeo and Qualcomm announce their intention to extend their strategic cooperation to enhance safety and provide a connected experience for the two- and three-wheel mobility segment in India, with the development of new connected display, driving assistance and sensor solutions.

DECEMBER 2023

Valeo produces its 20 millionth front camera system integrating Mobileye technology

Valeo has produced its 20 millionth front camera system equipped with Mobileye EyeQ® technology, just 12 months after producing the 10 millionth unit in November 2022. Up to 40,000 front cameras are manufactured every day across the Group's three production plants in Europe and China, serving 12 automakers.



DECEMBER 2023

Stellantis and Valeo launch the first remanufactured video camera

Stellantis and Valeo celebrate their circular economy strategy cooperation with the launch of the first windshield-mounted front video camera remanufactured by Valeo at its Circular Electronics Lab in Nevers.

1.3 Overview

1.3.1 Company profile

As a technology company and partner to all automakers and new mobility players, Valeo is innovating to make mobility cleaner, safer and smarter. Valeo enjoys technological and industrial leadership in electrification, driving assistance systems, reinvention of the interior experience and lighting everywhere. These four areas, vital to the transformation of mobility, are the Group's growth drivers.

In 2023, the Group generated sales of 22 billion euros and invested 11.8% of its consolidated sales in gross Research and Development expenditure. At December 31, 2023, Valeo had 175 plants, 19 research centers, 47 development centers and 20 distribution platforms, and employed 112,740 people in 29 countries worldwide. Valeo is listed on the Paris Stock Exchange.

1.3.2 Legal structure

The Group’s legal structure is based on three main holding companies interposed between the parent company, Valeo, a European company (see Chapter 7, section 7.1.2 "Legal structure and governing law" page 442) and its operating subsidiaries:

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

At an intermediate level, in some countries, investments can be held directly or indirectly by one or more companies, which play the role of holding company to form a local sub-group. Under this structure, the financial management of entities that are members of the sub-group is pooled and optimized and, where legally possible, a tax group is formed.

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

1.3.3 Valeo’s tax policy

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

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

Giving priority to operations

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

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

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

Applying tax regulations fairly

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

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

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

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

Ensuring tax costs are correctly calculated

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

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

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

1.4 Operational organization

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

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

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

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

The **National Directorates** are tasked with ensuring the Group's growth in their respective countries and act as the interface with local customers. They also manage all the services that support operational activities in the country (see section 1.6.2 of this chapter, "Sales and Business Development", page 76).

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

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

COMFORT & DRIVING ASSISTANCE SYSTEMS (CDA)

The CDA Business Group innovates in three key areas that make driving safer and enrich the onboard experience: developing driving assistance technologies (ADAS), upgrading vehicle architecture and software with the advent of the software-defined vehicle (SDV) and enhancing the user experience.

€4.7bn
21.4%
OF 2023 GROUP SALES

+4 pt(1)
ORIGINAL EQUIPMENT SALES OUTPERFORMANCE
> ADAS: +8 pts
> Reinvention of the interior experience: -4 pts

14.8%
EBITDA MARGIN
> ADAS: 16.8%
> Reinvention of the interior experience: 9.5%

25,500
EMPLOYEES

27 PLANTS

18 R&D CENTERS

Positioning and strengths

x10
outsourced content per vehicle by 2030, driven by the take-up of centralized architectures

x10
ADAS content per Level 3 vehicle compared with a Level 2 vehicle

- **World leader in ADAS,** with the broadest portfolio of sensor technologies
- **World leader in automated parking solutions**
- Recognized source of end-to-end **Level 2+ automated driving solutions**
- **Pioneer and leader** in industrial-scale manufacturing of **long range LiDAR systems**
- **Leader in cabin electronics** offering intuitive human-machine interfaces ensuring occupant safety and well-being
- Major developer of **central control units**
- **Broad and deep software expertise**, to play an essential role in the software-defined vehicle

2025 outlook(2)

≈€6bn
ORIGINAL EQUIPMENT SALES

≈18%
IN 2025 EBITDA MARGIN

Market outlook and trends

THE ADAS, SOFTWARE-DEFINED VEHICLE AND REINVENTION OF THE INTERIOR EXPERIENCE MARKET
(in billions of euros)

(1) Like for like.
(2) Move Up Plan as updated in February 2024.

Description of the Business Group

The Comfort & Driving Assistance Systems Business Group's two areas of activity are at the heart of the software-defined vehicle (SDV) revolution. The Comfort & Driving Assistance Systems Business Group is leading the way in the acceleration of ADAS and the reinvention of the interior experience, leveraging all the opportunities offered by the new electrical/electronic architectures inherent in SDVs.
This Business Group has two areas of activity:

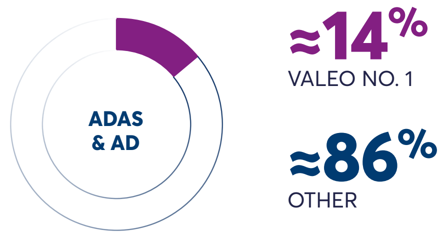
- Driving Assistance
- Interior Experience

Driving Assistance

The emergence of software-defined vehicles (SDVs) marks a significant paradigm shift that is reshaping traditional automotive frameworks. Our Driving Assistance division is actively engaged in this transformation. As an integral part of the SDV concept, **our solutions enhance the safety and pleasure of driving by using a broad spectrum of sensor technologies and advanced algorithms**. In our approach, we embrace the influence of SDVs by redefining ADAS into distinct but interconnected components, such as sensors, control units (from zone and domain controllers to central control units) **and, crucially, the software itself,** which is now a stand-alone product independent of hardware.

Our range of sensors creates a detailed map of the vehicle's surroundings, using ultrasonic sensors, cameras, thermal imaging, medium- to long-range radars and LiDARs. **Our ability to supply LiDARs in volumes and quality levels compatible with automotive demands and specifications positions us as leaders in this field.** We are also a source of next generation IT architectures supporting the transition to SDVs. **Our ADAS domain controllers act as powerful supercomputers,** managing safety and automated driving functions by processing sensor data in real time. Zone controllers optimize power distribution to sensors and actuators and ensure efficient data management. Our market leadership is underpinned by our heritage expertise in vision controllers, the forerunners of ADAS domain controllers, as well as the performance of our zone controllers.

Main competitors in...



MAIN COMPETITORS
Aptiv, Bosch, Continental, Magna and ZF

MAIN COMPETITORS
Continental, Visteon, Denso, Panasonic and Hyundai Mobis

Our core capabilities also extend to the development of ADAS software, where we can offer end-to-end solutions that are not only state-of-the-art, but also customizable to meet evolving automotive industry needs. **In particular, Valeo has developed the most advanced parking automation solutions on the market,** such as the "trained" automated parking system and automatic valet parking solutions in public parking lots and industrial sites. **The Business Group also has Level 2, 2+ and 3 automated driving software stacks.**

Artificial intelligence is central to these developments, with active contributions from our advanced AI research laboratory, Valeo.ai. To guarantee the quality of its driving assistance systems, the Driving Assistance activity runs both physical and digital testing and validation facilities. **It has nine test tracks and more than 200 test cars around the world,** as well as a wide array of server farms with software- and hardware-in-the-loop installations using more than 50 petabytes of data to simulate real-life driving scenarios.

Interior Experience

At the heart of Valeo's Interior Experience business **lies its world-leading expertise in human-machine interfaces and vehicle interior monitoring.** The driver monitoring system detects signs of drowsiness and distraction, while interior cameras scan the facial expressions and postures of drivers and passengers to propose personalized, custom-tailored services. Interior radars can also detect vital signs, for example, if an infant has been left unattended inside the vehicle.

The Interior Experience product group also develops **innovative human-machine interface solutions such as touch-screens and intelligent surfaces that are ergonomically designed and harmoniously** integrated into the cabin design. The head-up display systems not only enable drivers to see all the information they need for driving without taking their eyes off the road, they also **use augmented reality to provide assistance in the form of information superimposed on the driver's view of the road or obstacles.** Valeo has developed **an entirely software-based solution for detecting the driver's hands on the wheel, which is already in production and an important component in the Level 2+ ADAS safety concept**. The steering wheel has also become the natural way to interact with the content displayed on the windshield.

Today, connectivity is another key component of the Interior Experience activity, with **the increasing use of telematics boxes connecting vehicles to the cloud,** and the growing uptake of 5G connectivity in new vehicle models. Valeo's connectivity hub **brings together all the communication channels between the vehicle, its passengers and the cloud in a single, powerful, highly secure control unit.** It also protects the vehicle from cyberthreats while supporting over-the-air updates and other core SDV features.

Lastly, Valeo offers phone-as-a-key solutions, enabling users to use their phones to **lock and unlock their vehicle with unrivaled security** as they are approaching or walking away.

Market trends and outlook

Fueled by the increase in content per vehicle and the penetration rate of its technologies, **the Comfort & Driving Assistance Systems Business Group enjoys strong growth prospects in three key markets:** ADAS, the interior experience and the software-defined vehicle (SDV). Today, nearly 50% of vehicles are equipped with Level 1, 2 or 2+ ADAS, a figure that is steadily rising year after year. **By 2030, it is estimated that more than 90% of vehicles will come fitted with these advanced technologies.**

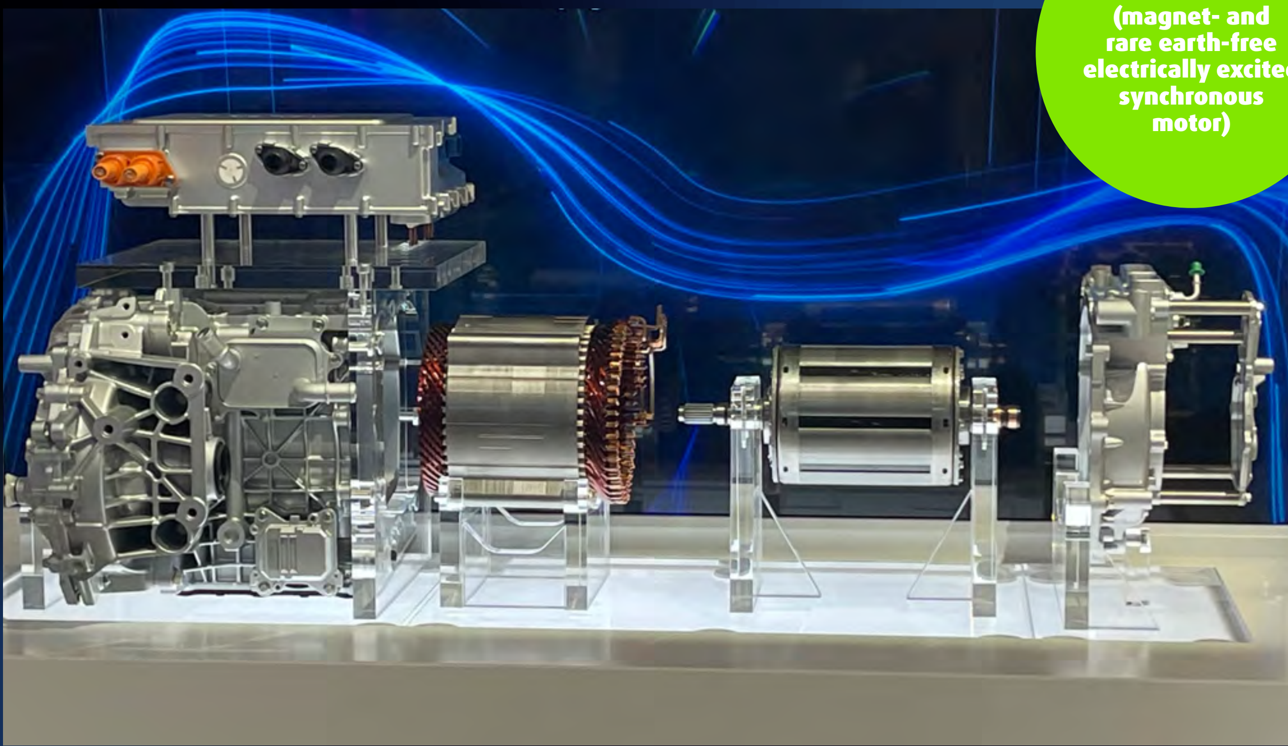
Another major trend for the Business Group is **the transformation of the interior experience.** Technology not only improves safety, it also creates a comfortable cocoon-like interior, offering passengers a personalized, interactive experience. **Connectivity is a powerful enabler that is also playing a key role in the SDV transition.**

The **SDV** is a critical driver of these transformations. As a major supplier in every layer of the SDV, from components to software and central control units, Valeo is at the heart of this revolution.

Valeo is a world leader in advanced driver assistance systems.

POWERTRAIN SYSTEMS (PTS)

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



EESM E-axle (magnet- and rare earth-free electrically excited synchronous motor)

€6.9bn
2023 SALES REPRESENTING 31.4% OF GROUP SALES

+9 pt(1)
ADJUSTED OUTPERFORMANCE

11.8%
EBITDA MARGIN

25,200
EMPLOYEES

56 PLANTS

26 R&D SITES

Positioning and strengths

x6
Increase in content per vehicle (High-Voltage systems)

€6bn
in orders for High-Voltage electrification solutions in 2023

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

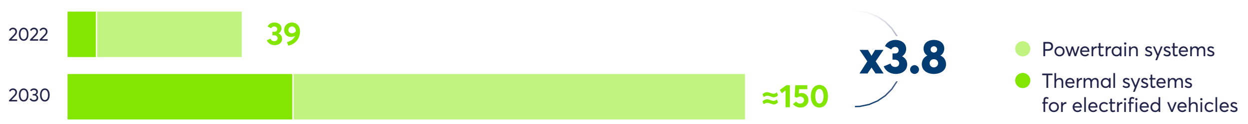
2025 outlook(2)

≈€7.5bn
ORIGINAL EQUIPMENT SALES

≈12%
IN 2025 EBITDA MARGIN

Market outlook and trends

ELECTRIFICATION MARKET
(in billions of euros)



(1) Like for like. 2021 and 2022 sales adjusted as if the High-Voltage electrification business had been consolidated in the Group's financial statements as of January 1, 2021.
(2) Move Up Plan as updated in February 2024.

Description of the Business Group

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

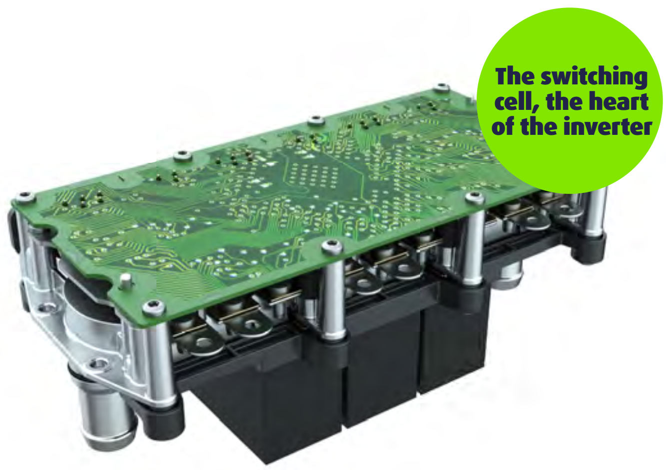
Since July 2022 and the integration of Valeo Siemens eAutomotive, the joint venture that was formed with Siemens in 2016, the Powertrain Systems Business Group has been organized around two product groups:

- Powertrain Electrified Mobility
- Powertrain Systems Driveline

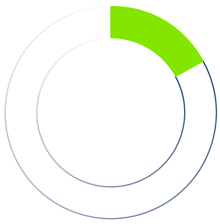
These two product groups work closely together to develop and produce:

- comprehensive, integrated Low- and High-Voltage electric powertrain solutions;
- solutions to further reduce fuel consumption and pollutant emissions from internal combustion engines.

Valeo's 48V powertrain system is a hybridization solution for all types of vehicles and a full electrification solution for urban vehicles. It can be used in hybrid and all-electric applications, and is versatile and less expensive than High-Voltage (over 60V) motors, with a less complex architecture that requires less safety equipment and is easier to service. Some of **its components derive from technologies**



Main competitors in...



MAIN COMPETITORS ≈40%
Schaeffler, Denso, BorgWarner, Vitesco, Bosch, ZF, Aisin and Magna

already in series production (48V starter-alternator, derived from alternator technology, for example), which significantly reduces development costs. Valeo's 48V all-electric motors are versatile, meaning **they can be used to power not only cars, but also new urban mobility** (urban electric vehicles, autonomous shuttles, motorcycles and even the three-wheel rickshaw vehicles found on Asian markets, as well as electric bikes).

In July 2022, the Valeo Siemens eAutomotive joint venture, which develops **High-Voltage electric powertrain solutions** for plug-in hybrid and all-electric vehicles across all market segments, was integrated into the Powertrain Systems Business Group's Powertrain Electrified Mobility product group. **Its solutions can be fitted on plug-in hybrid and all-electric vehicles** in every market segment.

Valeo's all-electric offering addresses growing demand from automakers for electric powertrain systems across the range. Valeo's powertrain systems run at voltages of 48V upwards (up to a power rating of 347 kW, or the equivalent of over 470 hp) **and give optimum performance, lower energy consumption and greater comfort.** Valeo builds **on nearly a century of extensive experience to take a comprehensive approach to powertrain system design from the outset, covering transmission and integration.** Complementary coverage across the two product groups of the Powertrain Systems Business Group enables Valeo to address growth in the hybrid and electric vehicle market with solutions adapted to all types of transmission: automatic, semi-automatic, dual-clutch and hybrid.

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

In the case of all-electric powertrains, Valeo's Low-Voltage (48V) or High-Voltage (over 60V) systems comprise both the motor and the inverter (motor control electronics). Its comprehensive powertrain systems also include the electric oil pump (for lubrication and thermal management) and anti-theft and clutch systems. **Battery charging is managed via an onboard charger** that connects to the power grid. **The DC/DC converter links the battery** (48V, 400V or 800V depending on the hybrid or all-electric application) **to the vehicle's onboard network** (12V) to power the vehicle's electrical equipment and accessories (car radio, windshield wipers, etc.).

Market trends and outlook

In 2023, sales of battery-electric and plug-in hybrid vehicles rose by 33% year-on-year in a market up 10%[1]. Sales of High- and Low-Voltage hybrids tracked the same trajectory, gaining 28% over the year.

In developing economies like China and India, sales growth was primarily driven by the rising proportion of cars equipped with hybrid systems. In China, the penetration of electric vehicles, plug-in hybrids and other new-energy vehicles (NEVs) proved resilient to the termination of purchase incentives early in the year[2].

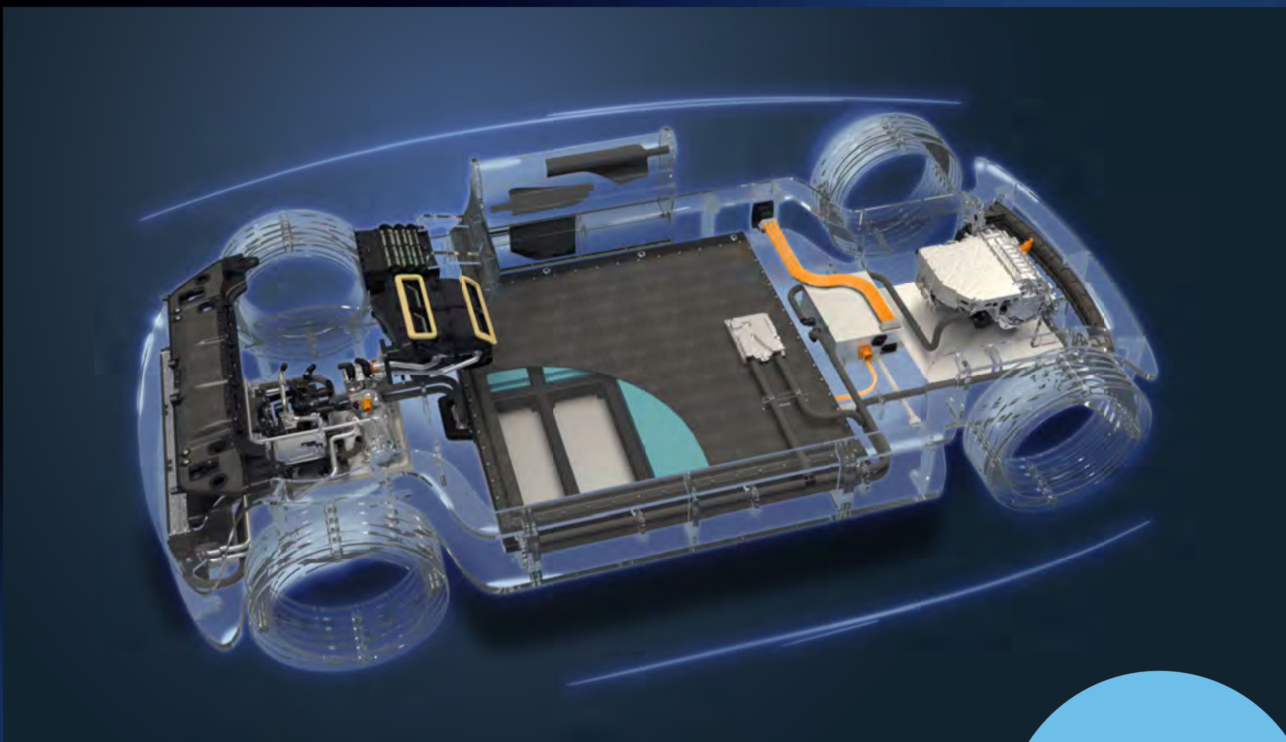
In mature markets like the United States, Europe and Japan, growth is being led by improved conditions in the auto semiconductor supply chain. In Europe, automaker backlog declined after peaking in second-half 2022, while in North America, the speed of electrification take-up observed in 2022 continued apace in 2023.

In response to these market trends, **the Powertrain Systems Business Group kept its growth strategy focused on solutions for fully electric mobility** in both High- and Low-Voltage formats, since electrification concerns all forms of mobility. The Powertrain Systems Business Group no longer addresses the automotive industry alone, but provides proven and robust solutions to support transition of the entire mobility sector towards all-electric vehicles.

(1) Total vehicle output between January 1 and November 30, 2023.
(2) Electric and plug-in hybrid vehicles are still eligible for a 1% VAT exemption on purchase.

THERMAL SYSTEMS (THS)

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



An electric vehicle's battery thermal management system

€4.7bn
21.4% OF 2023 GROUP SALES

-1 pt[1]
PERFORMANCE

7.6%
EBITDA MARGIN

23,500
EMPLOYEES

63 PLANTS

15 R&D SITES

Positioning and strengths

- **The go-to eThermal systems integrator**, with demonstrated technological leadership (415 patents filed in 2023)
- **A portfolio of game-changing innovations, supported by more than 20 research contracts signed with Asian, European and North American automakers in 2023**, with strategic partners such as TotalEnergies for dielectric cooling and LEAR for in-vehicle thermal comfort, and by a wide variety of university partnerships in Europe, the United States and China
- **A highly robust international customer portfolio**, primarily in Europe, but also in China (BYD, Geely, Chery, Li Auto, X Peng, etc.), Japan (Toyota and Nissan), Korea (Hyundai), India (Mahindra and Maruti) and the United States, including West Coast automakers
- Market-leading expertise in thermal engineering, crash boxes, composite materials, acoustics, systems and software
- Diversification into such growth segments as data center thermal management, high-power recharging stations and stationary renewable energy storage

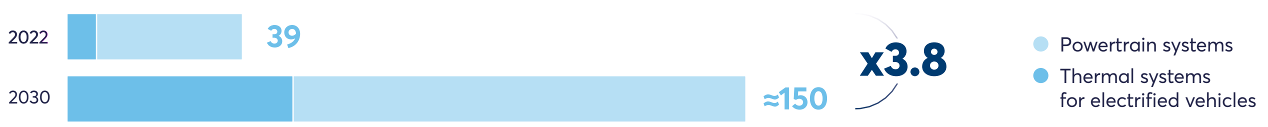
2025 outlook[2]

≈€5bn
ORIGINAL EQUIPMENT SALES

≈11%
IN 2025 EBITDA MARGIN

Market outlook and trends

ELECTRIFICATION MARKET
(in billions of euros)



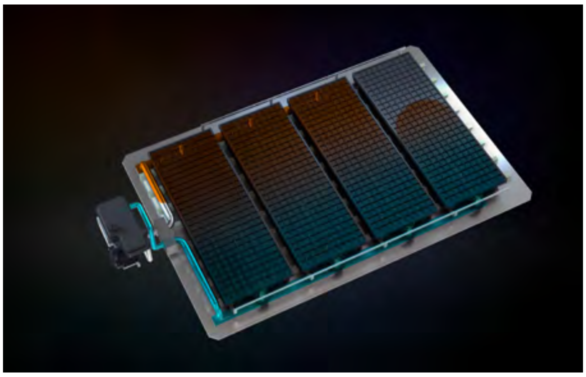
(1) Like for like.
(2) Move Up Plan as updated in February 2024.

Description of the Business Group

Thermal management is more important than ever for electric mobility

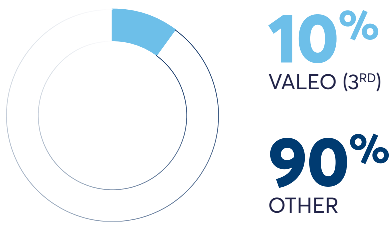
The Thermal Systems Business Group develops systems **that meet various electric mobility challenges in terms of cost, energy efficiency and usage**, primarily **to improve vehicle range, charging speed and carbon footprint.** The Business Group's field of expertise spans passenger thermal comfort and thermal energy management for batteries, the electric powertrain, power electronics and structural parts affording collision protection.

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



Battery pack – immersive cooling.

Main competitors in...



MAIN COMPETITORS
Denso, Hanon and Mahle

Technological solutions and major innovations

Valeo Thermal Systems designs and produces **smart, compact heat pump systems and modules** integrating all the components (exchangers, valves, pumps, fluid distribution board and sensors) compatible with R-1234yf, R-744 and R-290 coolants. This modular architecture **reduces weight and costs by up to 20%,** while improving energy efficiency and vehicle integration. The Business Group also offers energy-efficient cabin heating with the Valeo FlexHeater radiant heating system, smart-controlled with the air conditioning unit. **Together, these solutions reduce the negative impact of interior comfort heating requirements on the battery pack by 20% to 45% in cold weather -7°C.**

At the same time, the Business Group is innovating in **battery thermal management by immersing the battery in a high-performance dielectric fluid** for optimum cooling. This means that **the battery cells are constantly maintained at the ideal temperature, avoiding any risk of overheating, thermal runaway or premature aging**. In addition, immersion cuts charging time by 30%, with no risk of damage.

Lastly, Valeo Thermal Systems is marketing the Valeo Predict4Range, a software suite **that predictively optimizes a vehicle's heating and cooling management in real time, thereby increasing its range.** The system tracks a variety of parameters, both inside the vehicle (cabin temperature, battery charge, electric motor, etc.) and outside (weather, road gradient, wind speed, charging station locations, etc.). It also takes into account the driver's schedule, driving style and travel habits, so that just the right temperature can be precisely calculated both in advance and throughout the journey. **Thanks to the suite's ability to maximize heat recovery and battery management, the vehicle's range on a daily commute at 0°C is maintained for up to 25% longer than with conventional thermal management.**

With its leading position in battery cooling solutions and firm commitment to reduce greenhouse gas emissions, the Thermal Systems Business Group has developed the next generations of **low-carbon solutions, using recycled aluminum or dielectric fluid, combined with thermoplastic composite casings for battery packs.** It also develops structural parts in thermoplastic composite for body reinforcement (bolster, beam and crash box). This recyclable material is lighter, equally robust and offers the same performance. And the switch from a metal to thermoplastic **reduces the CO_2 impact by up to 50%.**

Ideal positioning for the Thermal Systems Business Group

With the growing electrification of mobility, thermal management has become a major challenge for electric vehicle energy efficiency and safety, opening significant growth opportunities for the Business Group.

As the leader in battery thermal management, Valeo Thermal Systems stands as a highly valuable systems partner, with worldwide coverage, close reach to manufacturers and a broad customer portfolio that includes both traditional automakers and new mobility players. **Valeo's solutions are highly integrated with a comprehensive range of products to address the cost and carbon-footprint challenges of future mobility.**

Market trends and outlook

By 2025, an electric vehicle will have twice as much thermal management content as a conventional internal combustion vehicle. All automakers have integrated into their technology roadmaps the fact that electric vehicle energy performance, battery charging speeds, range and passenger comfort depend on optimized thermal management systems. Battery thermal management, improved for faster charging, along with heat pump penetration to ensure travel range in winter, are important content and growth drivers.

Lastly, **the European Commission intends to ban the use of materials containing polyfluoroalkylated substances (P-FAS)** in the years ahead, which will lead to increased use of coolants such as R744 and R290. This ban will force shifts in solutions, which are already being proactively planned by Valeo and other suppliers. **All these trends make the market particularly dynamic and attractive to new entrants.**

High Voltage Coolant Heater

VISIBILITY SYSTEMS (VIS)

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

Central front panel lighting and illuminated logo

€5.5bn
25% OF
2023 GROUP SALES

IN-LINE
PERFORMANCE(1)

13.3%
EBITDA MARGIN

32,200
EMPLOYEES

45 PLANTS

24 R&D SITES

Positioning and strengths

World no. 1
in lighting

World no. 1
in wiper systems

- **World leader in lighting and wiper systems**
- **A seamless ecosystem and partners** to respond agilely to market trends
- **Growth in tech content per vehicle,** thanks to vehicle electrification and automation
- **Standardized, competitive technology platforms in line** with the Group's CAP 50 plan and 4Rs program
- **International-scale multidisciplinary expertise** in design, digital simulation, optics, plastic injection molding, electronics and software
- **Product portfolio perfectly aligned with market trends** in safety, style, performance, systems and integration

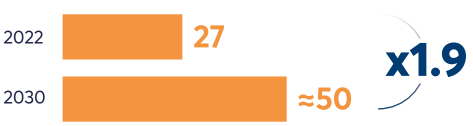
2025 outlook(2)

≈€6bn
ORIGINAL EQUIPMENT SALES

≈15%
IN 2025 EBITDA MARGIN

Market outlook and trends

VISIBILITY SYSTEMS MARKET, INCLUDING LIGHTING AND WIPER SYSTEMS
(in billions of euros)



(1) Like for like.
(2) Move Up Plan as updated in February 2024.

Description of the Business Group

The mission of the Visibility Systems Business Group is to design and produce innovative, high-performance, smart exterior and interior lighting and signaling systems. It also designs window wiper and sensor cleaning solutions.** In every driving situation, these systems assist the driver and improve safety for occupants and road users alike.

They can be fitted on any type of vehicle, whether conventional or autonomous, allowing them to be driven day or night in any kind of weather by:

- enabling optimal road visibility, thanks to intelligent, connected lighting, wiper and signaling systems;
- making sure cameras and other optical sensors work properly in all circumstances;
- enhancing driver and passenger comfort with innovative exterior and interior welcome and safety features;
- creating an immersive experience not only for the driver, but also for all the passengers.

As well as being designed to offer the best performance at affordable cost, all the systems developed by the Business Group are also optimized for weight and energy consumption **to reduce the greenhouse gas emissions of internal combustion vehicles and extend the range of electric vehicles.** The Business Group's innovation strategy is aligned with the Group's CAP 50 plan and 4Rs program carbon neutrality commitments.

Main competitors in...

≈16%
VALEO NO. 1

≈84%
OTHER

MAIN COMPETITORS
Koito, Marelli and Hella

≈24%
VALEO NO. 1

≈76%
OTHER

MAIN COMPETITORS
Bosch, Denso, Mitsuba and Shenghuabo

Visibility Systems has two product groups:

- **The Lighting Systems product group** offers a broad portfolio of solutions covering every market need, including personalized vehicle styling. **Valeo is the world leader in Lighting Systems and Exterior Signaling Systems.** This product group also engineers innovative interior lighting solutions that create a genuinely immersive onboard experience.
- **The Wiper Systems product group** offers sensor cleaning solutions for autonomous vehicles and window wiping and cleaning systems to ensure perfect visibility of the road and the surrounding environment for both the driver and the vehicle's optical sensors.

Market trends and outlook

Electric vehicles are offering new growth opportunities by supporting **significant changes in front and rear-end lighting styles**. **This is enabling brands to assert their identities, while freeing designers from technical restrictions and unleashing their creativity,** particularly in illuminating logos and front and rear panels.

Creating an immersive sense of well-being and safety inside the vehicle is also a way for brands to differentiate themselves. Such an experience is fostered by interior lighting, which is already opening up promising growth prospects.

Today, China and the rest of Asia is the Visibility Systems Business Group's fastest growing market, particularly in the lighting segment, where it is becoming the trendsetter. **With six production plants and a number of research and development and design centers in China, the Business Group has built a solid position in the region** and acquired a thorough understanding of the market's specific needs and expectations. It serves some of China's biggest automakers with both wiper and lighting systems.

To make roads safer, the Business Group has long integrated onboard software into its lighting and wiper solutions, in particular to **improve windshield cleaning and to make nighttime driving less stressful**. With its adaptive lighting systems, Valeo enables drivers to use their high beams at all times to **improve visibility without dazzling** oncoming drivers. Other software solutions are being deployed to deliver innovative functions and **customize taillight design** throughout the vehicle's life cycle. The Visibility Systems Business Group is also developing the digital twin to help customers configure **multi-LED lighting features with a holistic preview of the design in real time**.

Autonomous vehicles absolutely need to communicate with their surroundings. The Visibility Systems Business Group's lighting solutions **already send users clear, real-time information about their own vehicle** and, in the future, will enable them to communicate with other road users as well. **This requires the ability to combine lighting, signaling, electronics and software** to serve a trend that is particularly increasing the demand for 360° lighting systems and rear lighting. High-definition lighting solutions enable an autonomous vehicle's sensors and cameras to operate perfectly at night, improving **obstacle detection and response times in the event of an emergency**.

Safety is paramount in the development of ADAS and autonomous vehicles. **Cleaning the many cameras, LiDARs** and **infrared sensors** equipping these vehicles is also an essential function to ensure that they operate reliably regardless of season or weather conditions.

In line with the Group's CAP 50 Plan and 4Rs program, visibility systems are increasingly using renewable and recycled materials, in both windshield wipers and lighting products. Particular attention is paid to reducing weight, optimizing power use and enabling repair and remanufacture.

Canopy, the first wiper blade designed to reduce greenhouse emissions.

VALEO SERVICE (VS)

Valeo Service supplies spare replacement parts and services to car dealer networks and the independent aftermarket.

As an automotive aftermarket specialist, Valeo Service supports repair and maintenance professionals in their operations

€2.3bn
2023 SALES REPRESENTING 10% OF GROUP SALES

up 4 pts[(1)]
COMPARED TO 2022

1,400
EMPLOYEES

More than 150
COUNTRIES COVERED

Positioning and strengths

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

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

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

To create this value, Valeo Service is committed to supporting mobility professionals in their transformation by:

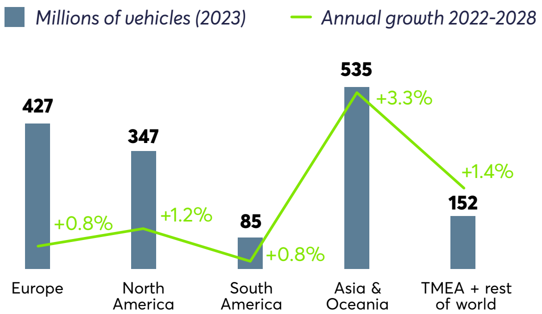
- acting as a trusted technical advisor in all repair and maintenance operations (parts, assistance and services) for all vehicles, including the new generations of electrified and smart (autonomous) vehicles, new mobility solutions and new technologies;
- offering new retrofit solutions and services to enhance vehicle value and the driver experience.

This mission is summed up in the Smart Care for You promise, and expressed through the strategic program known as STEPS, for Smart, Trusted, Premium Experience and Sustainable.

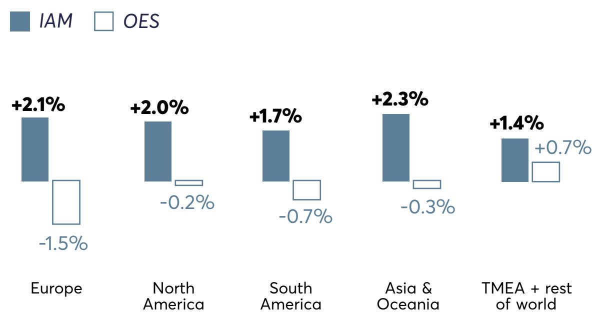
STEPS consists of supporting the Business Group's partners in creating value around these four critical drivers: a mix of digital solutions **(Smart)**, a portfolio of products and technical support services **(Trusted)**, the use of Net Promoter Scores to guide continuous improvement in the customer experience **(Premium Experience)** and a commitment to sustainability **(Sustainable)**, in particular through the "I Care for the Planet" program.

Market outlook and trends

GLOBAL VEHICLE FLEET



ANNUAL GROWTH 2022-2028



(1) Like for like.

Description of the Business Group

A "Smart" partner

Valeo is committed to acting as **a smart partner by providing distributors and workshops with personalized, optimized digital solutions**.

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

Launching the online Valeo MyPortal dedicated to enabling distributor customers to manage their business with Valeo 24/7 by offering:

- access to essential functions to streamline day-to-day transactions, such as ordering, delivery tracking and billing;
- access to business opportunities, personalized promotional sales based on their profiles, and performance comparisons in their catchment areas.

Expanding the Valeo Specialist Club, a unique workshop loyalty program.

- Accessible via a simple, effective smartphone app that enables workshops to create and activate an account in a couple of minutes, and then scan Valeo products and watch the points add up in their accounts in real time.
- Both truck and car spare part purchases are eligible for the Club.
- Depending on the country, the Club also offers professionals access to attractive gift catalogs or vouchers redeemable in partner stores.

Valeo Service's mission is embodied in its strategic program known as STEPS, for Smart, Trusted, Premium Experience and Sustainable.

- The program has been taken up by more than 60,000 repair workshops worldwide, on every continent, from China to Brazil, Europe and Turkey, with Greece, Australia and India joining in 2023.

A "Trusted" partner

Valeo Service wants to be recognized as a trusted partner, both for its comprehensive, innovative product offering and for its highly professional technical support.

Valeo Service supports professionals in their technological transformation by providing the aftermarket with **the latest original equipment innovations and by developing dedicated aftermarket solutions**. Some 5,500 products were added in 2023.

As part of this commitment, **Valeo is strengthening Tech@ssist**, its online technical assistance platform for professionals.

- **Tech@ssist offers a fast, intuitive parts search engine**, enabling workshops to find Valeo product details with ease, including technical features and automaker compatibility. Users can search by vehicle (brand, model or version), vehicle identification number (VIN), license plate (in some countries) or product reference;
- **full technical information, including technical service bulletins, instructions and installation videos,** is now available in a single location for immediate consultation.

Valeo Tech@ssist is freely accessible online on the valeoservice.com and equivalent country websites in Europe, Southeast Asia, Africa, the French overseas territories and China (via the WeChat application, specific to China). In 2023, the platform was extended to Brazil. It is also interconnected with the portals of several major European aftermarket players. **In all, in 2023, more than 1.1 million professionals relied on Valeo, using Tech@ssist to access technical information.**

Valeo also facilitates the training of professionals who are expected to continue servicing internal combustion engine vehicles, but also to prepare to maintain electric and autonomous vehicles. Valeo Service organizes both online and classroom training to support mechanics in ramping up the requisite technical skills. Over the course of 2023, Valeo Service trained more than 135,000 professionals worldwide.

A "Premium Experience" partner

Every day, Valeo Service teams are committed to offering their customers the highest quality and most memorable experience possible.

In 2023, for example, Valeo created **a new series of roadshows dedicated to its aftermarket customers called INVENT,** for INnovation Valeo evENT! At 27 roadshows organized around the world, Valeo welcomed 1,000 partner customers to preview, on an immersive platform, all the innovations specifically aligned with their markets that were forthcoming in 2024.

Recognition of Valeo Service's steadfast commitment to its customers was underscored in 2023 **by five awards from four major automotive aftermarket customers:**

- Nexus Automotive Supplier of the Year;
- AutoDistribution International Supplier of the Year;
- a double Supplier of the Year award from Groupauto International in the Heavy Duty and Marketing and Workshop Support categories;
- a Special Recognition Award from Temot, celebrating Valeo's 100 years of Innovation.

A "Sustainable" partner

In 2023, Valeo reaffirmed its commitment to taking action by launching the *I Care for the Planet* program, which is aimed at helping to shrink the automotive aftermarket's environmental impact through three key vectors:

- **Developing product innovations engineered to attenuate their environmental impact**. One such example is Canopy, the first windshield wiper specifically designed to reduce greenhouse gas emissions by more than 60%. The market has responded very positively, both in Europe and in China, where the innovation was launched in late 2023.
- **Development of circular products,** particularly remanufactured products that are being offered in an increasing number of categories, both for internal combustion and electric automotive applications and for soft mobility solutions, with the recent launch of remanufactured electric bicycle motors.
- **Reducing environmental impacts by encouraging low-carbon mobility** with a vast portfolio of more than 7,000 references for hybrid and electric vehicles, as well as by developing fixed, mobile and cable electric vehicle charging solutions.

1.5 Geographic and industrial footprint

Geographic footprint at December 31, 2023

	Plants	Research centers	Development centers	Distribution platforms	Number of employees registered
WESTERN EUROPE					
Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, United Kingdom	46	16	10	5	28,356
CENTRAL AND EASTERN EUROPE					
Czech Republic, Hungary, Poland, Romania, Russia(1), Slovakia, Turkey	20	0	7	3	18,739
AFRICA					
Egypt, Morocco, South Africa, Tunisia	9	0	1	0	8,135
NORTH AMERICA					
Canada, Mexico, United States	23	0	6	2	17,199
SOUTH AMERICA					
Argentina, Brazil	5	0	2	1	2,132
ASIA, MIDDLE EAST & OCEANIA					
China, India, Indonesia, Japan, Malaysia, South Korea, Thailand, Australia	72	3	21	9	38,179
TOTAL	**175**	**19**	**47**	**20**	**112,740**

(1) At December 31, 2023. At March 29, 2024, Valeo no longer had any production activities in Russia.

At December 31, 2023, the net carrying amount of the Group's real estate portfolio (land and buildings) was 1,357 million euros (see Chapter 5, section 5.4.6, Note 6.3 "Property, plant and equipment" to the consolidated financial statements, pages 344 to 347). The portfolio is largely composed of plants, the majority of which are wholly owned.

The net carrying amount of the Group's equipment, which is largely made up of technical facilities, machinery and tools, was 3,443 million euros at December 31, 2023, excluding property, plant and equipment in progress and other property, plant and equipment (see Chapter 5, section 5.4.6, Note 6.3 "Property, plant and equipment" to the consolidated financial statements, pages 344 to 347).

1.6 Functional structure

The Group's functional structure is as follows:

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

1.6.1 Internal Audit and Control

Mission

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

Organization

It has four units:

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

1.6.2 Sales and Business Development

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

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

Mission

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

Organization

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

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

2023 highlights

Thanks to its product strategy in electrification and ADAS, Valeo achieved a record order intake of 34.9 billion euros in 2023, 1.9 times the Group's original equipment sales.

This confirms Valeo's sound positioning in the megatrends shaping the automotive industry, the quality of its technology portfolio and the trust that its automaker customers place in its innovative solutions.

1.6.3 Communications

Mission

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

Organization

It is structured around five units:

- **Media Relations**, which manages all relations with journalists worldwide and in all media formats. This unit handles all queries and requests from journalists as well as proactively offering news topics, interview themes and events designed to highlight the Group's activities and image;
- **Internal Communications**, tasked with building team cohesion, encouraging employees to act as company and brand ambassadors, and nurturing a Group-wide team spirit. Digitalization of internal communications and employee mobilization through the Valeo Employee Advocacy program are two of the key levers used to strengthen individual involvement and support the Group's major projects;
- **Brand**, responsible for ensuring a coherent brand expression worldwide, along with lasting brand integrity and strength to enhance Valeo's image;
- **Content**, responsible for developing a variety of content (written, audio and audiovisual) to promote all aspects (human, industrial, technological, etc.) of the Group's image and to enhance its visibility across the different channels under the unit's remit: the valeo.com website and the Group's social media accounts;
- **Events**, tasked with organizing all types of Group events – physical, hybrid and digital – such as trade shows, commercial and corporate events, customer visits, Shareholders' Meetings and internal events;
- **Investor Relations** (see Chapter 6, section 6.2 "Investor relations", pages 427 to 428), which is responsible for liaising with the entire financial community (investors and analysts), and works closely with the Communications Department.

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

1.6.4 Ethics, Compliance and Personal Data Protection Office

Mission

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

Organization

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

It comprises two units:

- the Ethics and Compliance Office, a central team responsible for developing compliance policies and tools, incorporating compliance programs into methodologies and advisory systems for operational staff, providing training, and conducting second-level compliance audits. It is also in charge of the Whistleblowing System. A total of 61 Compliance Champions covering different countries, Business Groups and functions (Purchasing, Sales, Logistics, Communications, R&D, HR, IT, Legal, etc.) contribute to the implementation of policies, priorities, control points, action plans and instructions in their respective areas of responsibility;
- the Personal Data Protection unit, a central team responsible for defining programs and tools to protect personal data processed in connection with the Group's activities, and by the Human Resources and R&D Departments in particular. A total of 13 Personal Data Protection Managers and 37 Data Protection Champions contribute to the implementation of these programs and tools at local level, as well as compliance with regulations.

1.6.5 Finance

The Finance Department comprises the following departments: Management Control, Reporting, Accounting, Financing, Cash Management, Tax, Investor Relations (see Chapter 6, section 6.2 “Investor relations”, pages 427 to 428), Strategic Operations, Information Systems and Risk Insurance. Operating either on a Group-wide network basis or centrally from headquarters, these functions execute Valeo's financial strategy. In particular, they are tasked with:

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

Management Control and Reporting

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

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

Accounting

Mission

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

Organization

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

- the **Technical Standards Department** is responsible for the implementation and application of International Financial Reporting Standards (IFRS). It ensures that the financial statements are prepared in accordance with said standards. This department also prepares and organizes training sessions for the Group's finance teams with a view to continuously improving reporting quality and promoting better knowledge of the standards. It also analyzes and assesses the impact of regulatory requirements in the area of sustainability on the financial information scope, and conducts appropriate reporting in coordination with the Sustainable Development Department;
- the **Consolidation Department** prepares the Group's consolidated financial statements; each member of the team, under its director's supervision, reviews the financial statements of subsidiaries within a specific region (Europe, America, Asia, etc.) and follows up on broader issues that also concern their region. In connection with the Group's transfer pricing policy, it oversees internal invoicing flows in conjunction with the Tax Department;
- the **Holding Companies Accounting and Valeo Internal Bank Department** prepares the financial statements of the Group's main holding companies and monitors the operations of the Group's Internal Bank as well as costs incurred at headquarters.

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

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

Financing and Treasury

Mission

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

Organization

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

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

2023 highlights

In October 2023, Valeo placed 600 million euros' worth of new green bonds. This inaugural green bond issue enables Valeo to continue to develop its portfolio of technologies that contribute to low-carbon mobility, in particular its vehicle electrification solutions. It is based on the "Green and Sustainability-linked Financing Framework" updated and published in September 2023, which underlines Valeo's commitment to contributing to carbon neutrality and is a natural extension of the Group's overall efforts in terms of sustainability.

Tax

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

The Tax Department is divided into three functions:

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

Strategic Operations

Mission

The Strategic Operations Department is responsible for managing the Group's acquisitions and sales processes, as well as its investments in joint ventures (see Chapter 1, section 1.1 "History and development of the Group", page 48).

The Department is responsible for carrying out due diligence prior to transactions, and for coordinating the internal and external teams involved in the valuation and contract negotiation processes.

Organization

To perform its duties, the Strategic Operations Department is supported by:

- a tight-knit, experienced in-house M&A team;
- the functional departments involved in operations, in particular the Legal, Internal Audit, Accounting, Tax and Human Resources Departments;
- external consultants, in particular in the valuation process.

Information Systems

Mission

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

Organization

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

- the **Enterprise Management Systems Department**, which safeguards the integrity of the central IT system, provides reporting and business intelligence tools and underpins Valeo's growth by developing standardized solutions for Production, Logistics, Quality and Purchasing;

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

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

2023 highlights

- Improved cybersecurity, in particular through the continual expansion of cybersecurity teams, the increase in detection rules and the bolstering of third party access management;
- Ongoing homeworking support;
- The continued rollout of the Workday, ALM systems.
- continued adoption of a "no code" development tool;
- Strengthening of R&D teams and tools, in particular for embedded software development;
- Preparation of the new human resources management system, with gradual rollout since early 2023.

Risk and Insurance

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

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

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

Risks that could impact Valeo's business are set out in Chapter 2, section 2.1.1 “Strategy risks”, page 85 *et seq.* Details on insurance and risk coverage are given in Chapter 2, section 2.2 “Insurance and risk coverage”, page 94.

1.6.6 Legal

Mission

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

Organization

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

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

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

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

1.6.7 Purchasing

Mission

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

Organization

The Group's Purchasing Department has two major priorities:

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

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

2023 highlights

In 2023, Valeo continued to strengthen measures to ensure the continuity and performance of its supplier panel:

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

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

2023 saw a sharp rise in interest rates due to persistent inflation and an uncertain international environment, which has weighed on the strength of the supplier panel.

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

1.6.8 Research and Development and Product Marketing

Mission

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

Organization

Valeo's Research and Development and Product Marketing Department covers Research, Innovation, Development, Product Marketing and Intellectual Property, and the Digital Solutions and Information Systems Department (DSIS).

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

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

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

In 2023, Valeo continued to implement initiatives to decarbonize its products as part of the CAP 50 program and to accelerate its Circular Economy policy, structured around the 4Rs (Robust Design, Remanufacturing, Repair, Recycle(d)).

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

Skills development continued: the R&D workforce grew by more than 2,130 to 19,376; the number of Experts increased by 15% to 1,619 (11% women).

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

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

2023 highlights

In 2023, the Group's gross Research and Development expenditure totaled 2,607 million euros, representing 11.8% of sales.

Valeo gives priority to protecting its innovations, and its policy has proved effective on several counts. Its innovations are protected by a portfolio of more than 33,000 patents worldwide.

In response to changing customer needs and the growing separation of hardware and software, a few months ago Valeo launched Valeo anSWer, its Software as a Product and as a Service offering.

This triple-level offer includes:

- best-in-class applications;
- middleware, the essential link enabling communications between applications and the SOC; and
- services for its customers, such as software architecture design, and software integration, validation, testing and maintenance.

1.6.9 Human Resources

Mission

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

Its multiple aims address primordial challenges (see Chapter 4, section 4.3.4 "Sustainable development policies", paragraph "the Group's employee policy", pages 256 to 259):

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

Organization

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

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

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

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

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

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

2023 highlights

Increased resources to increase diversity

With the firm belief that diversity is a source of creativity and engagement that helps to boost efficiency, Valeo has appointed a Diversity, Equity and Inclusion Director. The aim is (i) to promote diversity initiatives across the Group and ensure that Valeo meets its objectives in this area, and (ii) increase engagement of its teams on these topics at all stages of its employees' career.

Measures to resize certain plants

In response to the tougher macroeconomic environment, a number of reorganization measures have been undertaken.

At the Amiens plant (France), a plan has been implemented to reduce structural costs. Negotiations with employee representatives have resulted in an agreement on support measures for employees whose employment contracts have been terminated.

At the Bad Neustadt plant (Germany), the PTS Business Group launched a production shutdown procedure in response to an unexpected drop in orders from a particular customer.

Preparation of new human resources management systems

To accelerate the digitization and transformation of the Human Resources function, the Group rolled out Workday, a human resources management tool, in early 2023. This tool is accessible to employees of all grades.

2

RISKS AND RISK MANAGEMENT

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

2.1 Risk factors AFR

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

Methodology

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

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

This general risk map is updated on a regular basis.

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

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

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

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

Risk assessment criteria

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

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

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

(1) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization, known as the Sapin II law.
(2) Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations.
(3) Task Force on Climate-Related Financial Disclosures.

Main risk factors

The table below indicates the main risk factors that are considered to have a medium or high level of criticality for the Group. These risk factors are discussed in the following section.

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

Criticality ● High ● Medium

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

2.1.1 Strategy risks

Risks related to the automotive equipment industry

Risk factor	Potential impact on the Group and risk management
The Group's sales are directly dependent on the level of automotive production, which itself depends on registrations and automaker sales and production policies. In turn, these are influenced by a number of contextual factors linked to the geopolitical, macroeconomic and health situation. It should also be pointed out that supply contracts with automakers take the form of open orders, with no minimum volume guarantee.	A deterioration in the automotive market or a geopolitical conflict, as well as a change in regulations, customs, taxes or other barriers or restrictions to doing business in the regions in which the Group and its customers are present, particularly Europe, Asia or North America, could lead to a decline in the Group's revenue or profitability and/or to the default of some of its customers or suppliers, and could thereby affect Valeo's financial position. In the event of a deterioration in the automotive market or the relocation of automotive production, Valeo has the necessary expertise and resources to implement large-scale action plans in order to variabilize costs and safeguard the Group's cash position. The Group maintains a tight rein on costs, particularly by ensuring good workforce flexibility. Moreover, the Group has operations in 29 countries and its sales are generated in some 60 countries. The diversity of the Group's sales in terms of region, customer, brand and platform makes it less vulnerable to negative trends in one of its markets. The Group's two largest customers in 2023 accounted for 26% of its sales, its five largest customers, 49%, and its ten biggest customers, 72%. Valeo also derives 10% of its sales from the aftermarket, which is less sensitive to fluctuations in the economy. The balanced geographic alignment of Valeo's businesses and its diversified customer portfolio are described in Chapter 5, section 5.1.1 "2023 business review", pages 296 to 297. 2022 and 2023 saw a return to inflation worldwide. During this period, the Group demonstrated its ability to obtain compensation from its customers for the effects of price rises. In addition, there was a shift in the automotive industry's customer mix, linked to the sharp increase in Chinese and North American customers, particularly for electric vehicles. In this context, Valeo is repositioning its customer portfolio in China to strengthen its position with the most dynamic local customers. While the electric vehicle market still offers attractive long-term prospects, it is likely to remain volatile in the short term. The Group implemented cost reduction measures in late 2023 and early 2024, aimed at further improving profitability and cash generation over the next few years.

Risks related to attracting and retaining talent

Risk factor	Potential impact on the Group and risk management
The Group operates in a competitive environment and in a sector that is undergoing radical change. This requires an increase in human resources as well as a broader spectrum of critical skills to ensure that it can adapt to changes in the automotive industry. However, Valeo may face difficulties; firstly, in attracting and retaining talent, and secondly, in adapting and taking on the necessary qualifications and skill sets to develop and manufacture its systems and products. The Group's huge investments in innovation mean that it needs to carry out targeted recruitment of skilled Managers and Professionals. The scarcity of labor in certain employment areas makes it difficult to hire the employees needed to increase production.	Failure by the Group to attract and retain talent could impact its product innovation, development, launch and production, and have a negative impact on its business, financial results and reputation. For more information on the program, policies and actions implemented by the Human Resources Department and the related results, see Chapter 4, section 4.3.3 "Valeo's non-financial risks", paragraphs "Risk related to attracting talent" and "Risk related to developing and retaining talent", pages 259 to 266. Attracting the highest performers is a key challenge for the Group amid a competitive environment undergoing a profound transformation. To meet its growth and development objectives, a recruitment organization system is in place in the form of Talent Acquisition Centers (TACs). These TACs bring together all teams dedicated to scouting and attracting talent in a given country or region. In 2023, Valeo focused on the speed and efficiency of its recruitment procedures. As a result of these measures, 87% of job vacancies were filled. A co-optation program is in place for employees. The Group regularly reports on career opportunities and job vacancies through a variety of channels, particularly its website, as well as social networks and partnerships with higher education institutions including universities, engineering schools and business schools. In June 2023, Valeo organized its first "Valeo recruits women" day in partnership with *Elles bougent*, an association that works to help women engineers secure jobs in industrial, scientific and technological environments. Ensuring that high-performing employees remain with the Group is also a key priority for Valeo. Wishing to facilitate quick and successful integration, the Group has continued to develop a dedicated new portal as well as an onboarding program called "Valeo Discovery" for its Managers and Professionals. Valeo's internal mobility policy is based on annual interviews as well as on "country mobility forums", which were launched in 2019. The aim is to better identify all employees looking for mobility opportunities and be able to place them in vacant positions across the country concerned. Since 2020, an annual Career Week has been organized and an Internal Mobility Charter has been created to enable employees to accelerate their career paths. An e-learning platform was also rolled out within the Group to develop employees' skills. To promote managers' development, the Group has rolled out a worldwide mentoring program called "Grow Together". In 2023, 577 employees from 22 countries took part in the program, with 291 mentees and 286 mentors, 38% of whom were women. An ambitious compensation, career development and training policy is also a critical way of recognizing, developing and leveraging talent. Manager training is a priority for the Group: three new training programs were launched in 2022 and more than 3,200 managers have already completed them. Valeo seeks to encourage diversity when recruiting talent: in 2023, 28% of Managers and Professionals hired were women. The Group seeks to promote women to senior management positions with the aim of doubling the number of women within the Group's various management committees to 32% by 2030. Progress on this objective is monitored and reviewed several times a year. In 2023, women made up 23.6% of the Group's various management committees, in line with the Group's objectives. In order to remain attentive to its employees and improve their satisfaction, the Group conducted a digital survey of over 94,000 employees in 2023, which had a participation rate of 81%. The survey covered a number of topics, enabling the Group to gain a clearer understanding of what drives employee engagement. Valeo has rolled out action plans in each country addressing local recruitment and employee loyalty issues, particularly in areas of full employment. The Group strives to recruit its blue-collar workers from the communities surrounding its plants. Wherever possible, it hires under permanent rather than temporary contracts while maintaining a certain degree of flexibility. It also adapts its teams' work schedules and ensures that new recruits are well integrated. The Group's compensation, training and career development policy is key to retaining blue-collar staff.

2.1.2 Operational risks

Risks related to the development and launch of new products

Risk factor	Potential impact on the Group and risk management
Valeo is exposed to the risks inherent in developing and launching new products. The Group may face problems in connection with project management, from design through to industrialization and including management of changes to orders already made. As the Group conducts its business in an international environment, it is also exposed to risks resulting from changes in applicable laws or regulations affecting its products in all or some of its markets, or affecting export control regimes.	Failure to deliver in a timely manner innovative solutions, solutions that meet new regulatory requirements, or products expected by its clients, could harm Valeo's reputation and affect its financial position. The Group may incur administrative and/or criminal sanctions and its customers and/or suppliers may be unable to carry on their business either temporarily or definitively. Measures in place to mitigate the risk inherent in developing and launching new products are based on: • project teams to ensure that products are developed in compliance with deadlines and customer expectations. Each project has a specific team with a shared objective and schedule. Since 2019, the Group has strengthened project governance, especially with regard to preparing series production launches at the level of design centers as well as at plants; • an organization based on technological platforms allowing a high degree of product and production process standardization: systematic reuse of technological components in innovation processes and technology roadmaps. These platforms enable Research and Development expenditure to be adapted to the technological maturity of the market concerned; • training for members of the project teams so that they can develop the skills they need. Reviews are performed to ensure that this policy is duly applied; • ongoing operating and financial supervision, based on a structured approach that defines key issues in terms of product development and processes. Valeo has also implemented a structured approach to develop software and systems. All of these methodological principles are applicable at the Product Group level. Organizational and governance guidelines, business and best practice descriptions, and forms are available to the teams in their daily work. In order to anticipate regulatory changes and ensure that the products it develops and manufactures are compliant, Valeo has implemented the following measures: • a Regulatory Officer within the Research and Development team has been appointed for each Product Group, responsible for identifying and properly understanding the regulations applicable to products in each of the countries where it operates. Each regulation is translated into a standard for the Group's products; • Research and Development teams in charge of verifying that these standards are duly applied for products under development have been strengthened; • a Product Development Integrity Charter has been rolled out, defining the expectations of General Management with regard to the operation of the Research and Development, Project, Purchasing, Quality, Industrial, and Sales and Business Development networks, in terms of regulations, transparency, compliance, quality assurance and management reporting. From 2024, all of Valeo's corporate staff will be assessed on their knowledge of the five fundamental points of this Charter every year, through annual compliance training sessions; • a special training program is in place for all employees of the Research and Development and Production Quality laboratories, in order to guarantee the independence of its laboratories. This training is part of the onboarding program for all new laboratory employees. Valeo's export control policy consists of a specific compliance program based on strict rules and procedures applicable to Purchasing and Research & Development teams. The Group constantly looks to anticipate changes in technology and in the regulatory landscape. However, it cannot be sure to anticipate all such changes. For more details on Valeo's Research and Development policy, see Chapter 4, section 4.3.2.2 "Technological commitments", pages 244 to 246.

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

Risk factor	Potential impact on the Group and risk management
Some products and services may be intrinsically linked to the safety of people and goods. Regulations seeking to protect car users and/or defend the public interest, particularly in terms of the environment, are increasingly strict and checks that such regulations have been complied with are ever more frequent and thorough. Similarly, the contractual commitments imposed by Group customers, which are also highly demanding, reflect the excellence they expect from their suppliers in terms of operational performance. If products sold by the Group were to prove insufficiently robust, present design, manufacturing or operational defects, or prove non-compliant or incompatible with applicable regulations, Valeo could be exposed to the following risks: • risk of liability warranty claims by its customers; • major recalls; • risk of individual or group liability claims in the event that such products are alleged to have caused damage to users and/or third parties; • risk of liability claims by its customers for breach of contractual commitments.	The Group's businesses, earnings and financial position as well as its image and reputation could be significantly affected. During the product design and development phase, the Research and Development and Quality Departments are in charge of managing these risks. These departments ensure that the product has a robust design and complies with customer specifications, standards and regulations. Valeo is represented in international standard-setting groups (SAE, ISO, IEEE, etc.) and contributes to the development of new safety standards. Product compliance is guaranteed by an independent review process that meets the requirements of the relevant standards (notably ISO 26262). During volume production, the Purchasing, Industrial and Quality functions, driven by the same total quality approach, seek to ensure that components and materials purchased are appropriate and meet the requisite quality standards, and also ensure that production processes are stable. The measures described below illustrate this approach during product development. • lessons learned from past incidents are used to revise definitions of the standards and processes concerned; • accelerated tests are carried out on products in abnormal conditions of use in order to identify any product weaknesses that could appear in the first three months on the road; • a system for collecting and analyzing returns at car dealer networks enables Valeo to identify weak warranty signals before the parts are physically returned or a customer alert is received; • an annual reassessment process for purchased components has been implemented with Valeo's suppliers to guarantee that all purchased parts match initial samples. Any discrepancies are monitored using a specific indicator; • safety- and regulatory compliance-related discrepancies relating to special product and process characteristics (SPPC) are monitored using an indicator that is updated weekly; • a rigorous process is in place to monitor contractual warranty obligations. A specific procedure has been added to the Financial and Administrative Manual and an approval process has been created. It concerns all networks R&D, Quality, Purchasing, Projects, Processes, etc. The Group has taken out specific insurance policies to cover the risk that products may be recalled and protect itself against civil liability claims. However, it is uncertain whether these policies would be adequate to cover the full financial consequences of any such claims. In any case, criminal liability risk cannot be insured and certain coverage exclusions can be applied. The Group's insurance policy is presented in section 2.2 "Insurance and risk coverage" of this chapter, page 104. Provisions for customer warranties are set aside to cover the estimated cost borne by Valeo to replace the products covered by the various warranties granted to customers. These amounted to 465 million euros at December 31, 2023 (see Chapter 5, section 5.4.6, Note 7 "Other provisions and contingent liabilities" to the consolidated financial statements, pages 352 to 354).

Cybersecurity

Risk factor	Potential impact on the Group and risk management
The Group depends on infrastructure and IT applications common to all of its businesses. These include procurement, production, distribution, billing, reporting and consolidation software, as well as new product design and development. Cybersecurity risks can include breaches of confidentiality, loss of integrity and/or availability of the data and/or transactions processed by the information systems (system malfunction, data theft, data destruction and loss of data integrity). These may result from external (attempted denial of service, attempted damage, attempted hacking, malware[1]) or internal (tampering, breach of rules, human error, breach of data confidentiality) threats. Valeo also faces other indirect social engineering-type threats such as "fake chairman" or "fake treasurer" fraud, blackmail and ransomware[2], as well as indirect threats resulting from third party access to its network, and subcontracting. In addition, the Group faces threats in relation to onboard products and systems, and other products such as electric chargers, in their design phase and also in their operational and service phases, as the case may be. These threats are even greater with the rise of the autonomous and connected car.	All of these risks and threats could impact the Group's operations, its reputation and its profitability. Since 2016, a Group Chief Information Security Officer, who reports to the Chief Financial Officer, has been in charge of stepping up information system security and addressing these risks and threats. He reports to the Executive Cybersecurity Committee, in the presence of the Chief Executive Officer, every six months, and to the Audit & Risks Committee once a year. The Chief Information Security Officer is responsible for the governance and continuous improvement of information system security policy, and particularly: • preventing risk by raising employee awareness, emphasizing a security "by design"[3] and "by default" [4] mindset and by stepping up audits of critical system components; • continuing the security program in order to bolster access control for persons and equipment, protect sensitive data and identify potential system weaknesses; • improving the detection of security incidents and the response model in accordance with the type of threat or its potential impact, and automatically blocking any apparent malware. As part of this effort, the Group set up a dedicated response unit – the Cybersecurity Incident Response Team (CIRT) – in 2018 to improve its response to cybersecurity incidents and cyberattacks. Cybersecurity risks are managed across all geographies by a cybersecurity officer in each region, for all sites and at each site. The program for vetting suppliers and more generally, for verifying external systems interfacing with the Group's information systems or managing data on the Group's behalf (SaaS)[5] has been stepped up to better take into account any associated risk, the needs of Valeo's customers, current and future legal and regulatory requirements, and the recommendations on information system security issued by various government organizations. All information system security rules are formally documented in an Information Systems Security Policy (ISSP), set out in an Information and Communications Technologies User Charter put in place by the Group and applied by all users. This charter is explained and illustrated in a practical guide that aims to raise users' awareness of the importance of safeguarding the Group's assets on a daily basis through the fair and responsible use of available IT resources. An additional program to raise employee awareness of emerging IT threats was rolled out in 2017 and, since 2020 also covers phishing[6]. An operational security improvement program is also being deployed to combat the new threats faced by industries, which includes advanced detection and threat intelligence[7] features. Product cybersecurity was enhanced in 2017 when the Group recruited a product cybersecurity officer. As of 2019, the Cybersecurity Officer reports to the Group Chief Information Security Officer. Working closely with the Product Groups, the Cybersecurity Officer is responsible for: • overseeing the governance and continuous improvement of product cybersecurity, including its organizational structure; • representing Valeo in international standard-setting groups and regulatory bodies such as UNECE, ISO, AutoISAC and ENX in the area of automotive cybersecurity. Valeo has an internal Cybersecurity Management System (CSMS) appropriate for the state-of-the-art auto industry and certified ISO/SAE 21434 by UTAC on January 31, 2024; • verifying that the various Product Groups develop their projects in compliance with the CSMS; • capitalizing on the new developments by creating reusable architecture, software and models to increase efficiency and robustness; • improving the Group's embedded cybersecurity expertise by rolling out an internal training plan, recruiting experienced individuals and developing external joint projects with higher education and research institutions.

(1) Malicious software used to contaminate information systems.

(2) Malicious software taking data hostage. Ransomware encrypts and locks files saved on computers and demands a ransom in exchange for a key allowing them to be decrypted.

(3) "Security by Design" (SbD) is a strategy to mitigate cybersecurity risks with processes "that build security into IT systems from the beginning using sound design principles, rather than trying to tack it on at the end," (NIST definition – National Institute of Standards and Technology).

(4) "Security by default" means processes are always applied whenever necessary, as for example in privacy scope, as required by GDPR.

(5) "SAAS" or "software as a service" is an application software solution hosted and operated outside the organization by a third party, also called a service provider.

(6) "Phishing" is a fraudulent technique intended to trick Internet users through the use of deceptive emails into revealing personal (log-ons, passwords, etc.) and/or banking data by pretending to be a trusted third party.

(7) "Threat Intelligence" refers to a body of expertise used to identify and analyze external IT threats to an organization on an ongoing basis.

Supplier and supply chain failure risk

Risk factor	Potential impact on the Group and risk management
In purchasing primarily specific products, Valeo is exposed to the risk that one of its suppliers fails to deliver on schedule the quantities required, or that the products supplied fail to meet the requisite quality standards.	***Supplier failure risk*** Failure of one or more of the Group's major suppliers in this respect could cause interruptions to suppliers and prevent the Group from delivering to its customers, or cause returns of products under warranty or product recalls. This would also generate additional costs (exceptional transportation costs, deterioration in the supplier's production facilities or financial difficulties of the supplier). The Group's earnings and financial position could be affected. Supplier failure could result: • from Valeo growing on innovative markets, thereby leading it to increase its share of business among an optimal number of suppliers; • from a structural change in automotive markets and the disappearance of certain products, which could immediately impact a supplier's financial staying power if that supplier were unable to reposition itself on other markets; or • from an economic crisis, such as the 2020 health crisis, if it were to last longer than the supplier's cash resources. Although the supplier default rate is contained, the inflationary context and rising interest rate environment are weighing on the financial strength of the supplier base. The Group ensures secure relations with its suppliers through: • a solid risk identification and monitoring process for each new contract and new business awarded, as well as for new suppliers with a long history with recently consolidated entities; • continuous monitoring of the supplier base in accordance with supplier risk assessment procedures based on criteria including financial and management criteria, dependence on Valeo, integration and quality, as set out in IATF standard 16949[1]; • a watchlist of high-risk suppliers, who are monitored monthly by the Group Purchasing Committee. Emergency stockpiles are built up where necessary and/or additional production facilities launched; • a product civil liability insurance program for its suppliers. Each supplier can subscribe and thereby meet the Group's coverage standards in terms of product defect risks. As a result, they are covered against any harm they may cause Valeo as a result of the products they supply; • diversified supply streams in order to mitigate supplier failure risk as much as possible while maintaining acceptable economic conditions. The markets for certain materials and product families may, in certain cases, be exposed to supply limitations for cyclical reasons, depending on the supply regions. In order to cover this risk, several suppliers may be sought for each business and each region and included in the panel. Ninety-five percent of Valeo's needs are handled by 1,986 suppliers. The Group's biggest supplier accounts for 3.9% of its purchases, its five biggest suppliers, 10.3% and its ten biggest suppliers, 14.3%. In addition, a detailed action plan involving the Purchasing Department, the Research and Development Department and the Industrial Department, set up following the recent supply shortages observed for certain electronic components, was maintained in 2022. Under this plan, the Group's projected requirements are to be communicated to its supplier database and the purchasing strategy is to systematically factor in purchases of components in product designs. Valeo is highly involved with its suppliers, in particular to continually improve the quality of the products it delivers to automakers. This does not mean, however, that there are ownership links between Valeo and its suppliers.

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

The Group's supply chain and delivery procedures apply worldwide and incorporate all physical and information flows throughout the logistics process, upstream and downstream of plants and warehouses. A breakdown in this chain arising from either internal or external factors – whether regarding supply, transportation or logistics – exposes the Group to the risk that it will be unable to deliver on schedule the quantities required, or that the products supplied fail to meet the requisite quality standards.	***Supply chain failure risk*** Failures in the supply chain could lead to production line interruptions and production stoppages at automakers. This would also generate additional costs (exceptional transportation, financial and commercial penalties due to customer production stoppages). The Group's earnings and financial position could be affected. A failure in the supply chain could result: • either from internal events such as a failure to place orders or a miscalculation of requirements, poor anticipation of transportation capacities, delays in the configuration of flows, or internal transportation and logistics accidents; • or from external events such as natural disasters, pandemics, political crises, conflicts, war, strikes, cyber attacks, accidents or attacks on means of transportation, as well as the lack of transport supply or the global shortage of a commodity (e.g., electronic components). The Group manages this risk using various processes: • the application of safety guidelines regarding traffic, handling equipment and storage in racks in order to limit the risk of internal accidents; • an "inbound material flow strategy", which is designed to take control of long-distance transportation flows, while locating returnable supplier inventories as close as possible to where they are needed, provided this is permitted by applicable laws and regulations; • supply chain checklists. These allow Valeo to verify that logistics processes have been implemented throughout projects, by systematically applying the Group's logistics standards and failure mode analyses to the supply chain; • the securing of supplier capacities through the "early open order" process; • the entire strategic, operational and execution planning process, which now covers 24 months in advance; • a formal document listing Valeo's supply chain and logistics requirements. This document is sent to all suppliers of primary materials and parts; • the logistics protocols signed by Valeo with its production suppliers; • the transportation protocols signed by Valeo with its haulers; • the information systems that update inventory movements, cyclical inventory standards and the specific control reports from these systems (inventory coverage, transit operation tracking, etc.); • supervision of transportation flows by means of hauler alerts; • the "Logistic Red Alert" process, which now incorporates alerts related to tier 2 suppliers; • a unit of specialists (Supply Chain Management Allocation and Risk Team) focused on high-risk technologies within the Electronics segment, which decides how requirements and resources are allocated across all Group sites; • tools and processes to provide complete visibility of needs and resources across the supply chain, from suppliers to customers. Since 2022, international conflicts and climate change have led to a reorganization of transportation flows, resulting in an increase in in-transit inventories and risks of disruption.

Claims, litigation, and governmental, legal and arbitration proceedings

Proceedings arising within the ordinary course of business

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

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

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

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

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

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

Antitrust investigations and resulting proceedings

At the end of July 2011, antitrust investigations were initiated against numerous automotive suppliers (including Valeo) by the US and European antitrust authorities in the area of components and systems produced for the automotive industry (see Chapter 5, section 5.4.6, Note 7.2 "Antitrust investigations" to the consolidated financial statements, page 354).

In the United States, the Department of Justice and Valeo's Japanese subsidiary, Valeo Japan Co. Ltd, reached a settlement of the Department of Justice's investigation into conduct involving thermal systems products on September 20, 2013 as part of which Valeo Japan Co.

Ltd agreed to pay a fine of 13.6 million US dollars. This settlement agreement, which was ratified by the United States District Court for the Eastern District of Michigan on November 5, 2013, terminated any proceedings instituted or likely to be instituted by the US federal authorities against the Group for practices that came to light during their investigations. Separately, the Department of Justice investigated conduct involving access mechanism products, but granted Valeo immunity and so did not fine Valeo for this conduct.

Following on from the agreements signed with the Department of Justice, Valeo reached settlement agreements putting an end to all class action and prospective class action lawsuits with car dealers, direct purchasers and/or automotive end-payers. Class actions filed against Group companies in British Columbia, Quebec and Ontario in Canada were settled with the plaintiffs in 2023, pending approval by the competent court.

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

Valeo terminated a certain number of claims for damages and interest from automakers resulting from the European Commission's proceedings, and remains in contact with others. An automaker's claim before a UK court was still pending at December 31, 2023. Valeo considers that this claim is unfounded and that the amounts being requested are disproportionate.

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

2.1.3 Financial risks

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

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

Risks related to an increase in operating costs

Risk factor	Potential impact on the Group and risk management
Inflation has accelerated since 2021 and the strong economic recovery, supply disruption that followed the Covid-19 pandemic as well as geopolitical events in Ukraine. The Group purchases more than 50 billion electronic components every year, and uses a certain number of raw materials for its industrial operations, including non-ferrous metals, steel, plastics and rare-earth metals. The Group is therefore directly exposed to the risk of an increase in operating costs, including raw material costs and, more broadly, wages and salaries as well as costs relating to transportation and electronic components. This risk relates to the difficulty of resisting requests for price increases from suppliers, and, in turn, of passing on the impact of market increases to customers. Given current geopolitical tension, decarbonization of business activities, tightening regulations and the increasing scarcity of raw materials, this risk is significant.	The risks related to an increase in operating costs could have a significant adverse impact on the Group. To reduce this impact, it is important to anticipate market trends, and develop alternative sources in the event of obsolescence or increasing scarcity of given components. The Group frequently carries out specific renegotiations with customers in order to pass on market increases when specific pass-through clauses are not provided for. Exposure to raw materials, and in particular residual exposure to non-ferrous metals, is hedged using derivative instruments. See Chapter 5, section 5.4.6, Note 8.1.4.2 "Fair value of commodity (non-ferrous metals) derivatives" to the consolidated financial statements, pages 367 to 368.

Foreign currency risk

Risk factor	Potential impact on the Group and risk management
As the Group conducts its business in an international environment, Group entities conducting cross-border operations may be exposed to operational currency risk, resulting from purchases or sales of products or services in currencies other than their functional currency. The financing needs, met by intra-Group borrowings, of foreign subsidiaries outside the eurozone expose some entities of the Group to financial currency risk. This risk corresponds to the risk of changes in the value of financial receivables or payables denominated in currencies other than the functional currency of the borrowing or lending entity.	The Group's earnings may be adversely impacted in the event of significant fluctuations in certain currencies. See Chapter 5, section 5.4.6, Note 8.1.4.1 "Fair value of foreign currency derivatives" to the consolidated financial statements, pages 365 to 367.

2.2 Insurance and risk coverage

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

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

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

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

The risks covered include:

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

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

In 2023, the general liability insurance policy provided coverage in line with the continental insurance market's highest standards. With regard to the recall policy, Valeo pays 15 million euros per claim per year through its reinsurance subsidiary, above and beyond the applicable deductibles.

Insurance is adjusted each year and as necessary in order to best protect the Group's exposures as well as changes in its business, taking into account the constraints and limits of the insurance and re-insurance markets.

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

2.3 Internal control and risk management

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

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

Board of Directors

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

Audit & Risks Committee

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

General Management

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

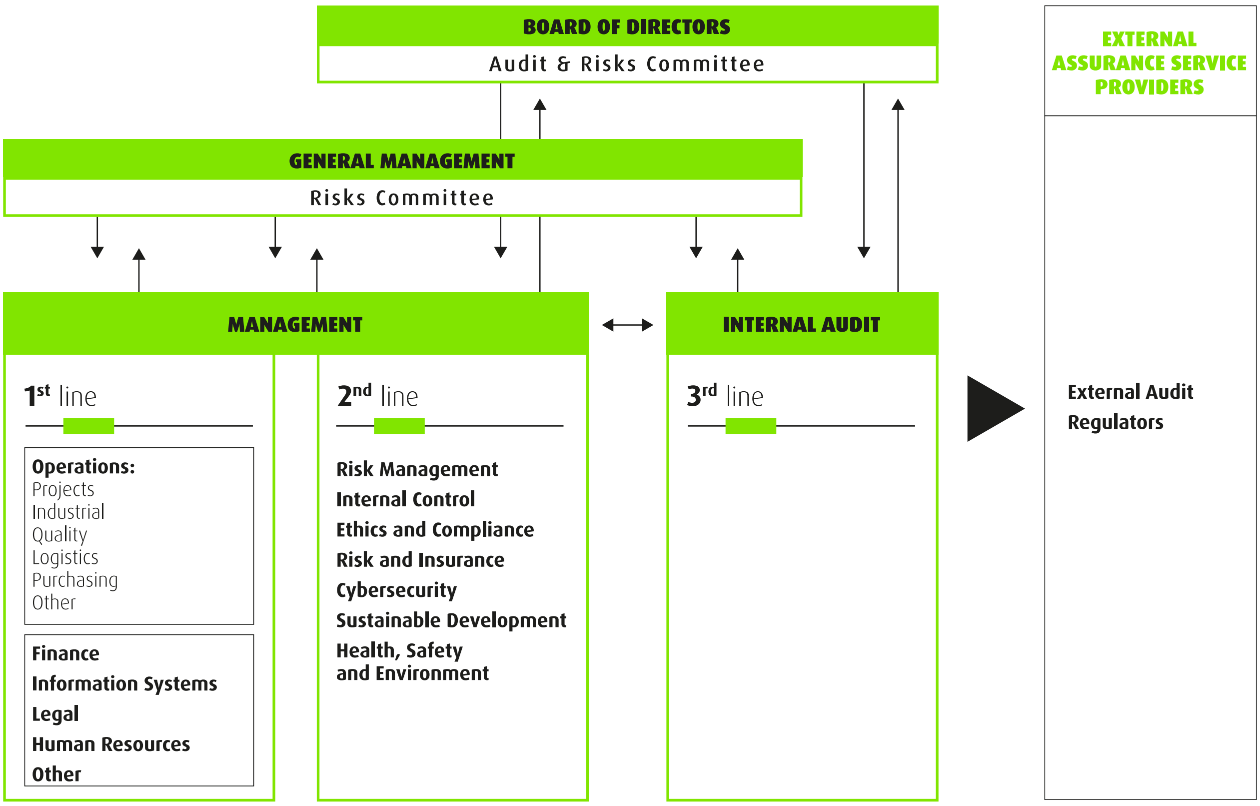
Risks Committee

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

External Assurance Service Providers

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

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



MANAGEMENT

Management is responsible for achieving the Group's objectives.

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

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

First line

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

For example:

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

Second Line

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

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

Third Line

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

2.3.1 Internal control and risk management – Definitions and applicable standards

Definition

Risk management is a comprehensive system for identifying, assessing and managing risks of all kinds, involving risk mapping and action plans to address these risks. The methodology and the main risks to which the Group is exposed are described in Chapter 2.1 “Risk factors”, pages 84 to 93.

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

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

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

Applicable standards

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

The Group has adopted a definition of internal control in line with the COSO findings revised in 2013 in the United States (COSO ICIF-2013 or Framework). There are no significant discrepancies between Valeo’s internal control organization and the procedures and principles described in the reference control framework and the Application Guide set out by the AMF.

2.3.2 Scope of internal control and risk management

Valeo’s overall risk management procedures are applied to the entire Valeo Group, defined as the parent company Valeo and all of its fully consolidated subsidiaries (see Chapter 5, section 5.4.6, Note 2 “Scope of consolidation” to the consolidated financial statements, pages 314 to 316).

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

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

Control environment

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

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

Valeo’s self-imposed policies and behavioral principles are set out in its Code of Business Ethics, which aims to ensure that Valeo operates in accordance with national and international rules of ethics and law. The code places major emphasis on upholding fundamental rights with respect to the prohibition of child labor, the fight against discrimination and harassment, occupational health and safety, diversity, and promoting the employment of disabled workers (see Chapter 4, section 4.3.4 “Employee-related policies and commitments”, pages 256 to 259). It also highlights the Group’s commitment to sustainable development, based on respect for the environment and the relentless drive for environmental protection, both of which are a priority for the Group. Lastly, the Code of Business Ethics deals with social issues and integrity in business conduct, the fight against corruption and anti-competitive practices. These values are also broken down in the Valeo Business Partners Code of Conduct, which explains the Group’s expectations of its business partners in terms of integrity and ethics. Available on the intranet and translated into 26 languages, the Code of Business Ethics has been sent out to all of the Group’s employees. It is also available on Valeo’s website (www.valeo.com).

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

The anti-corruption program (described in this chapter, section 2.4 "Ethics and compliance", pages 101 to 102) is based on annual and mandatory training campaigns for all Group Managers and Professionals. In 2017, the entire program was reviewed in order to bring it up to date with the provisions of France's Sapin II law[(4)]. In particular, the Group drew up a specific corruption risk map, carried out specific audits, and now continues to roll out action plans aimed at reducing these risks. The Group has rolled out an anti-corruption self-assessment questionnaire at its sites. In addition, the section of the Code of Conduct concerning the prevention of insider trading and the notification procedure for those affected has been in place since the entry into force of EU Regulation No. 596/2014 on market abuse (see Chapter 3, section 3.2.2 "Preparation and organization of the Board of Directors' work", pages 133 to 146).

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

Risk management and assessment

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

During the risk mapping process, risks are reviewed in depth and their impact and likelihood of occurrence are assessed. The risk assessment criteria are detailed in section 2.1 "Risk factors", pages 84 to 93. By prioritizing risks, action plans can be devised for identified risks to improve risk management and control, by acting on their impact or on their likelihood of occurrence.

The risk management process is coordinated by a Risks Committee made up of eleven permanent members: the Chief Financial Officer, the President, Powertrain Systems Business Group, the Chief Technology Officer and Vice-President, Strategy, the Group General Counsel and General Secretary, the Chief Ethics, Compliance and Data Protection Officer, the Group Chief Human Resources Officer, the Senior Vice-President, Group Corporate Communications and Investor Relations, the Risk and Insurance Director, the Group Accounting Director, the Group Internal Audit and Control Director, and the Head of Risk Management. The committee met six times in 2023 and was mainly tasked with reviewing the risk mapping process and the procedures in place to address those risks. For each major risk in the risk map, a "risk owner" is identified. The risk owner reports to a member of the Risks Committee and his or her role is to (i) assess the criticality of the risk and the effectiveness of the associated risk control procedures, and monitor changes in the risk on the basis of key indicators, and (ii) identify and implement action plans to manage the risks where appropriate.

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

Risk mapping gives rise to an annual update approved by the Risks Committee, based on a detailed analysis of the major risks and monitoring carried out by the risk owners. The findings of the latest update were presented to the Audit & Risks Committee at its meeting on November 23, 2023. A 2024 audit plan was defined on the basis of these findings, with a focus on the most acute risk areas.

The major risks identified and the procedures for managing these risks are presented in section 2.1 of this chapter "Risk factors", pages 84 to 93. They are:

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

Control activities

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

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

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

Every year, letters of representation regarding compliance with the Group's internal control and management guidelines are drawn up at the different levels of the operational organization. At the end of 2023, the National Directors and National Financial Directors, the Financial Directors of the Shared Services Centers (SSC), as well as the Financial Directors and Controllers of the operational entities all signed these letters of representation.

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

- CPM (Clean Project Management), including the Constant Innovation Charter, which defines the way to manage development projects;
- marketing procedures and sales practices;
- human resources procedures;
- ethics and compliance rules that define the principles that all the Group's employees must comply with while conducting business and completing work related to their position and level of responsibility;

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

- purchasing procedures that set down the Group's strategy and objectives for purchasing and its supply base, as well as the rules that buyers and all stakeholders must follow throughout the purchasing process;
- the Risk Management Manual on security, safety, health and the environment, as well as the Insurance Manual;
- flow and inventory management procedures;
- legal procedures that set down the principles with which the Group must comply, mainly laws and regulations applicable in the countries where the Group operates, the Group's contractual obligations and the rules protecting the Group's intellectual property;
- rules for using new information technologies.

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

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

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

Information and communication

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

Steering the internal control system

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

The internal control system is audited by the Internal Audit and Control Department. This department is tasked with carrying out assignments within the Group to ensure that the procedures are implemented, the performance indicators are calculated in accordance with the rules of the business lines and the processes are effective. The tasks set out in the annual audit plan are set down based on the risk map. For 2023, Internal Audit performed financial and IT audits of the operational entities and Shared Services Centers (finance and accounting), as well as cross-functional audits examining project and R&D activities.

In 2023, the Internal Audit Department's Anti-Fraud Unit also performed more than 100 specific investigations following allegations of fraud received by email or letter (most of them anonymously) or via the whistleblower hotline put in place in February 2014. These allegations were handled by a dedicated audit team under the responsibility of the Group's Fraud Investigation Officer. The Alerts Committee was informed of the detailed findings of the investigations carried out by the Internal Audit Department, which decides on the actions to take and sanctions to apply in the case of actual fraud.

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

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

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

At December 31, 2023, 146 plants had been certified ISO 14001 and 125 plants had been certified ISO 45001, out of a total of 155 eligible plants. The percentage of ISO 14001 and ISO 45001 certified plants is therefore 94% and 81%, respectively. In 2013, Valeo launched a certification program for its manufacturing plants in accordance with ISO 50001 (relating to energy management systems). At December 31, 2023, 80 plants (52%) had been certified ISO 50001 out of a total of 154 eligible plants (see Chapter 4, section 4.3.3.1 "Environmental policy", pages 247 to 250).

2.3.4 Organization of internal control and description of the assessment process

The Internal Control Department reports directly to the Internal Audit and Control Department. At the end of December 2023, it was made up of a team of 15 people, exclusively dedicated to internal control at Group and regional level. In 2023, the main role of the regional controllers was to assist the Group Internal Control Director in overseeing the internal control self-assessment campaign and ensuring best practices are applied uniformly across the regions with the support of the Business Groups and National Directorates.

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

In 2023, the self-assessment questionnaire was rolled out, focusing on the following 13 processes: accounts closing; sales, management of customers and incoming payments; production purchases, management of suppliers and outgoing payments; non-production purchasing; projects and research & development; monitoring of fixed assets; monitoring of inventories; payroll and human resources; cash management; customs, duties; information systems and compliance. The self-assessment campaign involved 342 operational entities including 13 finance Shared Services Centers (SSC).

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

A report of the initiative implemented in 2023 was presented to the Audit & Risks Committee on November 23, 2023. The results make it plain that internal control guidelines and the assessment procedure have been significantly improved, owing mainly to the department's greater visibility and efficiency, thanks to the establishment of clear objectives, the increased use of information systems and regular additions to department staffing.

The areas for improvement for the Group's internal control and risk management procedures are presented in section 2.3.6 "Outlook" of this chapter, page 101.

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

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

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

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

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

(5) *See financial glossary, page 46.*

2.3.6 Outlook

Valeo will pursue ongoing efforts to improve its identification and analysis of risks, and its internal control system. The purpose of these efforts, in place for several years now, is to constantly adapt human resources, management and control tools and information systems in line with changes in the Group's structure and objectives. In 2024, the Group will continue to develop its internal control policy by:

- continuing to roll out IT internal control guidelines;
- adapting its internal control guidelines to ensure they are as relevant as possible to operations, in particular by involving new networks in evaluating and improving internal control in their areas of responsibility;
- using data analysis tools to continuously monitor its operating entities, in particular by configuring performance charts incorporating indicators to measure and manage internal control at the Group's operating entities;
- introducing dedicated internal control training for financial controllers at operating sites, who are the main guarantors of the local control environment;
- implementing the control environment relating to the CSRD[6];
- strengthening assessments of controls considered critical.

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

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

The Group will continue developing its risk management system, drawing inspiration from professional standards (COSO ERM[7]), including in particular:

- continuing to map risks of all kinds together with certain departments, including the Strategy, Sustainable Development and R&D departments for non-financial risks, the Ethics and Compliance Office for corruption risks, etc.;
- continuing the process initiated in 2021 to identify climate change risks and opportunities, using the classification proposed by the TCFD[8];
- continuing to prepare the risk management component of the CSRD[6];
- continuing to work closely with Internal Control and Internal Audit teams, with the common objective of continuously improving risk management and the control environment.

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

2.4 Ethics and compliance

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

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

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

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

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

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

[6] Corporate Sustainability Reporting Directive: Directive (EU) 2022/2464 of the European Parliament and of the Council of December 14, 2022 as regards corporate sustainability reporting, transposed into French law by Government order no. 2023-1142 of December 6, 2023 on the publication and certification of sustainability reporting and the environmental, social and corporate governance obligations of commercial companies.
[7] COSO ERM (Enterprise Risk Management): the risk management framework defined by the Committee of Sponsoring Organizations of the Treadway Commission.
[8] Task Force on Climate-Related Financial Disclosures.

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

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

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

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

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

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

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

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

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

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

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

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

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

3

CORPORATE GOVERNANCE AFR

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

Valeo refers to the AFEP-MEDEF Corporate Governance Code for Listed Companies, in its version of December 2022[(1)] (the "**AFEP-MEDEF Code**"). The Code is available, in particular, on the MEDEF website (www.medef.com). The application of the recommendations of the AFEP-MEDEF Code is described in section 3.2.4 of this chapter, "Corporate Governance Code", page 147.

The information contained in this chapter, pages 103 to 184, constitutes the Corporate Governance Report required by Article L. 225-37 of the French Commercial Code *(Code de commerce)*. The information comprising this report was prepared by several of Valeo's Functional Departments, mainly the Legal, Finance and Human Resources Departments. It was reviewed by the Compensation Committee and the Governance, Appointments & Corporate Social Responsibility Committee for the parts under their respective authority, and then by the Board of Directors.

(1) Applies to shareholders' meetings held to approve the financial statements for financial years beginning on or after January 1, 2023.

3.1 Executive bodies

At December 31, 2023, the Group's Executive Management team comprised the Chairman of the Board of Directors, the Chief Executive Officer, as well as the Functional Directors and the Presidents of the Business Groups and of Valeo Service, who are members of the Executive Committee.

Chairman of the Board of Directors
Independent director

Gilles Michel

(First appointed as a director on May 23, 2018 – Current term of office began on May 24, 2022 and expires at the Shareholders' Meeting that will be called to approve the financial statements for the financial year ended December 31, 2025)[(1)]

(First appointed as Chairman of the Board of Directors on January 1, 2023 – Current term of office expires at the Shareholders' Meeting that will be called to approve the financial statements for the financial year ended December 31, 2025)

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

(1) Gilles Michel was Chair of the Compensation Committee and of the Governance, Appointments & Corporate Social Responsibility Committee from October 24, 2019 to December 31, 2022, and Lead Director from October 24, 2019 to January 26, 2022 (when the roles of Chairman of the Board of Directors and Chief Executive Officer were separated).

Chief Executive Officer
Director

Christophe Périllat

(First appointed as a director/current term of office began on May 26, 2021 and expires at the Shareholders' Meeting that will be called to approve the financial statements for the year ended December 31, 2024)

(First appointed as Chief Executive Officer on January 26, 2022 – Current term of office expires at the Shareholders' Meeting that will be called to approve the financial statements for the financial year ended December 31, 2024)

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

COMPOSITION OF THE EXECUTIVE COMMITTEE AT JANUARY 2, 2024

From left to right:

- **Catherine Delhaye,** Chief Ethics, Compliance and Data Protection Officer
- **Marc Guédon,** Vice-President, Group Purchasing
- **Detlef Juerss,** Senior Vice-President, Sales & Business Development
- **Xavier Dupont,** President, Powertrain and Thermal Systems Business Groups
- **Éric Antoine Fredette,** Group General Counsel and General Secretary
- **Maurizio Martinelli,** President, Visibility Systems Business Group
- **Édouard de Pirey,** Chief Financial Officer (since January 2, 2024, previously Deputy Chief Financial Officer)
- **Éric Schuler,** President, Valeo Service Activity
- **Agnès Park,** Group Chief Human Resources Officer
- **Robert Charvier,** Advisor to the Chief Executive Officer (Chief Financial Officer until January 1, 2024)
- **Christophe Périllat,** Chief Executive Officer
- **Marc Vrecko,** President, Comfort & Driving Assistance Systems Business Group
- **Geoffrey Bouquot,** Chief Technology Officer and Vice-President, Strategy
- **François Marion,** Senior Vice-President, Group Corporate Communications & Investor Relations

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

The table below provides key figures relating to the Board of Directors during the 2023 financial year:

14	10	98.57%
Members	Meetings in 2023	Attendance rate in 2023

75%	2	41.66%	4
Independent directors(1)	Directors representing employees	Women directors(2)	Nationalities

(1) Directors representing employees do not count, in accordance with the recommendation in Article 10.3 of the AFEP-MEDEF Code.
(2) Directors representing employees do not count, in accordance with Article L. 225-27 of the French Commercial Code.

3.2.1 Composition of the Board of Directors

Composition of the Board of Directors at December 31, 2023 and changes during the 2023 financial year

The composition of the Board of Directors at December 31, 2023 is shown in the table below:

	Personal information			Experience		Position on the Board of Directors				
	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies[1]	Independence	First appointed	Expiration of term of office	Years' service on the Board	Membership of Board Committees[2]
Gilles Michel Chairman of the Board of Directors	67	M	🇫🇷	2,500	1	✓	05/23/2018	2026 Shareholders' Meeting	5 years	-
Christophe Périllat Chief Executive Officer	58	M	🇫🇷	241,726[3]	1	-	05/26/2021	2025 Shareholders' Meeting	2 years	-
Bruno Bézard	60	M	🇫🇷	3,000	0	✓	10/24/2017	2026 Shareholders' Meeting	6 years	ARC
Bpifrance Participations Represented by Alexandre Ossola	49	M	🇫🇷	12,600,000[4]	0	✓	06/21/2019	2026 Shareholders' Meeting	4 years	ARC
Alexandre Dayon	56	M	🇺🇸 🇫🇷	15,000	0	✓	07/26/2022	2025 Shareholders' Meeting	1 year	SC
Fonds Stratégique de Participations Represented by Julie Avrane	52	F	🇫🇷	10,213,000[5]	3	✓	03/24/2020	2024 Shareholders' Meeting	3 years	ARC
Stéphanie Frachet	46	F	🇫🇷	1,500	0	✓	01/01/2023	2027 Shareholders' Meeting	1 year[6]	GACSRC/CC/SC
Mari-Noëlle Jégo-Laveissière	55	F	🇫🇷	1,500	2	✓	05/26/2016	2025 Shareholders' Meeting	7 years	ARC
Thierry Moulonguet	72	M	🇫🇷	3,000	0	-[7]	06/08/2011	2024 Shareholders' Meeting	12 years	ARC (Chair)/SC
Éric Poton Director representing employees	57	M	🇫🇷	38[8]	0	N/A[9]	06/30/2021	06/30/2025	2 years	ARC
Patrick Sayer	66	M	🇫🇷	11,700	0	✓	05/23/2019	2027 Shareholders' Meeting	4 years	GACSRC/CC/SC (Chair)
Ulrike Steinhorst Member in charge of CSR issues	72	F	🇩🇪	1,500	0	-[10]	02/24/2011	2024 Shareholders' Meeting	12 years	GACSRC/CC/SC
Grzegorz Szelag Director representing employees	46	M	🇵🇱	221[8]	0	N/A[9]	11/19/2020	11/19/2024	3 years	GACSRC/CC
Véronique Weill	64	F	🇫🇷	2,390	1	✓	05/26/2016	2025 Shareholders' Meeting	7 years	ARC/GACSRC (Chair)/CC (Chair)

N/A = Not applicable.

Nationalities

🇫🇷 : French – 🇺🇸 : American – 🇩🇪 : German – 🇵🇱 : Polish

(1) *Except for the directorship in the Company.*
(2) *ARC = Audit & Risks Committee; GACSRC = Governance, Appointments & Corporate Social Responsibility Committee; CC = Compensation Committee; SC = Strategy Committee.*
(3) *Christophe Périllat also holds 131,071 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 131,147 shares.*
(4) *These shares are held by Bpifrance Participations.*
(5) *These shares are held by Fonds Stratégique de Participations.*
(6) *Stéphanie Frachet has served four years on the Board of Directors, taking into account her term of office as permanent representative of Bpifrance Participations between June 21, 2019 and December 31, 2022.*
(7) *On June 8, 2023, Thierry Moulonguet had served on the Board for 12 years and therefore ceased to qualify as an independent director as from that date.*
(8) *In accordance with the law, the articles of association and the Internal Procedures, the directors representing employees are not required to hold 1,500 shares of the Company. Éric Poton and Grzegorz Szelag also hold 588 shares and 18 shares, respectively, in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 589 shares and 18 shares, respectively.*
(9) *Directors representing employees do not count, in accordance with the recommendation in Article 10.3 of the AFEP-MEDEF Code.*
(10) *On February 24, 2023, Ulrike Steinhorst had served on the Board for 12 years and therefore ceased to qualify as an independent director as from that date.*

The changes in the composition of the Board of Directors and its Committees during the 2023 financial year are shown in the table below:

	Departures	Appointments	Reappointments
Board of Directors	N/A	Alexandre Dayon(1)	Stéphanie Frachet(2) Patrick Sayer(3)
Governance, Appointments & Corporate Social Responsibility Committee	N/A	Grzegorz Szelag(4)	Stéphanie Frachet(2) Patrick Sayer(3)
Compensation Committee	N/A	N/A	Stéphanie Frachet(2) Patrick Sayer(3)
Audit & Risks Committee	N/A	N/A	N/A
Strategy Committee	N/A	Alexandre Dayon(1)	Stéphanie Frachet(2) Patrick Sayer(3)

N/A: Not applicable.

(1) Co-opted as a member of the Board of Directors by decision of the Board of Directors on July 26, 2022, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, which was ratified at the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023.

(2) Co-opted as a member of the Board of Directors by decision of the Board of Directors on December 8, 2022 on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, which was ratified at the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023, then term of office renewed at the same Shareholders' Meeting.

(3) By decision of the Board of Directors on February 23, 2023, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, his term of office was renewed at the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023.

(4) By decision of the Board of Directors on January 26, 2023 on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee.

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

Size of the Board of Directors

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

Directors (non-employees) appointed by shareholders at Shareholders' Meetings

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

Directors put forward by the Board and appointed by the Shareholders' Meeting are selected on the basis of the diversity policy as described in the section "Board of Directors' diversity policy", pages 113 to 114.

Directors representing employees

By exception and in accordance with the applicable law, the directors representing employees are appointed in accordance with the arrangements provided for in the articles of association. If the Board of Directors comprises eight members or less, it must include a director representing employees, appointed by the Group Works Council. If there are more than eight directors, a second director representing employees must be appointed by the European employee representative committee, which is called the European Company Works Council. The second director representing employees will only take up office if the Board still has more than eight members at the date on which that director is appointed (which must be within six months of such threshold being exceeded). The rules, presented above, applicable to directors appointed by the Shareholders' Meeting as regards the term and renewal of office also apply to the directors representing employees (other than the rule regarding the reappointment of one quarter of the Board of Directors' members), it being specified that their term of office will end at the expiration of that four-year term. If a seat as director representing employees becomes vacant for any reason, it shall be filled under the conditions provided for by law, i.e., in the same way as the outgoing director representing employees was appointed. Should the number of directors fall below or be equal to the legal threshold of eight, the term of office of the second director representing employees appointed by the European Company Works Council will be maintained until it expires. If the requirements to appoint a director representing employees no longer applies, the term of a director or directors representing employees may be ended by anticipation, on the decision of the Board of Directors, at the close of the Board meeting at which the Board of Directors duly notes that Valeo is no longer subject to that requirement.

Director representing employee shareholders

In accordance with Article L. 225-23 of the French Commercial Code, when the report presented annually by the Board of Directors to the Shareholders' Meeting pursuant to Article L. 225-102 of the French Commercial Code states that the aggregate number of shares held by employees of the Company and/or of related companies or groupings (within the meaning of Article L. 225-180 of said Code) represent more than 3% of the Company's share capital, a director representing employee shareholders must be appointed by the Ordinary Shareholders' Meeting in compliance with the procedures provided for in the applicable laws and regulations and/or in the Company's articles of association.

As the above-mentioned 3% threshold was exceeded during the 2022 financial year, the Company's articles of association were amended by the Shareholders' Meeting on May 24, 2023 in order to set out the procedures for appointing a director representing employee shareholders. In accordance with the articles of association, when the procedures for nominating a candidate to be put forward for appointment as director representing employee shareholders (and, where applicable, his/her substitute) are not defined by the applicable laws and regulations or by the Company's articles of association, the Board of Directors' sets these procedures based on the recommendation of General Management. This particularly applies to setting the timeframes for nominating candidates and the rules governing eligibility to stand for election (including any sponsorship).

The candidate and his/her substitute nominated following the internal election process carried out in accordance with the provisions of the articles of association and the procedures set by the Board of Directors are then put forward for appointment by the shareholders.

This election process was carried out for the first time between the end of 2023 and the beginning of 2024 and resulted in the nomination of a candidate (and his/her substitute) whose appointment as a director representing employee shareholders will be put to the vote at the Shareholders' Meeting to be held on May 23, 2024 (for further details, see paragraph "Upcoming changes in the composition of the Board of Directors" of this section, page 114).

As is also the case for directors representing employees, the rules, presented above, applicable to directors appointed by the Shareholders' Meeting as regards the term and renewal of office also apply to the director representing employee shareholders (with the exception of the rules regarding the reappointment of one quarter of the Board of Directors' members), it being specified that his/her term of office will end at the Shareholders' Meeting called during the financial year in which their term expires for the purpose of approving the financial statements for the previous year. If the seat of the director representing employee shareholders becomes vacant for any reason, a candidate will be nominated to replace that director in accordance with the conditions provided for in the Company's articles of association, i.e. in the same way as the director representing employees whose seat has become vacant. The nomination must take place at the latest before the next Ordinary Shareholders' Meeting or, if that meeting is held less than four months after the seat becomes vacant, before the following Ordinary Shareholders' Meeting.

If the requirement to appoint a director representing employee shareholders no longer applies, in accordance with the law, the term of the director representing employee shareholders may be ended by anticipation, on the decision of the Board of Directors, at the close of the Board of Directors' meeting following the Shareholders' Meeting at which the Board of Directors' report is presented in which it is stated that Valeo is no longer subject to that requirement.

For details of the directorships and other positions held by the members of the Board of Directors (including those held in the last five years), and their experience and expertise, see section "Presentation of directors for the 2023 financial year", pages 117 to 132.

Attendance rate at Board of Directors' meetings

The Board of Directors met ten times in the 2023 financial year, including the Board meeting that closed the annual strategy seminar.

The average attendance rate of directors at Board of Directors' meetings held in 2023 was 98.57%. All meetings of the Board of Directors were held in person.

In addition, 20 Board Committee meetings were held in the 2023 financial year:

- the Governance, Appointments & Corporate Social Responsibility Committee met four times with an average attendance rate of 89.47%;
- the Compensation Committee met five times with an average attendance rate of 88%;
- the Audit & Risks Committee met five times with an average attendance rate of 97.14%;
- the Strategy Committee met six times with an average attendance rate of 100%.

The attendance rate of directors at Board and Committee meetings in the 2023 financial year is shown in the table below.

	Attendance rate at Board meetings(1)	Attendance rate at GACSRC meetings(1)	Attendance rate at CC meetings(1)	Attendance rate at ARC meetings(1)	Attendance rate at SC meetings(1)
Gilles Michel (Chairman of the Board of Directors and an independent director)	10/10	N/A	N/A	N/A	N/A
Christophe Périllat (Chief Executive Officer and a director)	10/10	N/A	N/A	N/A	N/A
Bruno Bézard (Independent director)	9/10	N/A	N/A	5/5	N/A
Bpifrance Participations Represented by Alexandre Ossola (Independent director)	10/10	N/A	N/A	5/5	N/A
Éric Poton (Director representing employees)	10/10	N/A	N/A	5/5	N/A
Alexandre Dayon (Independent director)	10/10	N/A	N/A	N/A	6/6
Stéphanie Frachet (Independent director)	10/10	4/4	5/5	N/A	6/6
Fonds Stratégique de Participations Represented by Julie Avrane (Independent director)	10/10	N/A	N/A	5/5	N/A
Mari-Noëlle Jégo-Laveissière (Independent director)	10/10	N/A	N/A	5/5	N/A
Thierry Moulonguet (Director)	10/10	N/A	N/A	5/5	6/6
Patrick Sayer (Independent director)	10/10	2/4	3/5	N/A	6/6
Ulrike Steinhorst (Director)	10/10	4/4	4/5	N/A	6/6
Grzegorz Szelag (Director representing employees)	10/10	3/3(2)	5/5	N/A	N/A
Véronique Weill (Independent director)	9/10	4/4	5/5	4/5	N/A
TOTAL	**98.57%**	**89.47%**	**88%**	**97.14%**	**100%**

N/A: Not applicable.

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

(2) Since his appointment as a member of the GACSRC by the Board of Directors on January 26, 2023, on the recommendation of the GACSRC.

Director independence review

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

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

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

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

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

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

Director independence review on appointment or co-optation during the 2023 financial year

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

No new directors were appointed or co-opted during the 2023 financial year.

Director independence review upon preparation of the Corporate Governance Report

In accordance with the Internal Procedures and the AFEP-MEDEF Code, and on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee at its meeting held on January 19, 2024, the independence of the directors in office was discussed at the Board of Directors' meeting of January 25, 2024.

The table below provides an overview of the status of each director at December 31, 2023, in light of the independence criteria set out in the AFEP-MEDEF Code and the Internal Procedures.

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

N/A: Not applicable.
(1) In the table, ✓ signifies an independence criterion that has been met and ✖ signifies an independence criterion that has not been met.
(2) The independence assessment was conducted for both the company (Bpifrance Participations) and its representative (Alexandre Ossola).
(3) Bpifrance Participations held 5.15% of Valeo's share capital and 9.53% of the voting rights at December 31, 2023. Bpifrance Participations is controlled by Bpifrance SA, a 49.2%-49.2% joint venture between Caisse des Dépôts et Consignations and EPIC Bpifrance.
(4) Directors representing employees do not count, in accordance with the recommendation in Article 10.3 of the AFEP-MEDEF Code.
(5) This independence assessment was conducted for both the company (Fonds Stratégique de Participations) and its permanent representative (Julie Avrane).
(6) Fonds Stratégique de Participations held 4.17% of Valeo's share capital and 3.86% of the voting rights at December 31, 2023.
(7) On June 8, 2023, Thierry Moulonguet had served on the Board for 12 years and therefore ceased to qualify as an independent director as from that date.
(8) On February 24, 2023, Ulrike Steinhorst had served on the Board for 12 years and therefore ceased to qualify as an independent director as from that date.

During the independence review, the Board of Directors paid particular attention to the independence of Bruno Bézard and Bpifrance Participations:

- Bruno Bézard's independence: Bruno Bézard is one of the Managing Partners of Cathay Capital Private Equity, a private equity company of the Cathay Capital group. The Cathay Capital group comprises several investment fund management companies. The Group has made five investments in funds managed by asset management companies in the Cathay Capital group: the Sino-French (Innovation) Fund, the Sino-French (Innovation) Fund II, the Sino-French (Innovation) Fund III, the Cartech fund and the Taicang fund[1] (the "**Cathay Funds**"). The review to determine whether the business relationships between the Group and the Cathay Capital group should be qualified as significant was based on several quantifiable and qualitative criteria. As regards financial transactions, the Group's investment commitments relating to the Cathay Capital group via the Cathay Funds represented approximately 0.68% of its 2023 sales and 2.97% of the Cathay Capital group's assets under management at December 31, 2023, and are therefore not material. In addition, management fees, which are charged on an arm's length basis, are paid in proportion to the percentage held by each investor in the Cathay Funds and the Group's share is not material. Bruno Bézard does not sit on any committee responsible for the Group's past or future investments in the five funds. Bruno Bézard has no direct or indirect decision-making power in the continuation of this business relationship, which existed before he was appointed as a director of the Company. Moreover, the Group is free to make investments via funds that do not belong to the Cathay Capital group. There is no relationship of exclusivity or dependency (economic or otherwise) between the Group and the Cathay Capital group. The same is true for the Cathay Capital group funds, in which many other investors have invested. Lastly, Bruno Bézard does not receive any form of compensation in relation to the abovementioned investments. The business relationships between the Group and the Diot-Siaci group, in which Bruno Bézard sits on the Supervisory Board, were also reviewed. The review showed that these business relationships were not significant, for either the Group (0.003% of sales in 2023) or for the Diot-Siaci group (less than 0.09% of sales in 2022). Accordingly, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors concluded that Bruno Bézard continued to qualify as independent.
- Independence of Bpifrance Participations: Bpifrance Participations has been a director of the Company and a Valeo shareholder since the 2019 financial year, during which time it has made successive acquisitions of Valeo shares. In accordance with Article 23 of Valeo's articles of association, in April and May 2023, double voting rights were allocated to the shares acquired by Bpifrance Participations in 2019. At December 31, 2023, Bpifrance Participations held 5.15% of the Company's capital and 9.53% of the theoretical voting rights. The independence review of Bpifrance Participations for the financial year ended December 31, 2023 particularly took into account the major shareholder criterion in recommendation 10.7 of the AFEP-MEDEF Code, which defines a major shareholder as a party holding 10% or more of a company's capital or voting rights. Bpifrance Participations' shareholding in Valeo is still below this 10% threshold and the independence review showed that (i) the increase in its voting rights is purely passive as it results from double voting rights being allocated rather than from Bpifrance Participations actively increasing its shareholding, (ii) Bpifrance Participations' actual exercisable voting rights are not sufficient for its vote to determine decisions taken at Shareholders' Meetings, it only has one representative on Valeo's Board and, more generally, it does not hold actual decision-making power within the Company, (iii) Bpifrance Participations has not markedly objected to decisions taken by the Company's management team, which if it had, would indicate a lack of independence or a conflict of interest, and (iv) there are other Valeo shareholders that hold more than 5% of the capital or voting rights (or holding close to that threshold). Accordingly, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors concluded that Bpifrance Participations continued to qualify as independent.

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

Regarding Christophe Périllat, he cannot be deemed as independent as he holds the office of Chief Executive Officer of the Company.

In addition, two directors – Ulrike Steinhorst and Thierry Moulonguet – have served on the Board for 12 years, on February 24, 2023 and June 8, 2023 respectively, and as from those dates have therefore ceased to qualify as independent within the meaning of the AFEP-MEDEF Code. It should be noted, however, that throughout the year both of these directors acted independently of the Group, and their freedom of judgment was not compromised in any way.

Following the independence review of the directors in office, the Board of Directors, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, concluded that 9 of the 12 directors were independent (the directors representing employees do not count in accordance with the recommendation in Article 10.3 of the AFEP-MEDEF Code): Bruno Bézard, Bpifrance Participations (represented by Alexandre Ossola), Alexandre Dayon, Fonds Stratégique de Participations (represented by Julie Avrane), Stéphanie Frachet, Mari-Noëlle Jégo-Laveissière, Gilles Michel, Patrick Sayer and Véronique Weill.

At the Shareholders' Meeting on May 23, 2024, a proposal will be made to appoint two new independent directors to the Board of Directors – Sascha Zahnd and Beatriz Puente – in view of the fact that the terms of office of Thierry Moulonguet and Ulrike Steinhorst expire at the close of that Meeting and that neither of them have put themselves forward for reappointment. The appointment of the two new directors would raise the number of independent directors from 9 to 11 out of the Board's 12 members (which would raise the independence rate from 75% to 91.66% at the close of the Shareholders' Meeting), it being specified that, in accordance with the recommendation in Article 10.3 of the AFEP-MEDEF Code, the directors representing employees and the director representing employee shareholders (whose appointment will be proposed at the May 23, 2024 Shareholders' Meeting), do not count in the calculation of the number of independent directors (for further details, see paragraph "Upcoming changes in the composition of the Board of Directors" of this section, page 114).

[1] *Including two investments that were made before Bruno Bézard was co-opted by the Board as a director on October 24, 2017.*

Board of Directors' diversity policy

Valeo firmly believes in the importance and relevance of broader diversity at all levels and in every profession within the Company, not only as a question of social responsibility, but also as a tool for performance. Valeo is thus committed to promoting diversity within its governing bodies and across the Group as a whole (see Chapter 4, section 4.3.4.1 "The Group's employee policy", pages 256 to 258).

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

Diversity policy statement

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

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

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

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

Composition of the Board of Directors and objectives

Gender diversity and independence

At December 31, 2023, the Board of Directors had 14 members, of which five women and nine men, including two directors representing employees appointed respectively by the Group Works Council and the European Company Works Council. In accordance with Article L. 225-27-1 of the French Commercial Code, the directors representing employees do not count for the purpose of determining the proportion of men and women on the Board of Directors. The percentage of women on the Board of Directors is therefore 41.66%. Valeo intends to continue its drive to diversify the composition of the Board.

Information about the independence of members of the Board of Directors at December 31, 2023 is provided above (see paragraph "Director independence review" of this section, pages 110 to 112).

Diversity of backgrounds and experience

At December 31, 2023, five of the directors held directorships or other positions in French or international listed companies outside the Group, and only Christophe Périllat (Chief Executive Officer), Éric Poton and Grzegorz Szelag (directors representing employees) held positions within the Group.

The directors (and where applicable, the permanent representatives of legal entities holding directorships) comprising the Board of Directors at December 31, 2023 come from different backgrounds, bringing to the Group the benefit of their broad range of experience and expertise in business, industry, operations, technology and finance. Furthermore, the two directors representing employees bring to the Board of Directors the benefit of their knowledge of the Company and its businesses, markets, customers and expertise. For a presentation of the background and experience of each Board member, see "Presentation of directors for the 2023 financial year" in this section, pages 117 to 132. The Board of Directors intends to further diversify the profiles of its members.

Procedure for selecting directors in accordance with the diversity policy

The Board of Directors regularly reflects on how best to evolve its composition, particularly when co-opting directors or proposing directors for appointment or reappointment and as part of the annual assessment of the Board's operating procedures, composition and organization. The assessment carried out at the end of 2023 and the beginning of 2024, for example, revealed that the directors are committed to further enhancing the diversity and mix of profiles among the Board members (background, nationality, skills) (for further information on the Board's assessment, see section 3.2.2 of this chapter, "Preparation and organization of the Board of Directors' work", pages 133 to 146).

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

The process continues with the selection of candidates and, after interviews with them, a recommendation is submitted by the Governance, Appointments & Corporate Social Responsibility Committee to the Board of Directors, which decides whether to co-opt the candidate or to propose his/her appointment to the Shareholders' Meeting (for further information on the role of the Governance, Appointments & Corporate Social Responsibility Committee, see section 3.2.2 of this chapter, "Preparation and organization of the Board of Directors' work", pages 133 to 146).

The selection procedure described above applies to all directors (non-employees), including independent directors.

In accordance with the law, the directors representing employees and the director representing employee shareholders are appointed in accordance with the procedures set out in the applicable laws and regulations as well as in the Company's articles of association (see paragraph "Summary of the main rules regarding the composition of the Board of Directors" of this section, pages 107 to 108), it being specified that the director representing employee shareholders is appointed at the Shareholders' Meeting.

The Company's new directors are eligible for training to help them learn about the Company's specificities, its business lines and business sector, and its corporate social responsibility (CSR) challenges (for further information on the directors' training, see section 3.2.2 of this chapter, "Preparation and organization of the Board of Directors' work", pages 133 to 146). This training helps the directors gain in-depth understanding of Valeo's key challenges and strategy (including in relation to CSR).

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

Results achieved in the previous year

The following objectives, which had been set by the Board of Directors for 2023, were achieved:

- a continued balanced representation of women and men on the Board of Directors, in line with the legal requirements (41.66% women);
- an independent Chairman of the Board of Directors, Gilles Michel, since January 1, 2023;
- Véronique Weill serving as Chair of the Governance, Appointments & Corporate Social Responsibility Committee and Chair of the Compensation Committee since January 1, 2023;
- a continued high proportion of independent directors (75%); at the Shareholders' Meeting of May 23, 2024, two new independent directors – Sascha Zahnd and Beatriz Puente – will be put forward for appointment, considering the terms of office of Thierry Moulonguet and Ulrike Steinhorst expire at the close of that Meeting and they have not put themselves forward for reappointment. If these two new directors are appointed, the number of independent directors would be increased from 9 to 11 out of the Board's 12 members (excluding the directors representing employees[2]), and the independence rate would therefore be raised to 91.66% (see section "Upcoming changes in the composition of the Board of Directors", hereinafter);
- the appointment of Alexandre Ossola as permanent representative of Bpifrance Participations, as of January 1, 2023, bringing his experience in the financial aspects of the automotive industry to the Board;
- the co-optation of Stéphanie Frachet as a director on January 1, 2023, and the subsequent renewal of her term of office. Stéphanie Frachet particularly brings to the Board her experience in finance, private equity and corporate governance;
- the renewal of Patrick Sayer's term of office as a director at the Shareholders' Meeting of May 24, 2023. Patrick Sayer particularly brings to the Board his experience in finance and private equity;
- monitoring the Group's strategy, commitments and policies in terms of corporate social responsibility, in particular through the role played by the director in charge of CSR issues and the coordination of the work of the Governance, Appointments & Corporate Social Responsibility Committee and the Audit & Risks Committee.

Upcoming changes in the composition of the Board of Directors

As the terms of office of Thierry Moulonguet and Ulrike Steinhorst will expire at the close of the Shareholders' Meeting to be held on May 23, 2024 and as neither of them has put themselves forward for reappointment, the shareholders at that Meeting will be asked to appoint Sascha Zahnd and Beatriz Puente as new members of the Board of Directors. These directorship candidates – who are considered independent within the meaning of the AFEP-MEDEF Code – were selected by the Board of Directors on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, taking into account factors including the Board's diversity policy and the skills matrix used by the Board.

Sascha Zahnd, a Swiss national, would bring to the Board his solid experience of the automotive industry, as well as the expertise in new technologies and distribution/production/supply chains that he has built up during his international career within leading groups in Europe and the United States, especially in the automotive industry.

Beatriz Puente, a Spanish national, would bring to the Board the expertise she has built up in finance, capital markets, and mergers and acquisitions throughout her international career in major listed groups. Her knowledge of the energy sector would also be extremely useful, particularly in relation to the development of new forms of mobility, notably electric, and the Group's goals of reducing CO_2 emissions as part of the CAP 50 plan.

These appointments would also reinforce (i) the Board of Directors' international profile and (ii) its independence, with the number of independent directors rising from 9 to 11 out of 12 members (excluding directors representing employees[3]), which would represent an independence rate of 91.66%.

Lastly, in accordance with the amendments to the Company's articles of association adopted at the May 24, 2023 Shareholders' Meeting, and following the internal election process carried out pursuant to the provisions of the articles of association and the procedures set by the Board of Directors, at the May 23, 2024 Shareholders' Meeting, the shareholders will be asked to appoint Éric Chauvirey as the principal director representing employee shareholders and Yann Le Pêcheur as his substitute.

(2) In accordance with the recommendation in Article 10.3 of the AFEP-MEDEF Code, (i) the directors representing employees and (ii) the director representing employee shareholders whose appointment will be put to the vote at the May 23, 2024 Shareholders' Meeting, do not count in the calculation of the number of independent directors.

(3) In accordance with the recommendation in Article 10.3 of the AFEP-MEDEF Code, (i) the directors representing employees and (ii) the director representing employee shareholders whose nomination will be put to the vote at the May 23, 2024 Shareholders' Meeting, do not count in the calculation of the number of independent directors.

Diversity policy within the governing bodies

As part of the Group's diversity policy, the Board of Directors also ensures that the Chief Executive Officer implements a policy of non-discrimination, diversity and gender diversity, particularly as regards a balanced representation of women and men on the governing bodies. Valeo promotes equality between men and women, particularly pay equality, and ensures that women are represented at all levels of the Company, including top management. At January 2, 2024, Valeo's Executive Committee had 13 members, 11 men and two women – Catherine Delhaye (Chief Ethics, Compliance and Data Protection Officer) and Agnès Park (Group Chief Human Resources Officer).

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

Gender diversity is a priority for Valeo and the Company plans to double the proportion of women on its various management committees within the Group, from 16% at January 1, 2020 to 32% by December 31, 2030, with intermediate targets of 23% women by December 31, 2024 and 27% by December 31, 2027[4].

Progress in achieving these targets will be monitored regularly by the Board of Directors. The number of women on the Group's various management committees is taken into account as a criterion for allocating performance shares to the Chief Executive Officer, other Executive Committee members, Liaison Committee members, the main senior managers reporting directly to members of the Liaison Committee, and other Group managers.

In addition, action and measures taken by Valeo to promote diversity and equality between men and women are presented in Chapter 4, section 4.3.4.1 "The Group's employee policy", pages 256 to 258.

Shareholder dialogue

The Group maintains a regular dialogue with its investors. The Chief Executive Officer and the Head of Investor Relations serve as an interface between the Group and the international financial community, including institutional investors such as ESG investors and impact investors, as well as financial analysts and individual shareholders. For further information on the Group's interaction with the financial community, see Chapter 6, section 6.2 "Investor relations", page 427. In their respective capacities as Chairman of the Board of Directors and Chair of the Governance, Appointments & Corporate Social Responsibility Committee, Gilles Michel and Véronique Weill take part in shareholder dialogue about governance issues with the Company's main shareholders and the principal proxy advisory firms, with the assistance of the Group General Counsel and General Secretary. During this dialogue, the most important aspects of Valeo's governance over the past financial year are discussed, along with proposed resolutions for Shareholders' Meetings.

CSR policy

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

CSR issues are presented to the Governance, Appointments & Corporate Social Responsibility Committee several times a year, and in 2023 presentations were given by:

- the Vice-President, Sustainable Development and External Affairs, about:
  - the new reporting requirements resulting from the transposition into French law of the Corporate Sustainability Reporting Directive (CSRD) in December 2023,
  - monitoring of sustainable development objectives and results, the deployment of the CAP 50 carbon neutrality contribution plan, non-financial reporting and non-financial ratings (climate report, non-financial performance statement including taxonomy and taxonomy reporting, preparation for publication of the sustainability report in 2025), and the presentation of new challenges that have been identified as well as the related action plans;
- Valeo's Vice-President, Health, Safety & Environment, on subjects relating to health, safety and the environment (in particular, the continued development of a culture of safety through training and the monitoring of key performance indicators for safety, the main areas of development for safety in 2023, as well as 2022 achievements in environmental matters, with the increase in ISO 50001 certification of sites and the reduction of CO_2 emissions, energy consumption and waste);
- the Group Chief Human Resources Officer, on subjects relating to diversity, equality and inclusion (in particular the monitoring of the Group's commitments to promoting diversity within its governing bodies, the presentation of actions implemented to promote diversity within the Group as well as a presentation on an action plan that will be carried out over the coming years for the empowerment of women within the Group and encouraging all forms of diversity (culture, disability, age)).

[4] *Intermediate targets were adjusted in March 2021 to take into account the progression in 2020.*

CSR and climate issues are also addressed by the Audit & Risks Committee, through discussions and work on CSR-related risks (including climate risks) and, more generally, as part of meetings with the director in charge of CSR issues who attends at least one Audit & Risks Committee meeting each year. This principle, which was added to the internal procedures of these two Committees by decision of the Board of Directors on February 23, 2023, was respected in 2023. At the Audit & Risks Committee meeting on June 21, 2023, Ulrike Steinhorst reminded its members that the underlying purpose of her attending an Audit & Risks Committee meeting is to give the Committee members more information on CSR issues, and to increase the collaborative work conducted between the two Committees, especially in view of the new sustainability reporting requirements introduced under the CSRD. At the same Audit & Risks Committee meeting, she also gave a presentation about the CSR work carried out by the Governance, Appointments & Corporate Social Responsibility Committee.

As part of the preparatory process for applying the CSRD, the Board of Directors decided to increase the collaboration between the Audit & Risks Committee – which is in charge of the responsibilities provided for in the CSRD – and the Governance, Appointments & Corporate Social Responsibility Committee, by envisaging the principle of the Chair of the Audit & Risks Committee attending a meeting of the Governance, Appointments & Corporate Social Responsibility Committee at least once a year, to present the work carried out by the Audit & Risks Committee on non-financial issues, particularly regarding the internal control and processing of sustainability information. The internal procedures of the two Committees were amended to this effect on February 29, 2024.

In 2023, Valeo – which is a member of the CAC 40 ESG index – was once again well-rated by the main ESG rating agencies. It maintained its position as one of the highest rated automotive suppliers by MSCI (AAA), CDP Water (A), CDP Climate (A-), Sustainalytics (low risk), ISS ESG (B-), S&P Global Corporate Sustainability Assessment (score of 68/100) and Moody's (score of 63/100).

In line with Valeo's climate strategy and in accordance with best practices, the Group was one of the first tier-one automotive suppliers to publish a climate report. This report, which was published in May 2022 for the Shareholders' Meeting held on May 24, 2022, presents (i) the commitment, trajectory, governance and actions that Valeo is deploying to contribute to carbon neutrality and (ii) an analysis of climate change risks and opportunities, in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures. The publication of this document was welcomed by investors and non-financial rating agencies. Additionally, in accordance with the recommendations of the President of the AFEP, Valeo presented the Group's climate strategy at the Company's Shareholders' Meeting on May 24, 2023. An update on this strategy will be given at the Shareholders' Meeting to be held on May 23, 2024.

For further information on Valeo's climate strategy, see Chapter 4, section 4.1 "Sustainable development strategy", pages 188 to 195.

In view of the fact that the Group's sustainability report in 2025 will have to be audited, at the Shareholders' Meeting to be held on May 23, 2024, the shareholders will be asked to appoint Mazars as statutory auditor in charge of the certification of sustainability information, based on the outcome of a tender process that will be carried out beforehand, led by the Audit & Risks Committee.

Succession plan

One of the tasks of the Governance, Appointments & Corporate Social Responsibility Committee is to work on matters related to the future membership structure of the Company's governing bodies.

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

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

The succession and development plan is reviewed each year, including by monitoring the career development of each candidate and their acquisition of the expertise and experience regarded as necessary, and assessing these periodically. The succession plan, which is regularly reviewed in depth by the Governance, Appointments & Corporate Social Responsibility Committee (most recently on October 25, 2023), is then presented to the Board of Directors.

For the purpose of performing its succession planning duties, the Governance, Appointments & Corporate Social Responsibility Committee:

- keeps the Board informed of the progress of its work;
- works closely with General Management to ensure that (i) the plan is consistent with Company and market practices, and (ii) any key positions that may fall vacant are carefully monitored.

Presentation of directors for the 2023 financial year

(Information as at December 31, 2023, unless otherwise specified)

Gilles Michel

Chairman of the Board of Directors
Independent director

French
Age: 67

Valeo
100, rue de Courcelles
75017 Paris
France

First appointed: 05/23/2018

Start of current term of office: 05/24/2022

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2025

Number of shares held: 2,500

Membership of Board Committees: –

Main position held outside the Company

- Director (various companies)

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Director, Solvay (Belgium) (until 12/08/2023) ♦ (member of the Finance Committee and the Compensation Committee, Chair of the Appointments Committee)
- Directorships in unlisted subsidiaries of the Eclosia group (Mauritius) and a directorship in TPCL, a listed company ♦ (Mauritius) majority-controlled by the Eclosia group

Directorships and other positions held within the past five years

- Chairman of the Board of Directors, Imerys
- Director, IBL Ltd (Mauritius) and IBL Energy Holdings Ltd (Mauritius)

Summary of main areas of expertise and experience

Gilles Michel has extensive experience in the automotive industry, having spent several years in senior management positions at PSA Peugeot Citroën, where he held roles such as Chief Executive Officer of the Citroën brand and member of the Management Board of Peugeot SA.

He began his career at ENSAE, then at the World Bank in Washington DC, before joining Saint Gobain in 1986, where, for 16 years, he held various senior management roles, notably in the United States, before being appointed President of the Ceramics & Plastics division in 2000. He then joined PSA Peugeot Citroën group in 2001 as Executive Vice-President of Platforms, Technical Affairs and Purchasing, before becoming Chief Executive Officer of the Citroën brand and a member of Peugeot SA Management Board. In 2008, he was the first Chief Executive Officer of Fonds Stratégique d'Investissement (FSI), in charge of equity investments in companies offering growth and competitiveness for the French economy, which he set up and then managed. He headed the Imerys group from 2010 to 2019, as Deputy Chief Executive Officer, Chairman and Chief Executive Officer and then Chairman of the Board of Directors.

Gilles Michel is a graduate of the *École polytechnique*, ENSAE and the *Institut d'études politiques de Paris* (IEP).

He is a French citizen and speaks French and English.

♦ *Listed company (for directorships currently held or that ended in 2023).*

Christophe Périllat

Chief Executive Officer
Director

French
Age: 58

Valeo
100, rue de Courcelles
75017 Paris
France

First appointed: 05/26/2021

Start of current term of office: 05/26/2021

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2024

Number of shares held: 241,726[(1)]

Membership of Board Committees: –

Main position held outside the Company

- Director (various companies)

Directorships and other positions currently held

Directorships and other positions within the Group

- Chairman, Valeo Service
- Chairman of the Board of Directors, Valeo SpA, Valeo (UK) Limited and Valeo North America Inc.

Directorships and other positions held outside the Group

- Director, Ayvens (ALD) ♦ (Chair of the Appointments Committee; member of the Compensation Committee and member of the Strategy Committee)

Directorships and other positions held within the past five years

- Director, Valeo Service España SAU
- Chief Operating Officer, Associate Chief Executive Officer and Deputy Chief Executive Officer, Valeo

Summary of main areas of expertise and experience

Christophe Périllat joined the Valeo Group in 2000 and held a number of management positions in Group entities of increasing size before becoming Chief Operating Officer in 2011, Associate Chief Executive Officer in 2020, Deputy Chief Executive Officer in 2021 and Chief Executive Officer in January 2022.

Prior to joining Valeo, Christophe Périllat worked in the aerospace industry at equipment manufacturer Labinal, where he held roles in supply chain management, as well as plant, project and subsidiary management positions in France and the United States.

He is a board member at Ayvens (ALD).

Christophe Périllat is a graduate of *École polytechnique* and *École des mines de Paris*. He also holds an EMBA from the French business school HEC.

Christophe Périllat is a French citizen and speaks French and English.

♦ *Listed company (for directorships currently held).*

(1) Christophe Périllat also holds 131,071 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 131,147 shares.

Bruno Bézard

Independent director

French
Age: 60

Cathay Capital
Private Equity
52, rue d'Anjou
75008 Paris
France

First appointed: 10/24/2017

Start of current term of office: 05/24/2022

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2025

Number of shares held: 3,000

Membership of Board Committees:

- Audit & Risks Committee

Main position held outside the Company

- Managing Partner of investment fund Cathay Capital Private Equity

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Director, Matmut
- Member of the Supervisory Board, Binance France, Diot-Siaci

Directorships and other positions held within the past five years

–

Summary of main areas of expertise and experience

Bruno Bézard has experience in the most prestigious roles in the French civil service, spanning the economic, industrial and financial spheres, as well as in the private equity world. In addition, over the past few years he has gained in-depth knowledge of China, where he lived for several years and spends a substantial amount of time in his current activities. He also speaks the language.

Bruno Bézard served as Head of the French Public Finance Administration after spending two years as Minister-Advisor in Beijing, overseeing France's Greater China Regional Economic Department. He created, and then headed, the French State Shareholding Agency *(Agence de participations de l'État)*, representing the State as a shareholder on a large number of company boards and acquiring vast experience in corporate governance and mergers & acquisitions.

He has notably held a seat on the boards of EDF, SNCF, Areva, La Poste, Thales, Air France, Engie, PSA and Fonds Stratégique d'Investissement (FSI). He was Head of the French Treasury and President of the Paris Club before joining the private equity fund Cathay Capital in 2016, a private equity fund that invests in start-ups, SMEs and middle market companies, and supports their international development in Europe, the United States and China, of which he is one of the managing partners.

Bruno Bézard is a member of the Supervisory Board of Binance France and Diot-Siaci and a director of Matmut.

An Inspector General of Finance, Bruno Bézard is a graduate of the *École polytechnique* and the *École nationale d'administration* (ENA), and taught at both schools for a number of years.

He is a French citizen and speaks French, English, Chinese and Russian.

Bpifrance Participations

Independent director

Bpifrance Participations
27/31, avenue du Général-Leclerc
94710 Maisons-Alfort Cedex
France

First appointed: 06/21/2019

Start of current term of office: 05/24/2022

End of current term of office: Shareholders' Meeting called to approve the 2025 financial statements

Number of shares held: 12,600,000

Membership of Board Committees:

- Audit & Risks Committee (since 01/01/2023)

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Director, Ekinops ♦, Eutelsat Communications ♦, Mersen ♦, Nexans ♦, Orange ♦, Pixium Vision ♦, Prodways Group (until 06/15/2023) ♦, Soitec ♦, Technicolor Creative Studios (until 06/15/2023) ♦, Vantiva ♦ and Valneva (since 12/20/2023) ♦
- Member of the Supervisory Board, Innate Pharma ♦ and Valneva (until 12/20/2023) ♦
- Board Observer, Abionyx Pharma ♦ and Fermentalg ♦

Directorships and other positions held within the past five years

- Director, Aelis Pharma, Gensight Biologics, Parrot, Verallia and Voluntis
- Member of the Supervisory Board, PSA, Vallourec and Valneva
- Board Observer, Poxel

Summary of main areas of expertise and experience

A Bpifrance subsidiary for direct investment and fund of funds activities and parent company of Bpifrance Investissement, Bpifrance Participations is engaged in these business activities under the general interest mission entrusted to Bpifrance.

♦ *Listed company (for directorships currently held or that ended in 2023).*

Alexandre Ossola

Independent permanent representative of Bpifrance Participations

French
Age: 49

6-8, boulevard Haussmann
75009 Paris
France

Main position held outside the Company

- Head of Mid Cap Funds and Avenir Automobile Funds at Bpifrance

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Permanent representative of Bpifrance Investissement: member of the Supervisory Board, Novarc, Novares Group, SAF Aerogroup (until 06/28/2023) and Trèves SA; member of the Board, Ipesup Group; member of the Governance Committee, Odyssey International (until 03/23/2023)
- Member of the Board of Directors, Financière Aquila
- Member of the Governance Board, Odyssey Holdco
- Member of the Supervisory Board, ADIT group
- Member of the Strategy Committee, Bluesky and Carizona (until 12/20/2023)
- Member of the Management Committee, Bpifrance Capital Développement

Directorships and other positions held within the past five years

- Board Observer, PSA
- Member of the Board of Directors, Mecaplast
- Member of the Supervisory Board, Vallourec

Summary of main areas of expertise and experience

Alexandre Ossola is Head of Mid Cap Funds and Avenir Automobile Funds (FAA) at Bpifrance and a member of the Management Committee of Bpifrance Capital Développement. He has over 25 years of experience in private equity and M&A.

He began his career in 1998 as an M&A analyst at Wasserstein Perella, and then at Credit Suisse First Boston. From 2000 to 2011, he was a Director in the Paris office of CVC Capital Partners, and then head of venture capital transactions at CDC Climat between 2011 and 2013. He joined Bpifrance Investissement in 2013 as Director of Nuclear and Rail Funds. In 2015, he joined Bpifrance's Mid & Large Cap Management Committee as head of the FAA funds. In 2017, he also took over the management of Mid Cap operations within Bpifrance Capital Développement, where he is a member of the Management Committee.

Alexandre Ossola is a member or permanent representative of Bpifrance Investissement on the boards of directors or supervisory boards of unlisted companies and groups ADIT, Bluesky, Ipesup, Novarc, Novares, Odyssey and Trèves. Previously, he was appointed, on the recommendation of Bpifrance, as non-voting director of the Supervisory Board of PSA (2017-2021) and permanent representative of Bpifrance Participations as a member of the Supervisory Board of Vallourec (2016-2021).

Alexandre Ossola is a graduate of ESCP Business School.

He is a French citizen and speaks French and English.

Alexandre Dayon

Independent director

French-American
Age: 56

Valeo
100, rue de Courcelles
75017 Paris
France

First appointed: 07/26/2022

Start of current term of office: 07/26/2022

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2024

Number of shares held: 15,000

Membership of Board Committees:

- Strategy Committee

Main position held outside the Company

- President and Special Advisor to the Chief Executive Officer, Salesforce (United States) (since 01/01/2024)

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Chairman of the Advisory Board, Salesforce (United States) (until 02/2023)

Directorships and other positions held within the past five years

–

Summary of main areas of expertise and experience

Alexandre Dayon, an information technology entrepreneur, brings to the Board of Directors recognized experience in the digital, software and more generally new technology sectors. His professional background, mainly in the United States but also in France, also allows the Board of Directors to benefit from his vision as an entrepreneur and a corporate officer.

Alexandre Dayon began his career in 1989 when he contributed to the creation of Business Objects, a company specializing in decision-making analysis, where he led the Products team for 10 years. He then founded, managed and developed InStranet, a software company for call centers, in the United States. He joined Salesforce when it acquired InStranet in 2008 and has held, for ten years as part of the Management Committee, key operational positions as President in charge of Product and Product Marketing, which have contributed to the growth of Salesforce.

He then led strategic initiatives at Salesforce, working closely with major international customers, notably in the automotive sector, and was Chairman of the Advisory Board until February 2023.

Alexandre Dayon is an engineer and a graduate of *CentraleSupélec*.

He is a French and American citizen and speaks French and English.

Fonds Stratégique de Participations

Independent director

Fonds Stratégique de Participations
9, rue Duphot
75001 Paris, France

First appointed: 03/24/2020

Start of current term of office: 06/25/2020

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2023

Number of shares held: 10,213,000

Membership of Board Committees:

- Audit & Risks Committee

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Director, Arkema ♦, Believe ♦, Elior Group ♦, Eutelsat Communications ♦, Neoen ♦, SEB ♦, Soitec ♦, Tikehau Capital Advisors and Verkor
- Member of the Supervisory Board, Tikehau Capital SCA ♦

Directorships and other positions held within the past five years

- Director, Safran, through F&P (a company jointly owned with Peugeot Invest)
- Board Observer, Believe

Summary of main areas of expertise and experience

Fonds Stratégique de Participations (FSP) is a long-term investment vehicle whose purpose is to support French companies in their growth and transition projects over the long term. FSP thus acquires significant equity interests in companies and plays a role in their governance by obtaining a seat on the Board of Directors or the Supervisory Board. The shareholders of the funds are seven French insurance companies: BNP Paribas Cardif, CNP Assurances, Crédit Agricole Assurances, Groupama, BPCE Assurances, Société Générale Assurances, and Suravenir.

FSP's portfolio currently consists of ten equity interests in French companies that are leaders in their fields: Arkema, Believe, Elior Group, Eutelsat Communications, Neoen, SEB, Soitec, Tikehau Capital Advisors, Valeo and Verkor.

FSP is managed by the investment management company, ISALT.

♦ *Listed company (for directorships currently held).*

Julie Avrane

Independent permanent representative of Fonds Stratégique de Participation

French
Age: 52

148, rue de la Pompe
75116 Paris
France

Main position held outside the Company

- Chair, Clear Direction

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Director, Bureau Veritas ♦ (Chair of the Strategy Committee, member of the Audit & Risk Committee), Exail Technologies ♦ and Groupe Monnoyeur (Chair of the CSR Committee)
- Member of the Supervisory Board, Crouzet, Exail Holding and Unibail-Rodamco-Westfield ♦ (member of the Audit Committee)
- Co-Chair of the ESG Club of the French Institute of Directors (until 04/2023)

Directorships and other positions held within the past five years

- Director, Cubyn
- Senior Partner, McKinsey & Company

Summary of main areas of expertise and experience

A Senior Partner in McKinsey & Company's Paris office from 1999 to July 2020, Julie Avrane headed the firm's high-tech industries practice in France (advanced electronics, aerospace and defense, automotive and assembly). She also co-led the firm's high-tech skills practice worldwide.

Julie Avrane specializes in high-tech industries, IT services and software. At McKinsey, she mainly dealt with strategy, growth, M&A and post-merger integration issues in cross-border contexts as well as large-scale transformation plans.

Prior to joining McKinsey's Paris office, Julie Avrane worked as a researcher with Bull Honeywell in the United States in 1993, then with Cogema (Areva) in 1994, and as a business analyst in McKinsey's London office for two years from 1995 to 1997.

Julie Avrane is Chair of Clear Direction. She is also, in particular, a member of the Supervisory Board of Unibail-Rodamco-Westfield and a director of Bureau Veritas and Exail Technologies.

Julie Avrane is a graduate of the *École nationale supérieure des télécommunications de Paris* and of the *Collège des ingénieurs*. She also holds an MBA from INSEAD.

She is a French citizen and speaks French and English.

♦ *Listed company (for directorships currently held).*

Stéphanie Frachet

Independent director

French
Age: 46

CAPZA
103, rue de Grenelle
75007 Paris
France

First appointed: 12/08/2022, effective 01/01/2023[(1)]

Start of current term of office: 01/01/2023

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2026

Number of shares held: 1,500

Membership of Board Committees:

- Governance, Appointments & Corporate Social Responsibility Committee (since 01/01/2023)
- Compensation Committee (since 01/01/2023)
- Strategy Committee (since 01/01/2023)

Main position held outside the Company

- Partner of the Flex Equity Mid Market fund at European private investment platform CAPZA

Directorships and other positions currently held

Directorships and other positions within the Group

-

Directorships and other positions held outside the Group

-

Directorships and other positions held within the past five years

- Director, Constellium, Eurosic
- Director, Bpifrance Investissement; member of the Management Committee, Bpifrance Capital Développement
- Member of the Supervisory Board, Sabena Technics Participations
- As permanent representative of Bpifrance Investissement, Director, Sarenza and Sulo (Plastic Omnium Environnement)
- As permanent representative of Bpifrance Participations, Director, Fidec, Eutelsat Communications and Valeo
- Observer, Horizon Parent Holdings (Verallia), Diot-Siaci, Financière Carso and Paprec

Summary of main areas of expertise and experience

Stéphanie Frachet is a partner of the Flex Equity Mid Market fund at CAPZA, a European private investment platform. She has more than 20 years of experience in finance and private equity.

From 2001 to 2007, she was in charge of audit and transactions at, respectively, Ernst & Young and PricewaterhouseCoopers, working on M&A and LBO transactions. In 2007, she joined the Leveraged Finance team of Société Générale, in charge of LBO transactions for SMEs and large groups. Stéphanie Frachet then joined Bpifrance (formerly Fonds Stratégique d'Investissement) in 2009 where she was Director of Bpifrance Investissement and member of the Management Committee of Bpifrance Capital Développement between 2017 and 2022.

Previously, she was a permanent representative of Bpifrance Participations, notably as a director of Eutelsat Communications and Sulo (formerly Plastic Omnium Environnement). She was also a director of Constellium (a company listed on the New York Stock Exchange) and a member of the Supervisory Board of Sabena Technics Participations, as well as Observer of Horizon Parent Holdings (Verallia), Diot-Siaci, Financière Carso and Paprec.

She is a graduate of ESSEC Business School.

She is a French citizen and speaks French and English.

(1) Stéphanie Frachet was permanent representative of Bpifrance Participations from June 26, 2019 to December 31, 2022.

Mari-Noëlle Jégo-Laveissière

Independent director

French
Age: 55

Orange
Orange Bridge
111, quai du Président-Roosevelt
92130 Issy-les-Moulineaux
France

First appointed: 05/26/2016

Start of current term of office: 05/26/2021

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2024

Number of shares held: 1,500

Membership of Board Committees:

- Audit & Risks Committee

Main position held outside the Company

- Executive Vice President, CEO of Orange Europe (excluding France)

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Chair of the Board of Directors, Orange Romania Communications S.A. (Romania)
- Director, Engie ♦ (member of the Ethics, Environment and Sustainable Development Committee) (until 04/26/2023), Orange Belgium (Belgium) ♦, Orange Polska (Poland) ♦, Orange España (Spain), Orange Bank (Chair of the Nominations and Compensation Committee) and Fondation Orange

Directorships and other positions held within the past five years

- Director, NowCp
- Chair of the Board of Directors, Soft@Home and Viaccess

Summary of main areas of expertise and experience

Mari-Noëlle Jégo-Laveissière brings the Board of Directors her considerable experience in new technologies and in research and development, particularly in telecommunications, areas in which she has spent most of her career.

She began her career in 1996 at the Paris regional office (Direction Régionale de Paris) of France Télécom's commercial distribution network. She went on to hold various leadership positions within the Orange group, including head of Consumer Marketing France, Director of Research and Development and Director of International Networks. She became a member of the Executive Committee of Orange in March 2014 in her capacity as Executive Vice-President of Innovation, Marketing & Technologies.

Since September 1, 2020, Mari-Noëlle Jégo-Laveissière has been Executive Vice President, CEO of Orange Europe (excluding France). She is also a member of the Board of Directors of Orange Belgium and Orange Polska, and was a Board member of Engie until April 26, 2023.

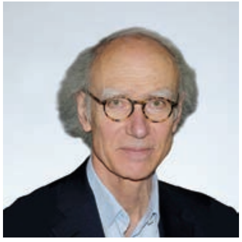
Mari-Noëlle Jégo-Laveissière holds a degree from *École normale supérieure* and she graduated in engineering from *Corps des mines*. She also holds a doctorate in quantum chemistry from the Université de Paris XI – Waterloo (Canada).

She is a French citizen and speaks French and English.

♦ *Listed company (for directorships currently held or that ended in 2023).*

Thierry Moulonguet

Director



French
Age: 72

Fimalac
97, rue de Lille
75007 Paris
France

First appointed: 06/08/2011

Start of current term of office: 06/25/2020

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2023

Number of shares held: 3,000

Membership of Board Committees:

- Audit & Risks Committee (Chair)
- Strategy Committee

Main position held outside the Company

- Director (various companies)

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Director, Fimalac (member of the Compensation Committee), Fimalac Développement (Luxembourg) and Lucien Barrière group (Chairman of the Audit and Risk Committee and member of the Strategy Committee and the Compensation Committee) (until July 31, 2023)
- Chairman of the Supervisory Board, Webedia (Fimalac group) (until 03/24/2023)

Directorships and other positions held within the past five years

- Director, HSBC France

Summary of main areas of expertise and experience

Thierry Moulonguet has extensive experience in the French and international automotive industry. He spent most of his career with the Renault-Nissan group, where he held a number of top positions, particularly Associate Chief Executive Officer and Chief Financial Officer of Nissan in Japan and Associate Chief Executive Officer and Chief Finance Officer of the Renault group.

Thierry Moulonguet joined the Renault-Nissan group in February 1991 as Head of Banking Strategy and Financial Communication. He later served as Director of Financial Relations, Director of Capital Expenditure Control, Associate Chief Executive Officer and Chief Financial Officer of Nissan before becoming Associate Chief Executive Officer and Chief Financial Officer of the Renault group, also in charge of Information Systems, and then member of the Management Committee for the Americas and member of its Executive Committee from January 2004 to July 1, 2010. He served as Special Advisor to Renault's Chairman and Chief Executive Officer until March 31, 2011, the date on which he retired. He also served as Board member of Fitch Ratings Ltd, Ssangyong Motor Co. (South Korea), RCI Banque and Renault Retail group.

Thierry Moulonguet is a graduate of *École nationale d'administration* (ENA) and *Institut d'études politiques de Paris* (IEP).

He is a French citizen and speaks French and English.

Éric Poton

Director representing employees

French
Age: 57

Valeo Systèmes d'Essuyage
1, rue Pierre-et-Marie-Curie
63500 Issoire
France

First appointed by the Group Works Council: 06/18/2021, effective 06/30/2021

Start of current term of office: 06/30/2021

End of current term of office: 06/30/2025

Number of shares held: 38[1]. In accordance with the law, the articles of association and the Internal Procedures, the director representing employees is not required to hold 1,500 shares

Membership of Board Committees:

- Audit & Risks Committee

Main position held outside the Company

–

Directorships and other positions currently held

Directorships and other positions within the Group

- P2, R&I and standard owner project manager within the Group

Directorships and other positions held outside the Group

–

Directorships and other positions held within the past five years

–

Summary of main areas of expertise and experience

Thanks to his career within the Group and his involvement in the employee representative bodies and trade unions, Éric Poton has in-depth knowledge of the Group's business and employee relations, which are key attributes for a director representing employees.

Éric Poton has worked at Valeo since 1998. He has held various positions within the Issoire plant, mainly in the R&D and Aftermarket teams.

Since 2017, he has been project manager for P2 and R&I and standard owner, with a particular focus on developing Aftermarket platform standards for the wiper business. He leads a research and innovation project team and contributes to the Group's innovation activities on wiper system products.

He started his career at Valeo as a design engineer before becoming a member of the R&D project team. Between 2007 and 2011, he held the position of R&D standardization coordinator and in 2012 was appointed P2 project manager.

Éric Poton was a member of the Economic and Social Committee at the Issoire site and a member of the Central Works Council at Valeo Systèmes d'Essuyage (VSE). He was also the site and central union delegate for VSE, as well as a full member of the Group Works Council and the European Company Works Council for the CFE-CGC trade union.

Éric Poton holds a higher education diploma in industrial product design and has followed a further education course in management. In addition to his operations-based training he has received "Corporate Directorship" certification from Sciences-Po/IFA and an International Certificate in Corporate Finance from HEC Paris.

He is a French citizen and speaks French and English.

(1) Éric Poton also holds 588 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 589 shares.

Patrick Sayer

Independent director

French
Age: 66

Tribunal de commerce de Paris
1, quai de la Corse
75004 Paris
France

First appointed: 05/23/2019

Start of current term of office: 05/24/2023

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2026

Number of shares held: 11,700

Membership of Board Committees:

- Governance, Appointments & Corporate Social Responsibility Committee
- Compensation Committee
- Strategy Committee (Chair)

Main position held outside the Company

- President of the Paris Commercial Court (since 01/18/2024)

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

–

Directorships and other positions held within the past five years

- Chairman, Augusta SAS
- Director, AccorHotels and Tech Data Corporation (United States)
- Member of the Supervisory Board, Eurazeo, Europcar Mobility Group and Grand Port Maritime de Marseille

Summary of main areas of expertise and experience

Patrick Sayer was elected as President of the Paris Commercial Court on November 8, 2023, and took office on January 18, 2024, having joined the court as a non-professional judge in 2014. He is a founding member of the legal think-tank Club des juristes.

From 2018 to 2023, he also devoted his time to developing Augusta SAS, a family-owned investment company.

Patrick Sayer served as Chairman of the Management Board of Eurazeo, one of Europe's leading listed investment companies, from 2002 to 2018. He became a member of Eurazeo's Supervisory Board in 2018. When he stepped down from the Board in July 2023, Eurazeo had over 30 billion euros in assets under management. His private equity experience dates back to the creation of Fonds Partenaires, the private equity fund created by Lazard, where he was active from 1989 to 1993. Thanks to his private equity knowledge, he was elected as Chairman of AFIC, now France Invest, in 2006.

Previously, Patrick Sayer was a Managing Partner at Lazard Frères et Cie in Paris, which he joined in 1982, and a Managing Director of Lazard Frères & Co. in New York, which he joined in 1999, becoming global head of mergers and acquisitions for the technology sector.

Patrick Sayer holds a law degree from Panthéon-Assas university and a diploma in distressed company law from Panthéon-Sorbonne university. He is also a graduate of the *École Polytechnique* and the *École des Mines de Paris*. He is also a certified financial analyst, completing the course at the French Society of Financial Analysts training center, where he has also taught classes. He has also given lectures in finance (master's program) at Paris Dauphine university.

He is a French citizen and speaks French and English.

Ulrike Steinhorst

Director, in charge of CSR issues

German
Age: 72

3, villa du Coteau
92140 Clamart
France

First appointed: 02/24/2011

Start of current term of office: 06/25/2020

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2023

Number of shares held: 1,500

Membership of Board Committees:

- Governance, Appointments & Corporate Social Responsibility Committee (in charge of CSR issues)
- Compensation Committee
- Strategy Committee

Main position held outside the Company

- Founder and Chair, Nuria Consultancy, a consulting firm
- General Delegate, Universcience Partenaires foundation

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Director, The Franco-German Chamber of Commerce and Industry, *École nationale supérieure des mines de ParisTech*, and Mersen (advanced materials and electrical specialties) ♦ (until 05/16/2023)
- Member of the Management Committee of Fonds de Revitalisation Industrielle (GE)

Directorships and other positions held within the past five years

- Director, Albioma (renewable energies)

Summary of main areas of expertise and experience

Ulrike Steinhorst has extensive experience in top-level corporate positions, mainly at EDF, Degussa/Evonik group and EADS/Airbus, with a strong focus on international business and strategy. She also has considerable expertise in CSR.

She joined the Électricité de France (EDF) group in 1990 after being at the office of the Minister for European Affairs at the time of German reunification. Within EDF she held a number of positions before becoming head of the International Subsidiaries in the Industrial division. In 1999, she joined Degussa AG group in Germany, before returning to France in 2003 to head up the group's French business. In 2007, she joined EADS where she served as Chief of Staff to the Executive Chairman.

From 2012 until 2017, she was Strategy, Planning and Finance Director at Airbus group's Technical Corporate division.

In 2017, she founded the consulting firm Nuria Consultancy, of which she is Chair. In addition to her consulting activities, she is, in particular, a director of Mersen and Albioma, companies specialized in renewable energy. She has also served on the Board of Directors of F2I (UIMM) and the Imagine genetic disease research institute. She joined the Universcience Partenaires foundation as General Delegate in January 2023.

Ulrike Steinhorst is a state-certified German lawyer and graduate of the HEC Executive MBA, Université Paris II – Panthéon (post-graduate degree in public law) and the *École nationale d'administration* (ENA).

She is a German citizen and speaks German, English and French.

♦ *Listed company (for directorships currently held or that ended in 2023).*

Grzegorz Szelag

Director representing employees

Polish
Age: 46

Valeo Electric and Electronic Systems Sp. z.o.o
ul. Bestwinska 21
Czechowice-Dziedzice
43500 Czechowice
Poland

First appointed by the European Company Works Council: 11/19/2020

Start of current term of office: 11/19/2020

End of current term of office: 11/19/2024

Number of shares held: 221[(1)] In accordance with the law, the articles of association and the Internal Procedures, the director representing employees is not required to hold 1,500 shares.

Membership of Board Committees:

- Compensation Committee
- Governance, Appointments & Corporate Social Responsibility Committee (since 01/26/2023)

Main position held outside the Company

–

Directorships and other positions currently held

Directorships and other positions within the Group

- Quality technician

Directorships and other positions held outside the Group

–

Directorships and other positions held within the past five years

- Secretary of the Valeo Group's European Works Council (since renamed the European Company Works Council)

Summary of main areas of expertise and experience

Thanks to his long experience with the Group and his involvement in its employee representative bodies for more than 15 years, Grzegorz Szelag possesses all the professional and interpersonal qualities required to fulfill the role of director representing employees.

Grzegorz Szelag has been working at Valeo in Czechowice, Poland, since 2002. He started his career as a production operator, before being promoted to production supervisor in 2002, and then quality technician in 2004.

In 2005, he became employee representative at the Czechowice site. He joined Valeo's European Works Council, since renamed the European Company Works Council, in 2006 as representative for Poland and became its Secretary in 2018.

Grzegorz Szelag has a degree from a mechanical engineering school.

He is a Polish citizen and speaks Polish and English.

(1) Grzegorz Szelag also holds 18 shares in the Valeorizon mutual fund (Group employee share ownership plan), which would represent 18 shares.

Véronique Weill

Independent director

French
Age: 64

CNP Assurances
4, promenade Cœur de Ville
92130 Issy-les-Moulineaux
France

First appointed: 05/26/2016

Start of current term of office: 05/26/2021

End of current term of office: Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2024

Number of shares held: 2,390

Membership of Board Committees:

- Audit & Risks Committee
- Governance, Appointments & Corporate Social Responsibility Committee (Chair since 01/01/2023)
- Compensation Committee (Chair since 01/01/2023)

Main position held outside the Company

- Chair of the Board of Directors, CNP Assurances

Directorships and other positions currently held

Directorships and other positions within the Group

–

Directorships and other positions held outside the Group

- Chair of the Board of Directors, CNP Assurances (Chair of the Strategy Committee, Chair of the Monitoring Committee for the implementation of the BPCE and La Banque Postale partnerships, and Chair of the Ad Hoc Committee; member of the Remuneration and Nominations Committee and member of the CSR Committee)
- Director, Caixa Seguros Holding (Brazil) and Holding XS1 (Brazil) and the Gustave Roussy Foundation (donors and patrons group) (Co-Chair of the Campaign Committee and member of the Foundation's Supervisory Board)
- Lead Independent Director, Kering ♦ (Chair of the Remuneration Committee, member of the Appointments & Governance Committee, the Sustainability Committee and the Audit Committee)
- Member of the Supervisory Board, Rothschild & Co[1] (Chair of the Risk Committee; member of the Remuneration and Nomination Committee and member of the Audit Committee)

Directorships and other positions held within the past five years

- General Manager responsible for Operations, IT, Real Estate, Insurance and M&A, Publicis Group
- Director, Translate Plus (Publicis Groupe) (United Kingdom), BBH Holdings Ltd. (Bartle Bogle Hegarty) – Prodigious UK (United Kingdom), the Georges Besse Foundation and the Louvre Museum
- Member of the European Advisory Board, Salesforce (United States)

Summary of main areas of expertise and experience

Véronique Weill has a strong background in finance and M&A, as well as in insurance, having spent more than 20 years in investment banking in the United States and France and then at AXA. She also has extensive experience in new and digital technologies.

Véronique Weill spent more than 20 years at J.P. Morgan, where she held various positions including global head of operations and trading for the investment banking business and global head of IT and operations for the asset management and private banking business. In June 2006, she joined AXA as Chief Executive Officer of AXA Business Services and Director of Operational Excellence. She was also Chair of the Board of Directors and a director of various AXA subsidiaries in France, Spain, Italy and Belgium.

She was Chief Customer Officer for the AXA group and Chief Executive Officer of AXA Global Asset Management until January 18, 2017 and then General Manager in charge of Operations, IT, Real Estate, Insurance and M&A at the Publicis Group until December 2020. She was also a member of the Scientific Board of the AXA Research Fund. She has been Chair of the Board of Directors of CNP Assurances since July 2020. She is also a member of the Supervisory Board of Rothschild & Co, Lead Independent Director of Kering and co-spokesperson, notably with the Chair of the Board, to investors on ESG (environment, social and governance) issues.

Véronique Weill is a graduate of *Institut d'études politiques de Paris* (IEP) and has a bachelor's degree in literature from the Sorbonne University.

She is a French citizen and speaks French and English.

♦ *Listed company (for directorships currently held).*

(1) Rothschild & Co was delisted from Euronext Paris on October 11, 2023.

3.2.2 Preparation and organization of the Board of Directors' work

Internal Procedures

On March 31, 2003, the Board of Directors adopted Internal Procedures, which are regularly updated, defining the operating procedures of the Board of Directors in addition to applicable legal and regulatory requirements as well as the provisions of the Company's articles of association. Acting on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors updated its Internal Procedures on February 29, 2024. Internal procedures have also been drawn up for the Board of Directors' Committees, and are included in the appendices of the Board of Directors' Internal Procedures.

The Internal Procedures apply to each member of the Company's Board of Directors and to each permanent representative of a legal entity that is a member of the Board.

The Internal Procedures are available in the "Corporate Governance" section of the Company's website (www.valeo.com) under "Financial and legal documents".

Directors' rights and duties

The Internal Procedures include a Directors' Charter that sets out the principles that the directors must follow. This Charter imposes certain duties on directors in order to ensure, in particular, that (i) they are aware of the rules and regulations applicable to them, (ii) conflicts of interest are avoided, (iii) they dedicate the necessary time and attention to their duties and comply with the applicable provisions relating to multiple directorships, and (iv) as regards undisclosed information, they are bound by a duty of confidentiality that goes beyond the mere obligation of discretion provided by law. Notwithstanding this duty of confidentiality, the permanent representative of a legal entity that is a member of the Board may provide information to persons within that legal entity, it being specified that such communication can only be used for the purposes of fulfilling its duties as permanent representative.

Furthermore, members of the Board of Directors are responsible for ensuring that they have all the necessary information to carry out their duties. To this end, the Chairman of the Board or the Chief Executive Officer provides directors with the information and documents required in order for them to fully perform their duties.

As compensation for the work carried out by directors, Shareholders' Meetings may grant an annual fixed amount, allocated by the Board of Directors to its members pursuant to Article L. 22-10-8 of the French Commercial Code on the compensation policy for corporate officers (*ex ante* vote). The Board of Directors may also grant directors exceptional compensation for specific assignments or tasks entrusted to them. The Board of Directors sets the compensation of the corporate officers (including the directors), based on recommendations made by the Compensation Committee.

The compensation policy is subject to an *ex ante* vote by the shareholders and the compensation paid or allocated pursuant to that compensation policy is then subject to the *ex post* vote of the shareholders.

Article 14.6 of Valeo's articles of association provides that each director must hold at least 1,500 registered shares throughout their term of office. This obligation is also set out in Article 1.1(b) of the Internal Procedures. In accordance with the law and the provisions of the Company's articles of association and the Internal Procedures, this requirement does not apply to directors representing employees or to the director representing employee shareholders, it being specified that the employee representing employee shareholders is required to own, either on an individual basis or through a corporate mutual fund (FCPE) invested in Valeo shares, at least one Company share, or a number of FCPE units equivalent to at least one Company share, in accordance with Article L. 225-102 of the French Commercial Code).

Although not expressly provided for by the Internal Procedures, in practice the directors attend the Company's Shareholders' Meetings, in accordance with the recommendation in Article 21 of the AFEP-MEDEF Code.

On January 23, 2008, the Board of Directors adopted a Code of Conduct on trading in financial instruments and compliance with regulations on insider trading, which governs trading in the Company's securities by members of the Board of Directors, executive corporate officers, members of the Group Executive Committee and the Liaison Committee, and any person with inside information (within the meaning of Article 7 of Regulation No. 596/2014 of April 16, 2014 on market abuse). Acting on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors updated its Code of Conduct on February 29, 2024. On accepting their position, each member of the Board of Directors agreed to comply with this Code of Conduct.

This Code sets out the legal and regulatory provisions regarding the disclosure of trading in the Company's securities applicable to insiders, and in particular members of the Board of Directors, the Executive Committee, the Liaison Committee, any person with permanent or regular access to inside information and any Group employees who may appear on the lists of occasional insiders drawn up by Valeo ("**Insiders**").

Under the Code of Conduct, it is prohibited for any person to carry out one or more transactions based on inside information at any time. It is prohibited at any time for these people to carry out or attempt to carry out, either on their own behalf or for third parties, directly or indirectly, one or more transactions (including the sale of shares resulting from the exercise of stock purchase or subscription options or the cancelation or modification of an order) on financial instruments (shares, bonds, etc., and any related derivatives) of the Company if they have inside information about the Company or any other Group entity. This Code also prohibits any person having inside information from disclosing or attempting to disclose inside information about the Company or any Group entity, other than in the normal course of their duties, to any person, particularly when the circumstances of such disclosure would enable that person to carry out one or more transactions on the Company's financial instruments. They are also prohibited from advising or attempting to advise any person to carry out one or more transactions in respect of the Company's financial instruments based on inside information about Valeo or any other Group entity, or encouraging or attempting to encourage any person to carry out such transactions in Valeo's financial instruments based on this inside information.

The Chairman of the Board, the Chief Executive Officer, the members of the Board of Directors, the members of the Executive Committee and the Liaison Committee and other Group executive managers are also prohibited from carrying out, directly or indirectly, the following transactions:

- any speculative transactions in the Company's financial instruments as well as in any related financial instruments, such as transactions in derivatives, margin buying and short selling, as well as rolling over deferred settlement orders;
- hedging the financial instruments of the Company and any related financial instruments, including shares, stock purchase or subscription options, rights over shares which may be freely allotted, and shares obtained on exercising stock options or freely allotted.

The Code of Conduct also applies to the purchase or sale (or forward transaction) of the financial instruments of any company other than Valeo by any persons having inside information if such transaction is based on inside information obtained in the course of their duties.

In the event of uncertainty as to whether information is considered inside information, all persons must contact the Group General Counsel and General Secretary before carrying out any transactions involving the Company's financial instruments. The Chairman of the Board, the Chief Executive Officer, the directors and the members of the Group's Executive Committee must check with the Group General Counsel and General Secretary before carrying out any transactions involving the Company's financial instruments that they do not have inside information as a result of their position.

As a general rule, the members of Valeo's Liaison Committee must inform the Group General Counsel and General Secretary before carrying out any transactions in Valeo's financial instruments.

Restrictions on trading in the Company's financial instruments apply to any person having inside information up to and including the date of publication by the Group of the press release on the inside information in question.

In addition, subject to the exceptions provided for in the applicable regulations, Insiders are prohibited from carrying out one or more transactions involving the Company's shares, debt securities, derivatives or other related financial instruments (including the sale of free shares), either on their own behalf or for third parties, directly or indirectly, during the following black-out periods:

- from the 30th calendar day inclusive preceding the date of publication of Valeo's press release on the annual and half-yearly results up to and including the date of publication of said press release on these financial statements;
- from the 15th calendar day inclusive preceding the date of publication of Valeo's quarterly information up to and including the date of publication of the press release on this quarterly information.

In addition, pursuant to the Code of Conduct, the Chairman of the Board, the Chief Executive Officer, the members of the Board of Directors, other executive managers and persons having close personal ties with them must comply with obligations to inform the Company and the AMF following transactions in the Company's shares, debt securities, derivatives or other related financial instruments in accordance with applicable laws and regulations.

Rules governing the operation and organization of the Board of Directors, and their application

Average notice period for calling Board meetings

In accordance with its Internal Procedures, the Board of Directors meets at least six times a year, and at least once every three months, on dates that are sent to each director at the beginning of the fiscal year at the latest, and at any other time in the interest of the Company. The average notice period for calling a meeting of the Board of Directors is approximately ten days, allowing the directors to review any useful information for such meetings.

Representation of directors

Directors may be represented at Board of Directors' meetings by another director; however, at a single meeting each director only has a proxy to represent one director. The proxy must be given in writing. In 2023, none of the directors were represented by proxy at Board meetings.

Chairmanship of Board meetings

Board of Directors' meetings are chaired by the Chairman of the Board or, in his absence, by a Vice-Chairman, where applicable, or a director designated by the Board of Directors. All ten Board of Directors' meetings held in 2023 were chaired by its Chairman.

Directors' participation in Board meetings

The Internal Procedures allow directors to participate in Board of Directors' meetings by any videoconferencing or telecommunications technology that enables them to be identified and ensures that they actually participate in the meeting. Accordingly, directors who take part in Board meetings through such means are deemed to be present for the purposes of calculating the quorum and majority, except at meetings dedicated to the preparation of the annual parent company and consolidated financial statements and the related management reports (as provided for in Articles L. 232-1 and L. 233-16 of the French Commercial Code). The Chairman of the Board is required to state in the relevant meeting notice whether these methods can be used for certain meetings. Directors wishing to participate in a Board meeting by these methods must contact the General Secretary at least two working days before the meeting date (except in an emergency) in order to ensure that the relevant technical information can be exchanged and tests performed before the meeting takes place.

Under Article 16.4 of the Company's articles of association and Article 1.2(f) of the Internal Procedures, the directors may be consulted in writing for decisions that fall within the Board of Directors' scope of authority as set out in the French Commercial Code, Article L. 225-24 (appointment of a director if a seat becomes vacant due to death or resignation, or if the number of directors falls below the minimum legal requirement or the minimum requirement provided for under the articles of association, or if the gender balance is not observed), Article L. 225-35, final paragraph (authorization of sureties, endorsements and guarantees), Article L. 225-36, second paragraph (compliance of the articles of association with applicable laws and regulations) and Article L. 225-103, I (calling a Shareholders' Meeting), as well as the decision to transfer the Company's registered office to any other location in the same *département* or a neighboring *département*.

Decision-making on the Board of Directors

Except in the event of a written consultation in accordance with the law, the Board of Directors is only validly constituted if half of its members are present or represented. Decisions are taken by a majority vote of the members present or represented. In the event of a tie, the Chairman has the casting vote.

Record of Board decisions

In addition to written consultations, minutes are drawn up at each meeting and signed by the Chairman of the Board and a director. The draft minutes must first be sent to all directors no later than two weeks after the meeting. To ensure a clear account of Board of Directors' meetings, the minutes include, in addition to the information required by law, a summary of the discussions and decisions made, briefly mentioning the issues and reservations raised, along with an explanation of any technical issue related to videoconferencing or telecommunications technology used if it disrupted the meeting. The minutes of Board of Directors' meetings provide a record of the Board of Directors' proceedings.

Frequency and duration of Board meetings and average attendance rates of directors

The frequency of Board of Directors' meetings and the average attendance rate of directors in the 2023 financial year are set out in section 3.2.1 of this chapter, "Attendance rate at Board of Directors' meetings", pages 108 and 109. All meetings of the Board of Directors were held in person. The average duration of Board of Directors' meetings was about four hours. The frequency and duration of Board meetings allow for the review and in-depth discussion of matters falling within the Board of Directors' scope of authority.

Directors' access to information

Directors' training

The Company's new directors are eligible for training to help them learn about the Company, its business lines and business sector, and corporate social responsibility challenges. This gives the directors the skills they need to gain an in-depth understanding of Valeo's key challenges and strategy (particularly in relation to CSR).

The directors also attend an annual strategy seminar, the organization of which has been changed to factor in the suggestions put forward by the directors in the assessment of the Board's operating procedures conducted in 2022. Therefore, since 2023, the event has been held in two distinct phases:

- a seminar focused on strategic issues, held over several days in France (three days in November 2023). This seminar is mainly to provide genuine insight into the Group's activities and strategic goals, as well as its competitive environment and industry trends, and to give directors a practical understanding of the Group's specificities, as well as its climate strategy. During the seminar the directors also have the opportunity to discuss these topics with the Group's key executives, and are given presentations on the Group's products and business operations;
- on-site visits, in France or abroad, generally followed by a meeting of the Board of Directors. During this phase, which takes place over several days, the directors are able to see the Group's business in practice, with visits to partner plants and production sites. The directors also meet the local operational teams and local management. The next on-site visit is scheduled to take place at the Martos site in Spain in March 2024.

Other on-site visits are also organized periodically for the directors, in addition to the one during the seminar event.

Given the diversity of the program, the topics discussed and the practical aspects covered, these events contribute to the directors' continuous training.

During 2023, as part of the work of the Board and the Specialized Committees of which they are members, the directors were also informed about issues such as legislative developments concerning compliance (presentation on the Group's updated compliance programs), developments in corporate governance best practices (presentation on the points of interest to Valeo raised in (i) the report issued by the French financial markets authority (*Autorité des marchés financiers* – AMF) on corporate governance and executive compensation in listed companies and (ii) the December 2023 report issued by the High Committee on Corporate Governance (*Haut Comité de Gouvernement d'Entreprise* – HCGE)), as well as about the new sustainability reporting requirements introduced under the CSRD. In the same way as for the topics presented at the strategy seminar, this information contributes to the directors' continuous training.

In accordance with the recommendations in the AFEP-MEDEF Code, the Company has devised a training program for directors representing employees tailored for this specific role. In this context:

- Grzegorz Szelag attended various training courses, including a course provided by the IFA entitled "Salaried Directors Workshop, a guide to being a member of the Board".
- Éric Poton also attended various training courses, including a directorship training course designed by the French Institute of Directors (*Institut français des administrateurs* – IFA) in partnership with Sciences Po Executive Education entitled "Certificate of Corporate Director". He also attended several other IFA training sessions about the fundamental aspects of finance and about audit committees and obtained an International Certificate in Corporate Finance from HEC Paris business school.

The directors were also given immersion sessions with the executive corporate officers, the Group General Counsel and General Secretary, the Chief Financial Officer, the Group Chief Human Resources Officer, and the Chief Technology Officer and Vice-President, Strategy.

In general, any time after their appointment, the directors may receive additional training, if they deem it necessary, to learn about the Company, its business lines and business sector, and its corporate social responsibility challenges, in particular on climate issues (including the Group's CAP 50 plan).

Directors' access to information

Within the scope of the Board of Directors' work, each director is given all the information required to perform his/her duties. The agenda for any upcoming Board of Directors' meeting and details of agenda items requiring upfront analysis and consideration are provided within a sufficient time frame and at least 48 hours (except in an emergency) before the meeting, provided that this is not incompatible with confidentiality requirements.

Directors who are not able to make an informed decision due to a lack of information must notify the Chairman of the Board and request the information they deem necessary to fulfill their duties. Requests for information needed to perform their duties must be made to the Chairman. Generally, each director receives the information that he/she needs to perform his/her duties and may be given all the related documents by the Chairman of the Board of Directors once the Board has determined that they are relevant.

The Chairman of the Board shares with the directors any information about the Company that he has and that he deems relevant to share on an ongoing basis. He is in regular contact with General Management and ensures that any information concerning the Company is reported to the Board of Directors.

Guests of the Board of Directors

In 2023, the Group General Counsel and General Secretary and the Chief Financial Officer attended all meetings of the Board of Directors.

The Group's Statutory Auditors attended parts of some Board of Directors' meetings.

Other members of the Group's Executive Committee attended Board meetings to report on specific points, such as the Chief Ethics, Compliance and Data Protection Officer who presented the updated versions of the Group's compliance programs, as well as the Senior Vice-President, Group Corporate Communications & Investor Relations about financial communications, and the Chief Technology Officer and Vice-President, Strategy, about R&D. Also during the year, the Board met more frequently with the Presidents of the Business Groups, as was requested in the assessment of the Board's operating procedures in 2022. The Presidents of the Powertrain Systems, Comfort & Driving Assistance Systems, and Visibility Systems Business Groups, as well as the President of Valeo Service – who are all members of the Executive Committee – presented trends and developments in their respective business areas.

Non-executive sessions

At the end of certain Board meetings, it is proposed that the independent directors meet without the executive corporate officers and non-independent directors being present, unless invited. These non-executive sessions encourage debate among the independent directors. In 2023, "non-executive sessions" were held following several Board meetings.

Role of the Board of Directors

The principal role of the Board of Directors, which is a collegial body appointed by the shareholders, is to determine the Company's business strategies and ensure that they are implemented effectively. Subject to the powers expressly granted to Shareholders' Meetings and within the limits of the corporate purpose, it handles any issues related to the proper operation of the Company and takes care of any business in this respect during its meetings.

In accordance with applicable laws and regulations, the Company's articles of association and the provisions of the Internal Procedures, the Board of Directors has the power, in particular, to:

- convene Shareholders' Meetings and set the agendas thereof;
- draw up the parent company and the consolidated financial statements, the Annual Management Report and the forecast management documents;
- draw up the Corporate Governance Report;
- authorize related party agreements;
- appoint and remove from office the Chairman of the Board of Directors and the Chief Executive Officer and set their compensation;
- appoint the members of the Committees;
- allocate compensation to the directors in accordance with their compensation policy;
- relocate the head office in the same or a neighboring *département* provided that the decision is approved at the next Ordinary Shareholders' Meeting;
- acting under the authority of the Extraordinary Shareholders' Meeting, amend the articles of association as necessary to ensure their compliance with applicable laws and regulations, provided that the articles of association are approved at the next Extraordinary Shareholders' Meeting;
- authorize sureties, endorsements and guarantees;
- issue non-dilutive bonds and/or securities giving or not giving access to the share capital;
- decide on any planned merger or spin-off;
- authorize the Chief Executive Officer, as applicable, to carry out any significant transactions, i.e., any acquisitions or sales of subsidiaries, equity interests or other assets, investments and borrowings, representing more than 50 million euros per transaction;
- review the Group's industrial and financial strategy by devoting, in particular, one session per year to this review.

The Board of Directors is also informed of market and competitive trends and the main challenges faced by the Company, including those related to CSR. It endeavors to promote the Company's long-term value creation whilst taking into consideration the CSR impacts of its operations.

In 2023, the main topics addressed by the Board of Directors related to, in particular:

a) the financial position, cash position, and commitments of the Group, and in particular:
   - reviewing the approximate 2022 results, the 2023 preliminary budget and the 2023 final budget;
   - approving the (i) parent company and consolidated financial statements for 2022 and (ii) interim consolidated financial statements for 2023; reviewing the Statutory Auditors' presentations and reports; preparing the outlook for 2023;
   - reviewing quarterly sales figures and results, and the forecasts and projections prepared for 2023;
   - reviewing the management report and the related notes for 2022, and the half-year financial report at June 30, 2023;
   - reviewing press releases containing financial information;
   - recommending the appropriation of net income and the dividend payment and reviewing the dividend amount for 2022;
   - reviewing the investor presentation, and reviewing and reporting on the 2022 and first-half 2023 results roadshow;
   - reviewing the Group's liquidity;
   - reviewing the Group's financial policy (investments, cash position and debt);
   - authorizing sureties, endorsements and guarantees (renewal of the powers delegated to the Chief Executive Officer);
   - reviewing treasury share purchases (renewal of the powers delegated to the Chief Executive Officer);

- reporting on the use of the powers delegated to the Board of Directors to issue bonds and renewing the Chief Executive Officer's authorization to issue bonds;
- analyzing share price trends.

b) business, strategy and risk management, and in particular:

- analyzing trends and developments in the Powertrain Systems Business Group, the Visibility Systems Business Group, the Comfort and Driving Assistance Systems Business Group and Valeo Service;
- examining R&D activities;
- reviewing the impact and possible consequences on the business in in respect of the 2023 financial year of (i) the Russia-Ukraine conflict, (ii) the UAW strike in the United States, (iii) the level of demand for electric vehicles and the production ramp-up of Chinese automakers in the electrification market, and (iv) the increase in the cost of raw materials and energy (including negotiations with customers on these issues);
- reviewing the development of major projects, industry trends and the Group's strategic priorities; monitoring changes in the automotive market and the competitive environment;
- monitoring the implementation of the "Move Up" strategic plan, including progress on the asset disposals announced as part of the plan;
- monitoring the Group's withdrawal from Russia;
- monitoring regional and geopolitical issues, and regional developments in the automotive market;
- examining the 2023 medium term plan (MTP 2023);
- appraising the main challenges, including in relation to the corporate social responsibility policy, and monitoring regulatory developments (including the CSRD) and the Group's main sustainability achievements;
- reviewing risk mapping and the Group's risk management systems;
- reviewing the Group's compliance policy, particularly as regards anti-corruption, economic sanctions and compliance with (i) competition law, (ii) data privacy laws in the United States, and (iii) the Sapin II law in France, with particular attention paid to the sanctions related to the Russia-Ukraine conflict;
- reviewing the Group's 2023 strategy seminar.

c) executive compensation, and in particular:

- examining the compensation policy (*ex ante* vote) for corporate officers (directors and the Chief Executive Officer) for the 2023 financial year (the 2023 compensation policy for the Chairman of the Board of Directors was set by the Board of Directors in December 2022 by anticipation prior to the appointment of Gilles Michel to this position effective January 1, 2023);
- reviewing the compensation paid or allocated to corporate officers in 2022 (*ex post* vote), including the determination of the variable portion of the compensation and the Chief Executive Officer's entitlement to pension rights for 2022;
- setting the objectives of the Chief Executive Officer's annual variable compensation for 2023;
- reviewing the aggregate amount of directors' compensation and the rules for allocating this compensation among the directors;
- examining the plan to allot free shares and/or performance shares to Group employees and corporate officers in 2023, including the number of shares to be allotted to the Chief Executive Officer;
- examining the performance conditions and the consequent delivery of performance shares to Christophe Périllat in 2023 under the 2020 plan;
- examining the 2023 Shares4U employee share ownership plan, including reviewing the results of the 2023 plan, and approving the Board of Directors' supplementary report on the delegation of financial authority relating to the capital increases reserved for employees under the Shares4U 2023 plan;
- examining the draft press releases on the Chief Executive Officer's compensation.

d) corporate governance, and in particular:

- reviewing directors' independence, including with regard to significant business relationships with the Company;
- reviewing the assessment of the operating procedures of the Board of Directors and its Committees for 2022;
- reviewing the succession plan for executive corporate officers and directors, as well as the succession and development plan for the main Group executive managers;
- reviewing the composition of the Board of Directors and its Committees and proposing the reappointment of directors whose terms of office were due to expire in 2023;
- reviewing the procedures for nominating the director representing employee shareholders, the proposed resolutions concerning the related amendments to the Company's articles of association, and the draft report of the Board of Directors relating thereto;
- reviewing the draft Corporate Governance Report;
- reviewing the provisions of the AFEP-MEDEF Code (comply or explain), the report of the High Committee on Corporate Governance, and the AMF's report on executive compensation;
- reviewing the proposed amendments to the Board of Directors' Internal Procedures;
- acknowledging the absence of related party agreements;
- reviewing transactions entered into in the ordinary course of business on an arm's length basis;
- reviewing the ownership structure and any changes.

e) corporate social responsibility, including climate issues, and in particular:

- reviewing the CSR policy and monitoring the Group's main sustainability achievements, including reviewing the Group's climate strategy and monitoring the implementation of the Group's "CAP 50" Carbon Neutrality Contribution Plan, the objective of which is to reach carbon neutrality by 2050 with a 45% achievement rate by 2030, as well as regulatory changes brought about by the CSRD;
- examining the Group's health, safety and environment policy, against the 2022 results for the policy, in particular in relation to the Group's organization in terms of workplace safety, the deployment of the "safety golden rules" and the environmental measures put in place by the Group, the review of the number of ISO 50001 certified sites (which had increased) and the reduction in CO_2 emissions, energy consumption, the total quantity of hazardous waste and water consumption;
- reviewing the Group's diversity, equity and inclusion policy, and more particularly monitoring the diversity targets within its governing bodies.

f) the Shareholders' Meeting, and in particular:
- calling the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023 (including deciding on the content of proposed resolutions, the Board of Directors' Report on the resolutions and special report on the allotment of free shares);
- authorizing the executive corporate officers to reply to shareholders' written questions.

Committees created by the Board of Directors

The Board of Directors has set up several committees in order to enhance its operating procedures and provide assistance with preparing its decisions by issuing recommendations and opinions.

At December 31, 2023, the Committees of the Board of Directors were:

- Governance, Appointments & Corporate Social Responsibility Committee;
- Compensation Committee;
- Audit & Risks Committee;
- Strategy Committee.

The specialized Committees of the Board of Directors have their own internal procedures which set out their composition, their missions and their operating procedures. These internal procedures are available on the Company's website, under Corporate Governance, then Financial and legal documents (https://www.valeo.com/en/financial-and-legal-documents/).

These Committees, which exercise their duties under the responsibility of the Board, are intended to streamline the Board's operations and to assist the Board with the preparation of its decisions. They are responsible for studying issues submitted to them by the Board or the Chairman, preparing the Board's work in relation to these questions, and reporting their conclusions to the Board in the form of reports, proposals, opinions, information or recommendations. The role of the Committees is strictly advisory. The Board shall decide, at its own discretion, the measures it wishes to take based on the opinions, studies, investigations or reports issued or prepared by the Committees.

In order to carry out their duties, the Committees may decide to hear members of the Group's executive management or third parties, subject to notifying the corporate officers and reporting thereupon to the Board. The Committees may be assisted by external consultants, if needed, subject to (i) their qualifications and independence, and (ii) the prior notification of the Chairman of the Board or the Board.

The various Committees reported regularly on their work to the Board of Directors in 2023.

The table below summarizes the composition and key figures of the specialized Committees of the Board of Directors at December 31, 2023:

Governance, Appointments & Corporate Social Responsibility Committee	
Composition	**Key figures**
• Véronique Weill* (Chair) • Ulrike Steinhorst (in charge of CSR issues)(1) • Stéphanie Frachet* • Patrick Sayer* • Grzegorz Szelag**	**5** members **4** meetings **89.47%** attendance rate **75%** women members(2) **75%** independent members(2)

Compensation Committee	
Composition	**Key figures**
• Véronique Weill* (Chair) • Ulrike Steinhorst (in charge of CSR issues)(1) • Stéphanie Frachet* • Patrick Sayer* • Grzegorz Szelag**	**5** members **5** meetings **88%** attendance rate **75%** women members(2) **75%** independent members(2)

Audit & Risks Committee	
Composition	**Key figures**
• Thierry Moulonguet (Chair)(3) • Bruno Bézard* • Bpifrance Participations, represented by Alexandre Ossola* • Fonds Stratégique de Participations, represented by Julie Avrane* • Mari-Noëlle Jégo-Laveissière* • Éric Poton** • Véronique Weill*	**7** members **5** meetings **97.14%** attendance rate **50%** women members(2) **83.3%** independent members(2)

Strategy Committee	
Composition	**Key figures**
• Patrick Sayer* (Chair) • Ulrike Steinhorst (in charge of CSR issues)(1) • Alexandre Dayon* • Stéphanie Frachet* • Thierry Moulonguet(3)	**5** members **6** meetings **100%** attendance rate **40%** women members **60%** independent members

** Independent director.*
*** Director representing employees.*

(1) On February 24, 2023, Ulrike Steinhorst had served on the Board for 12 years and therefore ceased to qualify as an independent director as from that date.
(2) The director representing employees does not count in the calculation of (i) the proportion of women on the Board, pursuant to Article L. 225-27-1 of the French Commercial Code, or (ii) the rate of independent directors, in accordance with the recommendation in Article 16.1 of the AFEP-MEDEF Code.
(3) On June 8, 2023, Thierry Moulonguet had served on the Board for 12 years and therefore ceased to qualify as an independent director as from that date.

Governance, Appointments & Corporate Social Responsibility Committee (GACSRC)

Composition of the Committee

At December 31, 2023, the composition of the Governance, Appointments & Corporate Social Responsibility Committee was as follows:

- Véronique Weill (Chair and independent director);
- Ulrike Steinhorst (in charge of CSR issues)
- Stéphanie Frachet (independent director);
- Patrick Sayer (independent director);
- Grzegorz Szelag (director representing employees).

The changes in the Committee's composition during 2023 are set out in the table in section 3.2.1 of this chapter, paragraph "Composition of the Board of Directors at December 31, 2023 and changes during 2023", page 107.

As 75%[(5)] of the Committee's members are independent directors, the Company complies with the provisions of Article 18.1 of the AFEP-MEDEF Code recommending that the majority of directors on the Appointments Committee be independent. This provision has been written into the Committee's internal procedures.

Committee roles and responsibilities

According to its internal procedures, the roles and responsibilities of the Governance, Appointments & Corporate Social Responsibility Committee are, in particular, as follows:

a) as regards corporate governance:
- analyzing how the Board of Directors and its Committees operate;
- assessing and updating corporate governance rules and, in particular, ensuring that the assessment of the Board of Directors' operation is carried out in line with market practices.

b) as regards selection and appointments:
- preparing the composition of the Company's governing bodies, with reasoned recommendations on the appointment of corporate officers to the Board and its Committees;
- drawing up a succession plan for executive corporate officers and directors;
- ensuring that the diversity policy for Board members is prepared and implemented;
- striving to reflect diverse experience and perspectives, while ensuring for the Board (i) the objectivity and independence required in relation to General Management, a specific shareholder or group of shareholders, and (ii) the stability of the Company's corporate bodies;
- ensuring that the executive corporate officers implement a policy of non-discrimination and diversity within the governing bodies;
- reviewing, each year before the publication of the Corporate Governance Report and before each appointment, the status of each director in light of the independence criteria set out in Article 1.2(b) of the Board of Directors' Internal Procedures, and submitting its proposals to the Board for it to review the status of each person concerned.

c) as regards CSR:
- reviewing the main thrusts of the Company and Group's corporate social responsibility policy;
- identifying corporate social responsibility objectives and challenges, and making sure that the previously defined objectives are met;
- overseeing the gradual and increasing implementation of Valeo's corporate social responsibility policy and assessing the Group's contribution to sustainable development;
- in conjunction with the Audit & Risks Committee, gaining an understanding of the risks and topics involved in corporate social responsibility, and obtaining information about the resources the Group can call on to pursue its strategy in this area;
- as required, issuing opinions and recommendations to help the Board make informed decisions;
- nominating among the members of the Committee a member in charge of CSR issues tasked with reviewing the Group's CSR strategy, commitments and policies as well as the action plans for projects related to those policies, and/or monitoring the implementation of the Group's CSR initiatives. The work carried out by the member in charge of CSR issues is without prejudice to the scope of responsibility of the Board and the Committee.

Role of the Committee in the selection and appointment of directors: description of the procedure at Valeo

In accordance with the Internal Procedures, the Committee recommends the appointment of the corporate officers as well as the appointment of members and the Chair of each of the Committees of the Board, other than its own Chair. It submits reasoned proposals concerning its choice of candidates to the Board.

The Committee oversees the preparation and implementation of the diversity policy for Board members (for further information on the procedure for selecting and appointing directors, see section 3.2.1 of this chapter, "Procedure for selecting directors in accordance with the diversity policy", pages 113 to 114.

When issuing opinions or recommendations on selections and appointments, the Committee must ensure that (i) at least half of the members of the Board of Directors are independent directors, (ii) the Chief Executive Officer is not a member of the Audit & Risks Committee, and (iii) at least two-thirds of the Audit & Risks Committee members are independent directors.

Role of the Committee in terms of corporate responsibility

The Committee's duties and accomplishments in the area of CSR are described above.

Given the importance of CSR (including climate change) in the Group's strategy, the review and monitoring of these topics has been enhanced on two points:

- the appointment of Ulrike Steinhorst as member in charge of CSR issues, by decision of the Committee on October 27, 2020. Ulrike Steinhorst, without prejudice to the powers of the Board or the Committee, is in charge of the review, in particular, of the Group's CSR strategy, commitments and policies as well as the action plans for projects related to these policies, and/or the implementation of the rollout of the actions of the Group; and

(5) *The director representing employees does not count, in accordance with the recommendation in Article 16.1 of the AFEP-MEDEF Code.*

- the collaboration between the Committee and the Audit & Risks Committee. The Committee, in association with the Audit & Risks Committee, is in charge of examining risks relating to CSR and is kept abreast of the resources available to the Group to apply its strategy in this field.

  This collaboration is supplemented with the person in charge of CSR issues intervening at the Audit & Risks Committee. Accordingly, the member in charge of CSR issues is in charge of informing, at least once a year, the Audit & Risks Committee, of the Committee's work relating to CSR, in particular with regards to the monitoring of the Group's key performance indicators in this field. This principle, which was added to the internal procedures of these two Committees by decision of the Board of Directors on February 23, 2023, was complied with in 2023.

  At the Audit & Risks Committee meeting on June 21, 2023, Ulrike Steinhorst reminded its members that the underlying purpose of her attending the Audit & Risks Committee meeting is to reinforce the Committee members' knowledge on CSR issues, and to increase the collaborative work conducted between the two Committees, especially in view of the new sustainability reporting requirements introduced under the CSRD. She also gave a presentation about the CSR work carried out by the Governance, Appointments & Corporate Social Responsibility Committee.

  In addition, in connection with the implementation of the CSRD, the Board of Directors decided to strengthen the collaboration between the two Committees in charge of the responsibilities provided for in the CSRD by establishing the principle of the Chairman of the Audit & Risks Committee attending a meeting of the Governance, Appointments & Corporate Social Responsibility Committee at least once a year, to present the work carried out by the Audit & Risks Committee on non-financial issues, and in particular on the internal control and processing of sustainability information. The internal procedures of the two Committees were amended to this effect on February 29, 2024.

CSR issues are presented to the Audit & Risks Committee several times a year, at meetings attended by, depending on the topics covered, the Vice-President, Sustainable Development and External Affairs and the Vice-President, Health, Safety & Environment for issues relating respectively to the environment and health and safety, and by the Chief Ethics, Compliance and Data Protection Officer and the Group Chief Human Resources Officer for employee-related issues.

Committee activity during the year

The Committee met four times in 2023 with an average attendance rate of 89.47% (see section 3.2.1 of this chapter, "Attendance rate at Board of Directors' meetings", pages 108 and 109, which sets out the average attendance rate of each member at its meetings).

During these meetings, the Governance, Appointments & Corporate Social Responsibility Committee in particular:

- reviewed directors' independence, including with regard to significant business relationships with the Company;
- reviewed the succession plan for executive corporate officers and directors (including the description of the profiles sought);
- conducted a search for new directors in view of the upcoming expiry of the terms of office of Ulrike Steinhorst and Thierry Moulonguet (who have not put themselves forward for reappointment), and more generally examined the longer-term succession of directors, notably with a view to increasing diversity on the Board and including a higher proportion of women directors. Based on this work, the Committee identified Sascha Zahnd and Beatriz Puente as potential new directors, and presented their profiles, which will be submitted for shareholder approval, to the Board of Directors in January 2024;
- reviewed the succession and development plans for the main Group executive managers;
- reviewed the assessment of the operating procedures of the Board of Directors and its Committees for the 2022 financial year;
- reviewed the composition of the Board of Directors and its Committees (proposed appointment of Grzegorz Szelag as a member of the GACSRC; reappointment of directors whose terms of office were due to expire in the 2023 financial year);
- reviewed the CSR policy and monitored the Group's main sustainability achievements, including reviewing the Group's climate strategy and monitoring the implementation of the Group's "CAP 50" Carbon Neutrality Contribution Plan, the objective of which is to reach carbon neutrality by 2050 with a 45% achievement rate by 2030, as well as regulatory changes brought about by the CSRD;
- reviewed the Group's health, safety and environmental policy, as well as the results of this policy's implementation in 2022, in particular in relation to the additional workplace safety procedures put in place, the deployment of the Group's "safety golden rules" and environmental measures, the number of ISO 50001 certified sites (which had increased), the reduction in CO_2 emissions, lower energy and water consumption, and the decrease in total quantity of hazardous waste;
- reviewed the Group's diversity, equity and inclusion policy, and more particularly monitored the diversity targets within its governing bodies;
- reviewed the procedures for nominating the director representing employee shareholders, the proposed resolutions concerning the related amendments to the Company's articles of association, and the draft report of the Board of Directors relating thereto;
- reviewed the proposed amendments to the Board of Directors' Internal Procedures;
- reviewed transactions entered into in the ordinary course of business on an arm's length basis;
- acknowledged the absence of related party agreements;
- reviewed the main items of interest to the Company in the report of the High Committee on Corporate Governance as well as the AMF's report on executive compensation;
- reviewed the draft governance section of the draft Corporate Governance Report (including the information provided in accordance with the Comply or Explain section of the AFEP-MEDEF Code).

Compensation Committee (CC)

Composition of the Committee

At December 31, 2023, the composition of the Compensation Committee was as follows:

- Véronique Weill (Chair and independent director);
- Stéphanie Frachet (independent director);
- Patrick Sayer (independent director);
- Ulrike Steinhorst;
- Grzegorz Szelag (director representing employees).

The changes in the Committee's composition during 2023 are set out in the table in section 3.2.1 of this chapter, paragraph "Composition of the Board of Directors at December 31, 2023 and changes during 2023", page 107.

As 75% of the Committee's members are independent directors, the Company complies with the provisions of the AFEP-MEDEF Code recommending that the majority of directors on the Compensation Committee be independent and that a director representing employees be a member of the Compensation Committee (Article 19.1).

Committee roles and responsibilities

According to its internal procedures, the roles and responsibilities of the Compensation Committee are, in particular, as follows:

a) as regards executive corporate officers' compensation, reviewing and making recommendations on the matter, in particular with regard to:
   - the variable component of their compensation: the Committee defines the methods for setting the variable component taking into account the performance of the executive corporate officers during the year and the medium-term strategy of the Company and the Group, and makes sure that these methods are applied;
   - all benefits in kind, performance shares or stock purchase or subscription options received from any Group company, pension provisions and any other benefits.

b) as regards directors' compensation:
   - making recommendations to the Board on the rules for allocating directors' compensation and the individual amounts to be paid to each director, taking into account the actual number of Board and Committee meetings attended;
   - recommending to the Board an aggregate amount of directors' compensation to be proposed at the Shareholders' Meeting.

c) as regards long-term compensation:
   - giving its opinion to the Board on the general policy for allotting stock purchase or subscription options and free shares or performance shares, as well as on the stock option, free share and performance share plans set up by the Group's General Management in accordance with applicable rules and recommendations;
   - making recommendations to the Board of Directors on the allotment of stock purchase and/or subscription options and free shares or performance shares, giving reasons for its choice and the related consequences.

d) as regards the compensation of the Group's main executive managers, keeping informed about the compensation policy for the main executive managers who are not corporate officers of the Company or of other Group companies;

e) reviewing any questions submitted to the Committee by the Chairman about the above matters, as well as proposed share issues reserved for employees.

The Annual Corporate Governance Report contains information for the shareholders about compensation paid to corporate officers, the principles and methods used to set their compensation, and any performance shares allotted to them.

Committee activity during the year

The Committee met six times in 2023 with an average attendance rate of 88% (see section 3.2.1 of this chapter, "Attendance rate at Board of Directors' meetings", pages 108 to 109, which sets out the average attendance rate of each member at Committee meetings).

During these meetings, the Compensation Committee in particular:

- examined directors' compensation for 2024 (maximum aggregate amount and allocation rules);
- reviewed the targets of the short-term variable compensation of the Chief Executive Officer for 2023;
- reviewed the 2023 compensation policy for corporate officers (directors and the Chief Executive Officer) (the 2023 compensation policy for the Chairman of the Board of Directors was set by the Board in December 2022 prior to Gilles Michel taking up office as Chairman of the Board of Directors on January 1, 2023);
- reviewed the compensation paid or allocated to corporate officers in 2022 (*ex post* vote), including the determination of the variable portion of the compensation and the entitlement to pension rights of the Chief Executive Officers for 2022;
- examined the performance conditions and the consequent delivery of performance shares to Christophe Périllat in 2023 under the 2020 plan;
- examined the plan to allot free shares and/or performance shares to Group employees and corporate officers in 2023, including the number of shares to be allotted to the Chief Executive Officer;
- examined the proposed resolutions related to the corporate officers' compensation (2022 *ex post* and 2023 *ex ante*) and the related draft Board of Directors' report;
- reviewed the draft special report on the allotment of free shares in respect of the year ended December 31, 2022 and the Board of Directors' draft supplementary report on the delegation of financial authority relating to the capital increases reserved for employees used under the 2023 Shares4U plan;
- examined the draft press releases on the Chief Executive Officer's compensation;
- reviewed the compensation of the Group's main executive managers;
- reviewed the Shares4U employee share ownership plan, including the proposed features of the 2023 plan and the results following its implementation;
- reviewed the compensation section of the draft Corporate Governance Report.

Audit & Risks Committee (ARC)

Composition of the Committee

At December 31, 2023, the composition of the Audit & Risks Committee was as follows:

- Thierry Moulonguet (Chair)[6];
- Bruno Bézard (independent director);
- Julie Avrane, permanent representative of Fonds Stratégique de Participations (independent director);
- Mari-Noëlle Jégo-Laveissière (independent director);
- Alexandre Ossola, permanent representative of Bpifrance Participations (independent director);
- Éric Poton (director representing employees);
- Véronique Weill (independent director).

The Committee's composition remained unchanged in 2023 (see section 3.2.1 of this chapter, "Composition of the Board of Directors at December 31, 2023 and changes during 2023", page 107).

Through their training or business experience, all current members of the Committee have financial and accounting skills. Therefore, the Company goes beyond the requirements of Article L. 823-19 of the French Commercial Code according to which at least one member of the Audit & Risks Committee must have specialized financial, accounting or auditing skills

[6] *At its meeting on December 8, 2022, based on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors discussed whether Thierry Moulonguet should continue to serve as Chair of the Audit & Risks Committee after June 8, 2023, the date when his length of service as a Board member reached 12 years. After assessing the situation and taking into account (i) the fact that it will be temporary (as Thierry Moulonguet's term of office as a director is due to expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2023), (ii) Thierry Moulonguet's in-depth knowledge of topics covered by the Audit & Risks Committee, which he has chaired since May 23, 2018, and (iii) his unanimously recognized professionalism and integrity, the Board of Directors proposed that Thierry Moulonguet continue to chair the Committee until his term of office expires at the close of the May 23, 2024 Shareholders' Meeting.*

and be independent. For details of the experience of the Audit & Risks Committee members, see section 3.2.1 of this chapter, "Presentation of directors for the 2023 financial year", pages 117 to 132.

Committee roles and responsibilities

In accordance with Article L. 823-19 of the French Commercial Code and its internal procedures, as amended on February 29, 2024 in order to incorporate its new duties in connection with the application of the CSRD, the duties of the Audit & Risks Committee are as follows:

a) as regards the financial statements:

- ensuring that the accounting policies adopted to prepare the consolidated and parent company financial statements are relevant, consistent and properly applied, and that material transactions are accounted for appropriately at Group entity level;
- monitoring the statutory audit work on the annual and consolidated financial statements, and at the end of the reporting period, reviewing and giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by the Finance Department before they are presented to the Board of Directors. For this purpose, all draft financial statements and any other useful documentation and information should be provided to the Audit & Risks Committee before the Board of Directors reviews the financial statements. In examining the financial statements, the Audit & Risks Committee should also be provided with (i) a memorandum from the Statutory Auditors reporting on the performance of their assignment and the findings of their work, thereby informing the Committee of the principal risks and uncertainties identified by the Statutory Auditors in the financial statements, their audit approach and possible difficulties encountered in carrying out the assignment and (ii) a presentation from the Chief Financial Officer describing the Company's risk exposure and material off-balance sheet commitments and the applied accounting options. The Audit & Risks Committee meets with the Statutory Auditors, the Finance Department (without General Management being present, where appropriate), and with General Management, to discuss depreciation, amortization, provisions, goodwill, consolidation principles and accounting policies, among other subjects;
- reviewing the draft interim financial statements, interim reports, activity report and earnings releases prior to publication, as well as any financial statements drawn up in connection with specific transactions (contributions, mergers, market operations, interim dividend payments, etc.);
- analyzing the scope of consolidation, and the reasons why certain companies may not have been consolidated;
- assessing the risks to which the Company is exposed as well as any material off-balance sheet commitments, and assessing the extent of the failures and weaknesses reported to it and informing the Board of Directors, where appropriate;
- reviewing the financial and accounting treatment of acquisitions or disposals in excess of 50 million euros per transaction, in conjunction with the opinions of the Strategy Committee where appropriate, and reviewing any key transactions which could have given rise to a conflict of interest.

b) as regards internal audit, internal control and risk management:

- monitoring the Group's risk management and internal control systems and, where appropriate, internal audit related to the procedures for preparing and processing financial, accounting and non-financial (including sustainability) information within the Group. The Committee ensures that there are risk management and internal control systems in place to identify, analyze, manage, and continuously improve the prevention and management of all types of risks that the Group may face in the course of its business, particularly those likely to have an impact on accounting, financial and non-financial information;
- receiving information on a regular basis from General Management on the organization and operation of risk management and internal control systems;
- regularly reviewing the risk mapping of the main risks identified (including financial, legal, operational, social and environmental risks) by General Management, the results of the operation of the risk management and internal control systems and the relevance of the risk monitoring procedure and ensuring that appropriate action plans have been implemented to mitigate the problems and weaknesses identified;
- ensuring that systems are in place for preventing and detecting bribery and influence peddling;
- reviewing the Group's compliance policy, particularly as regards anti-corruption, economic sanctions, and compliance with competition law, the General Data Protection Regulation (GDPR) and the Sapin II law;
- keeping informed about the main problem areas and weaknesses observed and the action plans approved by General Management;
- receiving Internal Audit reports or regular summaries of these reports;
- monitoring any issues linked to control and the process for preparing accounting, financial and non-financial information;
- checking that internal procedures for compiling and verifying financial and non-financial information are defined to ensure the information is reliable and reported in a timely manner;
- reviewing the Statutory Auditors' work planand, where applicable, the work plan of the Sustainability Auditors[7];
- regularly meeting with managers of the Group's Internal Audit unit, giving its opinion on how their department is organized, and keeping informed of their work program;
- keeping regularly informed of the Group's external auditors' working plans and methods and on General Management's responses;
- reviewing and making observations about the draft Management Report detailing the internal control and risk management procedures implemented by the Company;
- reviewing any issue related to internal control, risk management, and internal audit submitted to the Committee by the Board of Directors;
- asking General Management for any information;
- organizing an annual Audit & Risks Committee meeting dedicated to internal audit, internal control and risk management matters.

[7] *The term "Sustainability Auditor" means any Statutory Auditor or independent third-party organization responsible for certifying sustainability information.*

c) as regards the Statutory Auditors in charge of certifying the financial statements and the Sustainability Auditors:

- assessing compliance with rules, principles and recommendations guaranteeing the independence of the Statutory Auditors and the Sustainability Auditors and monitoring their independence, particularly by examining, in conjunction with the Statutory Auditors and the Sustainability Auditors, the risks to independence and the measures taken to mitigate such risks;
- overseeing the selection or reappointment of the Statutory Auditors and the Sustainability Auditors based on the best, and not the lowest, tender and respecting the legal rotation obligations; giving an opinion on the proposed statutory audit fees; giving an informed opinion on the choice of Statutory Auditors and Sustainability Auditors and informing the Board of Directors of its recommendation in accordance with the law;
- obtaining details of fees paid by the Company and the Group to the statutory audit firm and its network and to the sustainability audit firm and its network;
- obtaining details of any non-audit services provided by the Statutory Auditors and the Sustainability Auditor, and ensuring that the amount or percentage that such fees represent in relation to the total revenue of the audit firm or network of the Statutory Auditors and of the Sustainability Auditor does not risk compromising their independence when performing their work on certifying the financial statements and certifying sustainability information;
- pre-approving non-audit services.

d) as regards financial policies:

- being kept informed by General Management of the Group's financial position and of the methods and techniques used to define financial policy:
- keeping abreast of the main thrusts of the Group's financial strategy;
- reviewing external communications on accounting and financial matters or events liable to affect the Group's financial position or outlook, prior to their publication;
- giving an opinion on the resolutions submitted to Shareholders' Meetings relating to the parent company and consolidated financial statements;
- at General Management's request, giving an opinion on any resource allocation decisions which, in light of the beneficiaries or because of potential conflicts of interest, could give rise to difficulties in interpretation as to their compliance with legislative rules and the Company's articles of association;
- reviewing any financial or accounting matter referred to it by the Chairman, the Board of Directors, General Management or the Statutory Auditors, as well as any potential conflicts of interest brought to its attention.

e) as regards other reviews and duties performed and falling within its remit:

- being kept informed by General Management and regularly hearing from the Tax Department on the Group's tax strategy and its implications;
- being kept informed by General Management and regularly hearing from the IT Services Department on the Group's information security and cybersecurity governance and policy;
- being kept informed by General Management about the Group's policy on non-financial reporting;
- at least once a year, receiving a presentation given by the member of the Governance, Appointments & Corporate Social Responsibility Committee (GACSRC) in charge of CSR issues about the GACSRC's work relating to CSR, in particular with regards to monitoring the Group's key CSR performance indicators;
- presenting, at least once a year to the GACSRC, the work carried out by the Audit & Risks Committee on non-financial issues, particularly regarding the internal control and processing of sustainability information. This presentation is given by the Chair of the Audit & Risks Committee;
- periodically reviewing the Group's Ethics and Compliance policy and the rules and procedures for its implementation;
- being kept informed by General Management and regularly hearing from the Insurance Department on the Group's insurance program;
- receiving information on a regular basis from General Management on the organization of the finance teams and the succession plan for these teams.

Any risk-related matter may be handled by the Audit & Risks Committee as part of its annual work program.

Furthermore, the internal procedures provide that the provision of a service other than certification of financial statements is subject to the approval of the Audit & Risks Committee and the verification by the Statutory Auditors of its independence, in accordance with the provisions of the French Commercial Code.

The approval of the Audit & Risks Committee is required for the provision of non-audit services by the Statutory Auditors or members of their network, in France or abroad, to the Company and entities controlling or controlled by the Company within the meaning of Article L. 233-3-I and II of the French Commercial Code. For this purpose, the Audit & Risks Committee reviews the nature and scope of the services subject to its approval in accordance with the rules and regulations governing the independence of Statutory Auditors. In the absence of such procedures required by the law or regulations, the Audit & Risks Committee has implemented a procedure allowing it to fulfill its obligations, by drawing up a list of the non-audit services that can be provided by the Statutory Auditors or their network, with the related approval procedures. Each year, the Audit & Risks Committee will review and pre-approve the list of the services that can be provided by the Statutory Auditors and will review the list of prohibited services. These lists may be reviewed and amended by the Audit & Risks Committee at any time, where appropriate. The validity period of any pre-approval is 12 months, unless otherwise decided by the Audit & Risks Committee.

In order to implement this procedure, it is important to distinguish between:

- audit services that do not require the prior approval of the Audit & Risks Committee other than that required for the audit fee budget;
- non-audit services whose performance is required by law or regulations, which are authorized under a general procedure (general approval according to which once a year the Audit & Risks Committee approves all the services to be performed during the year as required by law or regulations). These services are pre-approved by the Audit & Risks Committee annually;

- non-audit services that are not prohibited, subject to prior approval based on the nature of the assignment. This prior approval based on the nature of the assignment is appropriate for services usually provided by the Statutory Auditors, for which an independence analysis has already been performed and which do not represent a risk to the independence of the Statutory Auditors and the Sustainability Auditors;
- non-audit services that are not prohibited, requiring approval on a case-by-case basis. The Audit & Risks Committee renders a decision after analyzing the risks in terms of independence and the measures taken by the Statutory Auditors to mitigate these risks. It documents its findings;
- assignments not permitted to be carried out by the Statutory Auditors or their network.

The services mentioned above are set out in the internal procedures of the Audit & Risks Committee which are available in the "Corporate Governance" section on the Company's website (www.valeo.com) under "Financial and legal documents".

The Committee liaises mainly with General Management, the Finance Department, the Legal Department, the Ethics and Compliance Office and the Sustainable Development Department, as well as with the Company's Statutory Auditors and Sustainability Auditors. The Committee may meet with members of the Finance Department, the Legal Department and the Ethics and Compliance Office and the Sustainable Development Department, as well as the Company's Statutory Auditors and Sustainability Auditors without the members of General Management or the executive corporate officers being present, if the Committee sees fit and notifies the Chairman of the Board and the Chief Executive Officer beforehand. The Committee may interview third parties if this is deemed useful for the performance of its duties.

As a reminder, given the importance of CSR (including climate change) in the Group's strategy, and to strengthen the collaboration between the Audit & Risks Committee and the Governance, Appointments & Corporate Social Responsibility Committee, the Board decided that, at least once a year, the member in charge of CSR issues within the Governance, Appointments & Corporate Social Responsibility Committee should give the Audit & Risks Committee a presentation of the Governance, Appointments & Corporate Social Responsibility Committee's work relating to CSR, in particular with regards to monitoring the Group's key performance indicators in this field. This principle, which was added to the internal procedures of the two Committees by decision of the Board of Directors on February 23, 2023, was respected in 2023.

At the Audit & Risks Committee meeting on June 21, 2023, Ulrike Steinhorst reminded its members that the underlying purpose of her attending an Audit & Risks Committee meeting is to reinforce the Committee members' knowledge on CSR issues, and to increase the collaborative work conducted between the two Committees, especially in view of the new sustainability reporting requirements introduced under the CSRD. At the same Audit & Risks Committee meeting she also gave a presentation about the CSR work carried out by the Governance, Appointments & Corporate Social Responsibility Committee.

As part of the steps taken for applying the CSRD, the Board of Directors decided to increase the collaborative work conducted between the two Committees by envisaging the principle of the Chair of the Audit & Risks Committee attending a meeting of the Governance, Appointments & Corporate Social Responsibility Committee at least once a year, to present the work carried out by the Audit & Risks Committee on non-financial issues, particularly regarding the internal control and processing of sustainability information. The internal procedures of the two Committees were amended to this effect on February 29, 2024.

The Committee may not address issues that fall outside the scope of its duties unless requested to do so.

Committee activity during the year

The Committee met five times in 2023 with an average attendance rate of 97.14% (see section 3.2.1 of this chapter, "Attendance rate at Board of Directors' meetings", pages 108 to 109, which sets out the average attendance rate of each member at its meetings).

During these meetings, the Audit & Risks Committee in particular:

- reviewed the approximate 2022 results, the 2023 preliminary budget and the 2023 final budget;
- examined the draft (i) parent company and consolidated financial statements for 2022 and (ii) interim consolidated financial statements for 2023;
- reviewed the recommendation for the allocation of earnings and the amount of the dividend for the 2022 financial year;
- reviewed the quarterly figures and results, and the forecasts and projections prepared for the 2023 financial year;
- reviewed the management report for 2022 and the half-year financial report at June 30, 2023;
- reviewed the 2023 financial management framework;
- reviewed the draft press releases containing financial information;
- reviewed the reports and analyzed the findings presented by the Statutory Auditors, including regarding internal control;
- reviewed the presentation of the Statutory Auditors' 2023 audit approach and the results of the internal control self-assessment campaign;
- reviewed the 2023 Group risk mapping, the Group's risk management systems, and the 2024 audit plan;
- examined the key points of sustainability reporting (CSRD) and the selection process for the auditor in charge of the certification of sustainability information;
- reviewed the impact and possible consequences on the business in respect of the 2023 financial year of (i) the Russia-Ukraine conflict, (ii) the UAW strike in the United States, (iii) the level of demand for electric vehicles and the production ramp-up of Chinese automakers in the electrification market, and (iv) the increase in the cost of raw materials and energy (including negotiations with customers on these issues);
- analyzed information presented by the Group's Financing and Treasury Director on the Group's financial policy (including borrowings and investments and relations with rating agencies);
- analyzed information presented by the Group Information Systems Director on the governance of and changes in information systems;
- analyzed information presented by the Group Cybersecurity Director on market trends, Valeo's cybersecurity strategy and the Group's cybersecurity governance;
- analyzed information presented by the Head of Insurance on the Group's 2023 insurance program;
- analyzed information presented by the Tax Director on the Group's tax policy;
- analyzed information presented by the Group Accounting Director on the list of non-audit services performed by the Statutory Auditors;

- analyzed information presented by the Board member in charge of CSR issues about the work of the Governance, Appointments & Corporate Social Responsibility Committee and the CSRD;
- analyzed information presented by the Vice-President, Sustainable Development and External Affairs on the Group's sustainable development policy and related roadmaps, the systems in place for risk prevention and management, and the new sustainability reporting requirements introduced under the CSRD.

The Committee's work complied with the objectives defined for it during the year. The financial statements were made available to the Committee sufficiently in advance and it had adequate time to review them. The Committee's work was facilitated by the presence of the Statutory Auditors, the Chief Financial Officer, the Internal Audit Director, the Group General Counsel and General Secretary and the Accounting Director at all of the Audit & Risks Committee's meetings. The Committee was also assisted by the work of the Internal Audit Department. The Statutory Auditors' presentations mainly covered the findings of their audit of the annual parent company and consolidated financial statements as well as their limited review of the interim financial statements. They did not highlight any difficulties in carrying out their duties.

In 2023, the Committee did not have any reservations about the annual parent company and consolidated financial statements or the interim financial statements presented to it.

Strategy Committee

Composition of the Committee

At December 31, 2023, the composition of the Strategy Committee was as follows:

- Patrick Sayer (Chair and independent director);
- Alexandre Dayon (independent director);
- Stéphanie Frachet, permanent representative of Bpifrance Participations (independent director);
- Thierry Moulonguet;
- Ulrike Steinhorst.

The changes in the composition of the Strategy Committee during 2023 are set out in the table in section 3.2.1 of this chapter, paragraph "Composition of the Board of Directors at December 31, 2023 and changes during 2023", page 107.

Committee roles and responsibilities

In accordance with its internal procedures, the Strategy Committee is responsible for submitting to the Board of Directors its opinions and recommendations on:

- the review of the Group's key strategies, market trend information, analyses of research activities, competition benchmarking and the resulting medium- and long-term outlook for the business;
- the analysis of the Group's development projects, particularly external growth transactions involving any acquisitions or sales of subsidiaries, equity interests or other assets, investments and borrowings, representing more than 50 million euros per transaction;
- the review of development or expansion projects in a country where the Group does not operate and which represents a particular risk.

In agreement with the Chairman of the Board, the Committee may invite other directors to participate in its discussions.

The Committee conducts preliminary reviews and studies to facilitate the work of the Board of Directors, one of whose principal duties is to determine the strategy for Valeo's businesses and ensure that they are implemented effectively. In addition, each year the directors hold a seminar over several days to discuss, debate and exchange views on the Group's strategy.

Committee activity during the year

The Committee met six times in 2023 with an average attendance rate of 100% (see section 3.2.1 of this chapter "Attendance rate at Board of Directors' meetings", pages 108 to 109, which sets out the average attendance rate of each member at its meetings).

During these meetings, the Strategy Committee in particular:

- reviewed certain Group businesses;
- reviewed the changes in the automotive industry, including the markets that are growing, the competitive environment and the Group's strategies;
- reviewed the implementation of the asset disposal plan announced as part of the "Move Up" strategic plan;
- proposed the strategic issues to be discussed at the seminar in November 2023.

Assessment of the Board of Directors' operating procedures

A formal process is carried out every year to assess the Board of Directors. The assessment is designed to take stock of the Board of Directors' operating procedures, verify that the Board of Directors' discussions are properly organized and conducted, and assess the actual contribution of each director to the Board of Directors' work.

The assessment of the Board of Directors is carried out either based on a detailed questionnaire sent to each director (the responses are summarized internally), or based on a study carried out with the help of a specialized consulting firm.

As the assessments for the last two years were performed internally by the Chairman of the Board of Directors, via a detailed questionnaire given to all directors, for 2023 the Board of Directors decided to appoint an external firm to conduct the assessment, in accordance with the recommendations of the AFEP-MEDEF Code. The Board appointed a new independent external consulting firm to carry out this 2023 assessment of the operating procedures of Valeo's Board of Directors. The assessment was performed by the consultancy between the end of 2023 and the beginning of 2024 through individual interviews with all the directors based on a questionnaire that was reviewed and approved by the Chairman of the Board and the Board Secretary. The topics covered included the operation, structure, governance, composition, duties, and meeting procedures of the Board and its Committees, directors' access to information, the choice of matters addressed, the quality of debate, and directors' individual participation in and contribution to the work of the Board and its Committees.

The outcome of the assessment was reviewed by the Governance, Appointments & Corporate Social Responsibility Committee at its meeting held on February 22, 2024, and presented and discussed at the Board of Directors' meeting held on March 27, 2024.

The assessment carried out by the external consultant showed that all of the directors have an overall positive view of the Board's operating procedures.

The main areas of satisfaction are:

- the very high quality of Valeo's corporate governance, in particular:
  - the successful separation of the roles of Chairman of the Board of Directors and Chief Executive Officer, thanks in particular to the balanced relationship between the Chairman, the Chief Executive Officer and the Board, and to the availability and listening skills of both the Chairman and the Chief Executive Officer,
  - the quality and depth of the Board's discussions,
- an open and respectful Board, with directors genuinely listening to each other and where each director can express themselves, resulting in a collegial working style and convergence of points of view on various matters,
- a balanced composition of the Board, with a range of experience and complementary outlooks, which contributes to the quality of the Board's discussions and decision-making;
- the quality of work performed by all of the Committees, with good coordination between the Committees and the Board, and effective and accurate reporting by the Committee members on their work;
- the points raised during the last assessment have been taken into account, with directors' being able to meet more with the Group's key executives, and the strategy seminar now split into two separate phases (a seminar in France focused on strategic issues and on-site visits in France or abroad).

Based on the results of the assessment, a list of certain particular items that should be addressed by the Board of Directors was drawn up. The list primarily relates to the following areas:

- continuing to enhance the diversity and mix of profiles among Board members (background, nationality and skills, particularly in light of the trends currently shaping the automotive industry);
- the Board of Directors conducting deeper analysis of specific issues, especially talent development within the Group and the succession plan for key managers;
- continuing to enhance the analysis of CSR-related issues (particularly in the context of the CSRD);
- increasing the training offer for directors, particularly external training.

3.2.3 Declarations concerning the Group's corporate officers

Conflicts of interest

In order to avoid any potential conflicts of interest, the Internal Procedures impose strict obligations on the members of the Board of Directors, unless overridden for any reason by the Board of Directors. According to the Internal Procedures:

- *"directors must inform […] the Board of any conflict of interest (whether actual or only potential) and must abstain from attending any deliberations and voting in connection with any matter as to reach such conflict of interest (whether actual or only potential) that might arise"* (Article 1.1(d));
- *"a director cannot accept any responsibilities that may present a conflict of interest (whether actual or only potential) with those he/she has accepted within the Company"* (Article 1.1(n));
- *"without prejudice to the authorization and control formalities provided for by law and the articles of association, the Company's directors are required to communicate to the Chairman, as soon as possible, any agreement entered into by the Company in which they have a direct or indirect interest. In particular, the directors must inform the Chairman of any agreement entered into by them or by a company they manage or in which they hold, directly or indirectly, a significant interest, and the Company or one of its subsidiaries, or which was entered into through an intermediary"* (Article 1.4).

Furthermore, in response to a request made each year by the Company, directors are required to provide a list of all directorships and other positions held in any company in the past five years, and to respond to a questionnaire regarding the existence of any conflicts of interest.

At December 31, 2023, there are no conflicts of interest, as far as the Company is aware, between the duties of its corporate officers towards Valeo and their private interests and/or other duties.

There are business relationships between (i) the Group and the Cathay Capital group, in which Bruno Bézard is a Managing Partner of Cathay Capital Private Equity, as well as (ii) the Group and the Diot-Siaci group, in which Bruno Bézard sits on the Supervisory Board. These business relationships are not significant and do not affect Bruno Bézard's independence (see section 3.2.1 of this chapter, "Director independence review", pages 110 to 112). In the interests of good governance, should the Board of Directors be required to make a decision about (i) the existing investments made by the Group and managed by the Cathay Capital group, (ii) any direct investment in companies in which the funds managed by the Cathay Capital group have invested or (iii) the business relationships between the Group and the Diot-Siaci group, Bruno Bézard will abstain from the discussions and voting on any such decisions.

Lastly, business relationships between the Group and the groups or entities in which certain directors hold positions or directorships were also identified; they are not significant for the Group or for the other groups/companies identified (see section 3.2.1 of this chapter, "Director independence review", pages 110 to 112).

The Internal Procedures, including the rules on preventing conflicts of interest, are available in the "Corporate Governance" section on the Company's website (www.valeo.com), under "Financial and legal documents".

Service contracts between the members of the Board of Directors and the Company or any of its subsidiaries

No service contracts have been entered into between the members of the Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits.

Other declarations concerning members of the Board of Directors

In accordance with the provisions of the Internal Procedures, directors must inform the Chairman of the Board and the Chair of the Governance, Appointments & Corporate Social Responsibility Committee if they are solicited to hold a corporate office outside the Company, so as to enable said persons to consider the required course of action, where applicable in conjunction with the Board of Directors. In addition, the Internal Procedures stipulate that each executive corporate officer must seek the opinion of the Board of Directors before accepting a new corporate office in a listed company.

To the best of the Company's knowledge, at the date of this Universal Registration Document, there are no family ties between the members of the Board of Directors.

As far as the Company is aware and at the date of this Universal Registration Document, in the past five years no member of the Board of Directors has (i) been convicted of a fraudulent offense, (ii) been involved in any bankruptcies, receiverships or liquidations, (iii) been issued any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or (iv) been disqualified by a court of law from acting as a member of the administrative, management or supervisory bodies of an issuer, or from acting in the management or conduct of the affairs of any issuer.

As far as the Company is aware, at the date of this Universal Registration Document, none of the members of the Board of Directors have agreed to any restrictions in respect of the disposal of their interests in the Company's share capital within a certain period of time, other than the restrictions imposed by the applicable laws and regulations, the Company's articles of association or pursuant to the Code of Conduct described in section 3.2.2 of this chapter, "Directors' rights and duties", pages 133 to 134.

As indicated in section 3.3.1 of this chapter, "Compensation policies for corporate officers", pages 152 to 166, the Chief Executive Officer is subject to holding obligations and, in accordance with the Company's articles of association and the Internal Procedures, directors (except for (i) the directors representing employees and (ii) the director representing employee shareholders, who will be appointed at the May 23, 2024 Shareholders' Meeting[8]), must hold at least 1,500 Company shares during their term of office.

As far as the Company is aware, at the date of this Universal Registration Document, no arrangement or agreement has been entered into with any of its main shareholders, or with any of its customers or suppliers, under which any of them has been appointed as director of Valeo or a member of its General Management.

3.2.4 Corporate Governance Code

The Company referred to the AFEP-MEDEF Code (revised version of December 2022, which is available on the MEDEF website at www.medef.com).

The Company considers that its practices comply with the recommendations in the AFEP-MEDEF Code.

The recommendations set out in the AFEP-MEDEF Code and the provisions of Article L. 22-10-10 of the French Commercial Code require specific disclosures regarding the application of its recommendations and explanations, where appropriate, of the reasons for which a company has not implemented certain recommendations.

The item identified for the 2022 financial year related to the requirement for directors' compensation to consist primarily of a variable portion (Article 21.1 of the AFEP-MEDEF Code). The reason for this non-compliance was that one director took up office in 2022 and the variable portion of that director's compensation – which reflects the number of Board and Board Committee meetings attended – represented 46% of the director's total compensation allocated for 2022. As all of the directors were in office for the whole of 2023 and in view of their attendance rates at meetings of the Board of Directors and its Committees, in 2023 the Company was once again in compliance with this recommendation of the AFEP-MEDEF Code.

3.2.5 Authorizations granted regarding sureties, endorsements and guarantees

By decision dated January 26, 2023, the Board of Directors authorized the Chief Executive Officer, with the power to subdelegate except for point ii below; for a period of one year:

i. to grant sureties, endorsements and guarantees on behalf of the Company up to a maximum amount of 40 million euros, and to maintain the sureties, endorsements and guarantees previously granted;

ii. to grant sureties, endorsements and guarantees on behalf of the Company to guarantee commitments made by controlled companies within the meaning of II of Article L. 233-16 of the French Commercial Code, with no maximum amount;

iii. to grant sureties, endorsements and guarantees on behalf of the Company to tax and customs authorities, with no maximum amount.

A report on the use of this delegation by the Chief Executive Officer was given at the Board meeting held on January 25, 2024.

[8] *In accordance with Article L. 225-102 of the French Commercial Code, the employee representing employee shareholders is required to own, either individually or through a corporate mutual fund (FCPE) invested in Valeo shares, at least one Company share, or a number of FCPE units equivalent to at least one Company share.*

3.2.6 General Management of the Company and limitations on the powers of the Chief Executive Officer

General Management of the Company

The Chairman of the Board of Directors organizes and presides over the work carried out by the Board of Directors and presents a report on its activities to the Shareholders' Meeting. He ensures that the Company's governance functions effectively and that the directors are able to perform their duties. Furthermore, the Chief Executive Officer has the widest possible powers to act in any circumstances in the Company's name. He exercises these powers within the limits of the Company's corporate purpose and subject to the provisions of the law, the Company's articles of association and the Internal Procedures. He represents the Company in its relations with third parties.

On February 21, 2019, the Board of Directors decided, based on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee and in line with best market practices, to separate the roles of Chief Executive Officer and Chairman of the Board of Directors as part of the succession plan for Jacques Aschenbroich, Valeo's former Chairman and Chief Executive Officer. The separation of these roles helps to ensure a good balance of powers within the Company's management team and to guarantee the Board of Directors' independence from General Management. The Company's managerial transition process was facilitated by the fact that (i) Jacques Aschenbroich continued to serve as Chairman of the Board of Directors from January 26, 2022 through December 31, 2022, and (ii) Gilles Michel – previously Lead Director until January 26, 2022 – was appointed as independent Chairman of the Board of Directors, with effect from January 1, 2023.

Limitations on the powers of the Chief Executive Officer

The Internal Procedures include restrictions on the powers of the Chief Executive Officer. In accordance with the Internal Procedures, the Chief Executive Officer is required to obtain the prior approval of the Board of Directors for any acquisitions or sales of subsidiaries, equity interests or other assets, investments and borrowings, representing more than 50 million euros per transaction.

3.2.7 Agreements governed by Articles L. 225-38 *et seq.* of the French Commercial Code already approved by the Shareholders' Meeting which continued to be implemented during the year

None.

3.2.8 Agreements governed by Article L. 225-37-4, paragraph 2 of the French Commercial Code

None.

3.2.9 Procedure implemented pursuant to Article L. 22-10-12 of the French Commercial Code

An internal Valeo charter on related party agreements (the "**Charter**") has been drawn up in accordance with AMF recommendation DOC-2012-05 as amended on April 29, 2021 and Article L. 22-10-12 of the French Commercial Code. The Charter sets out the procedure for authorizing related party agreements and for reviewing agreements entered into in the ordinary course of business on an arm's length basis. It was adopted by the Board of Directors at its meeting held on January 23, 2020 and is available on Valeo's website. It may be amended at any time by decision of the Board of Directors, in particular to take into account any legislative or regulatory changes.

In accordance with the law, agreements entered into between the persons referred to in Article L. 225-38 of the French Commercial Code (i.e., agreements entered into, whether directly or through an intermediary, between the Company and its Chief Executive Officer, a director or a shareholder holding more than 10% of the voting rights or, in the case of a shareholder corporation, the company that controls it within the meaning of Article L. 233-3 of the same Code), which involve transactions carried out in the ordinary course of business on an arm's length basis, are not subject to prior authorization from the Board of Directors ("**Arm's Length Agreements**").

Under the procedure set out by the Charter, Valeo's Legal Department periodically, and at least once a year, sends the Governance, Appointments & Corporate Social Responsibility Committee for review a list and description of all Arm's Length Agreements entered into since the Governance, Appointments & Corporate Social Responsibility Committee's last review. Members of the Governance, Appointments & Corporate Social Responsibility Committee who are directly or indirectly involved in the agreement do not take part in the review.

The Governance, Appointments & Corporate Social Responsibility Committee makes sure that the agreements meet the conditions to qualify as an Arm's Length Agreement, i.e., they involve transactions carried out in the ordinary course of business on an arm's length basis.

The conclusions of the Governance, Appointments & Corporate Social Responsibility Committee's review are written up in a report.

The list and description of all agreements reviewed by the Governance, Appointments & Corporate Social Responsibility Committee and the conclusions of its review are then presented to the Board of Directors.

The Board of Director's role is to validate the Governance, Appointments & Corporate Social Responsibility Committee's review. It may either confirm that these agreements qualify as Arm's Length Agreements or consider that they should be subject to the procedure for related party agreements and, therefore, subject to the Board's ratification.

If the Governance, Appointments & Corporate Social Responsibility Committee considers that an agreement initially qualified as an Arm's Length Agreement falls within the scope of a related party agreement, it is subject to ratification by the Board of Directors. The person directly or indirectly involved in the related party agreement does not take part in the discussions or the vote.

3.2.10 Arrangements for attendance at Shareholders' Meetings

Shareholders' Meetings are convened and conduct business in accordance with the law and the Company's articles of association.

Articles 21 to 26 of Valeo's articles of association cover the provisions relating to Shareholders' Meetings and the exercise of voting rights. The articles of association are available online on Valeo's website, under "Financial & Legal documents": https://www.valeo.com/en/financial-and-legal-documents.

Article 23 of the Company's articles of association provides that double voting rights are attached to all fully paid-up shares that have been registered in the name of the same holder for at least four years.

3.2.11 Information likely to have an impact in the event of a public tender offer

Share ownership and direct or indirect shareholdings in the Company brought to the Company's attention

The ownership of the Company's share capital is described in Chapter 6, section 6.4.1 "Ownership structure", page 429.

Direct or indirect shareholdings in the Company brought to the Company's attention are described in Chapter 6, section 6.4.2 "Direct or indirect shareholdings in the Company brought to the Company's attention", pages 430 to 432.

Restrictions on the exercise of voting rights

The Company's articles of association provide for a disclosure obligation imposed on any shareholder who acquires or sells a fraction equal to 2% of the share capital or voting rights of the Company or a multiple of this fraction, from the date when one of the thresholds is crossed. If a shareholder fails to comply with the disclosure obligation and one or more shareholders holding 2% of the voting rights submits a request, the voting rights exceeding the relevant threshold that should have been disclosed cannot be exercised at Shareholders' Meetings held within the two-year period from the date when the omission is remedied. The stated thresholds are calculated in accordance with Articles L. 233-7 and L. 233-9 of the French Commercial Code and with the AMF's General Regulations.

Powers of the Board of Directors

In accordance with the resolution passed by the shareholders at the Shareholders' Meeting held on May 24, 2023, the Board of Directors may not use the Company's share buyback program while a public tender offer for the Company's shares is in progress.

Furthermore, in accordance with the resolution passed at the Shareholders' Meeting held on May 24, 2023, the Board of Directors may not decide to issue shares or other securities with or without pre-emptive subscription rights while a public tender offer for the Company's shares is in progress. However, in accordance with the resolution passed at the Shareholders' Meeting held on May 24, 2023, free shares may be allotted during such periods.

Agreements entered into by the Company that would change or terminate if there were a change in control of the Company, with the exception of legal obligations to disclose and those agreements whose disclosure would seriously harm its interests

As specified in Chapter 5, section 5.4.6, Note 8.1.2 "Gross debt" to the consolidated financial statements, pages 357 to 362, all of the bonds issued under the Euro Medium Term Note (EMTN) program include an option allowing bondholders to request early repayment or redemption of their bonds in the event of a change of control of Valeo that leads to (i) the bond's rating being withdrawn, or (ii) the bond's rating being downgraded to below investment grade, assuming it was previously rated in that category, or (iii) if the previous rating was below investment grade, a downgrade of one rating category (e.g., from Ba1 to Ba2).

The *Schuldschein* loans also include a change of control clause under which investors can request early repayment on an individual basis.

Most bank credit lines (such as the credit line with the European Investment Bank) include a similar provision in favor of the lenders.

Some of Valeo's customers have a clause in their general purchasing conditions allowing them to terminate their contract with Valeo in the event of a change in control.

3.2.12 Summary table of powers currently delegated by the Shareholders' Meeting to the Board of Directors with respect to raising new equity and the use made of such delegations during the year

Authorizations granted Date of Shareholders' Meeting (duration of authorization/delegation and expiration date)	Maximum amount of issue	Maximum amount of debt securities	Comments on/Utilization of authorizations during the year
1. AUTHORIZATION TO INCREASE CAPITAL WITH PRE-EMPTIVE RIGHTS			
Delegation of authority to issue shares and/or securities giving immediate or future access to the share capital of the Company or one of its subsidiaries (A) Shareholders' Meeting held on May 24, 2023 – 18th resolution Expiring on July 24, 2025 (26 months)	70 million euros (A) + (C) + (D) + (E) + (F) + (G) + (H) combined share capital ceiling (the "Combined Share Capital Ceiling") = 131 million euros	1.5 billion euros (A) + (C) + (D) + (E) + (F) + (G) + (H) combined debt ceiling (the "Combined Debt Ceiling") = 1.5 billion euros	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 26, 2021 (17th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Delegation of authority to increase the share capital by capitalization of reserves, profits, additional paid-in capital or other amounts that may be capitalized (B) Shareholders' Meeting held on May 24, 2023 – 23rd resolution Expiring on July 24, 2025 (26 months)	30 million euros	N/A	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 26, 2021 (22nd resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
2. AUTHORIZATION TO INCREASE CAPITAL WITHOUT PRE-EMPTIVE RIGHTS			
Delegation of authority to issue shares and/or securities giving immediate or future access to the share capital of the Company or any of its subsidiaries by way of a public offer, other than an offer as defined in Article L. 411-2 of the French Monetary and Financial Code *(Code monétaire et financier)* (delegation that can also be used as consideration for securities tendered to a public exchange offer initiated by the Company) (C) Shareholders' Meeting held on May 24, 2023 – 19th resolution Expiring on July 24, 2025 (26 months)	23 million euros Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 26, 2021 (18th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Delegation of authority to issue shares and/or securities giving immediate or future access to the share capital of the Company or one of its subsidiaries by way of a private placement as defined in Article 411-2,1° of the French Monetary and Financial Code (D) Shareholders' Meeting held on May 24, 2023 – 20th resolution Expiring on July 24, 2025 (26 months)	23 million euros Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 26, 2021 (19th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Authorization to set the issue price of securities, subject to a ceiling of 10% of the Company's share capital per 12-month period (E) Shareholders' Meeting held on May 24, 2023 – 21st resolution Expiring on July 24, 2025 (26 months)	23 million euros Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Authorization replacing the previous authorization granted by the Shareholders' Meeting held on May 26, 2021 (20th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year

Authorizations granted Date of Shareholders' Meeting (duration of authorization/delegation and expiration date)	Maximum amount of issue	Maximum amount of debt securities	Comments on/Utilization of authorizations during the year
Delegation of power to issue shares and/or securities giving immediate or future access to the Company's share capital to be used as consideration for contributions in kind granted to the Company (F) Shareholders' Meeting held on May 24, 2023 – 24th resolution Expiring on July 24, 2025 (26 months)	23 million euros Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Delegation of power replacing the previous delegation granted by the Shareholders' Meeting held on May 26, 2021 (23rd resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
Delegation of authority to issue shares and/or securities giving immediate or future access to the share capital restricted to members of a savings plan (G) Shareholders' Meeting held on May 24, 2023 – 25th resolution Expiring on July 25, 2025 (26 months)	5 million euros Included in the Combined Share Capital Ceiling	1.5 billion euros Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 26, 2021 (24th resolution) for the same purpose Resolution may not be used in the event of a public tender offer Used during the year for the employee share issue (Shares4U) on November 15, 2023
3. AUTHORIZATION TO INCREASE CAPITAL WITH OR WITHOUT PRE-EMPTIVE RIGHTS			
Delegation of authority to increase the number of securities to be issued with or without pre-emptive rights under an overallotment option (H) Shareholders' Meeting held on May 24, 2023 – 22nd resolution Expiring on July 24, 2025 (26 months)	The ceiling is set out in the applicable regulation (currently 15% of the initial issuance), not exceeding the ceiling applicable to the initial issuance, determined pursuant to resolution (A), resolution (C), resolution (D) or resolution (E) Ceiling for (C) + (D) + (E) + (F) + (H) Included in the Combined Share Capital Ceiling	The ceiling is determined pursuant to resolution (A), resolution (C), resolution (D) or resolution (E) Included in the Combined Debt Ceiling	Delegation of authority replacing the previous delegation granted by the Shareholders' Meeting held on May 26, 2021 (21st resolution) for the same purpose Resolution may not be used in the event of a public tender offer Not used during the year
4. ALLOTMENT OF FREE SHARES			
Authorization to allot existing or new free shares to Group employees and corporate officers Shareholders' Meeting held on May 24, 2023 – 26th resolution Expiring on July 24, 2025 (26 months)	Maximum number of shares (existing or to be issued) to be allotted: 4,600,000 (with a sub-ceiling of 250,000 shares for executive corporate officers); these allotments may not exceed more than 10% of the share capital at the date of the Board of Directors' decision	N/A	Authorization replacing the previous authorization granted by the Shareholders' Meeting held on May 26, 2021 (25th resolution) for the same purpose Used by the Board of Directors at its meeting on May 24, 2023 (maximum number of shares allotted: 2,794,057)

3.3 Compensation of corporate officers

In accordance with Article L. 22-10-8 of the French Commercial Code, the Shareholders' Meeting of May 23, 2024 will be asked to approve the components of the compensation policies for Valeo's corporate officers in respect of the 2024 financial year, i.e., (i) the Chairman of the Board of Directors (ii) the Chief Executive Officer and (iii) the directors, as determined by the Board of Directors on the recommendation of the Compensation Committee (fourteenth to sixteenth resolutions).

3.3.1 Compensation policies for corporate officers

General principles applicable to the compensation policies for corporate officers

Valeo's corporate officers' compensation package is determined by the Board of Directors on the recommendation of the Compensation Committee[9], and in compliance with the AFEP-MEDEF Code.

Accordingly, for the preparation and determination of the compensation policy, Valeo takes into account the Company's general interest, the shareholders' interest, market practices and the performance of the executive corporate officers, as well as the other stakeholders in the Company.

Valeo assesses compensation as a whole, taking into consideration each component allocated or paid to the corporate officers.

The compensation components are complementary and meet various objectives. The structure, allocation of the various components of compensation and the related amounts are subject to comparative studies. This enables Valeo to track and align its compensation policy with market practices.

The Board of Directors considers that the compensation policy for the corporate officers is in line with the corporate interest of the Company by (i) contributing to the implementation of its strategy and long-term development and (ii) by taking into account the social and environmental impacts of its operations, thus ensuring its long-term future.

The compensation policy for the executive corporate officer includes conditions related to the Group's operational, financial and non-financial (including climate) performance, thus tying his compensation to the Group's performance and its short- and long-term value creation. When preparing, determining and, where applicable, reviewing the compensation policy, the Board of Directors particularly takes into account several indicators related to the Company's different stakeholders, thus supporting its development model. In order to encourage Valeo's long-term development, the compensation policy not only includes criteria related to Valeo's internal financial and operating performance, but also criteria related to its strategic vision and risk management, as well as social and environmental responsibility, including progress in the Gender Equity Index, the Group's safety performance, the gradual reduction in CO_2 emissions for each of Scopes 1, 2 and 3, and diversity within the Group's governing bodies.

Overview of the compensation policies for the executive corporate officers in respect of the 2023 financial year

The compensation policies for the executive corporate officers set out the principles and criteria for determining, structuring and awarding the fixed, variable and exceptional components of their total compensation and benefits packages. They were determined by the Board of Directors on the recommendation of the Compensation Committee and were then submitted to the Shareholders' Meeting for approval. This section describes the compensation policies for the Chairman of the Board of Directors and the Chief Executive Officer, in respect of the 2023 financial year.

Overview of the compensation policy for the Chairman of the Board of Directors in respect of the 2023 financial year

In the context of the succession of Jacques Aschenbroich in his capacity as Chairman of the Board and the appointment of Gilles Michel to this role, with effect from January 1, 2023 (see section 3.2.1 "Composition of the Board of Directors", "Succession plan", pages 127 and 128 of Valeo's 2022 Universal Registration Document), at its meeting of December 8, 2022, the Board of Directors decided, on the recommendation of the Compensation Committee, to set the compensation policy of the Chairman of the Board of Directors for the 2023 financial year (the "**2023 Chairman of the Board of Directors Compensation Policy**"). This policy, which is described below, was presented and approved at a rate of 99.85% by the May 24, 2023 Shareholders' Meeting.

Fixed compensation

The Chairman of the Board of Directors' (gross) annual fixed compensation is set at 360,000 euros.

Such amount has been set by taking into account the situation of the concerned person, including his experience, as well as benchmark studies of a specialized external advisor on the compensation of non-executive chairmen in CAC Next 20 and SBF 120 companies (excluding luxury industry and banks).

Benefits of any kind

The Chairman of the Board of Directors is entitled to coverage of medical expenses, the applicable death and disability plan and will have the option of being provided with a company car and a driver.

[9] *The Board of Directors bases its decisions on the recommendation of the Compensation Committee for all matters relating to compensation of corporate officers. The composition, operation and duties of the Compensation Committee are described in section 3.2.2 "Preparation and organization of the work of the Board of Directors". To ensure that the process for determining or revising the compensation policy is fully independent, the Compensation Committee and the Board of Directors comply with the rules on managing conflicts of interest set out in the applicable legal and regulatory provisions and in the Board of Directors' Internal Procedures, which are described in sections 3.2.2 "Preparation and organization of the work of the Board of Directors" and 3.2.3 "Declarations concerning the Group's corporate officers". The corporate officers concerned do not take part in the vote on their own compensation policy.*

No other components of compensation

The compensation policy of the Chairman of the Board of Directors does not provide for him to receive any (i) annual or multi-annual variable compensation or long-term compensation, or (ii) compensation or benefits on appointment, exceptional compensation, termination benefits or non-compete benefit.

The Chairman of the Board of Directors does not receive any compensation in his capacity as director. He will not be entitled to any compensation or other benefits of any kind as a result of agreements entered into with the Company or any Group company.

He is not entitled to any supplementary pension plan.

For the avoidance of doubt, it is specified that the Chairman of the Board of Directors does not have an employment contract.

Change in governance

In accordance with the applicable regulations, in the event of the appointment of a new Chairman of the Board of Directors during the financial year, the compensation structure of this new corporate officer would be in accordance with this compensation policy, which would be applied *prorata temporis,* and the Board of Directors, on the recommendation of the Compensation Committee, would adapt the various elements of compensation taking into account the situation of the concerned person, in particular his/her experience, competence, and the variety of missions entrusted to him or her, as well as market practices for similar roles.

Overview of the compensation policy for the Chief Executive Officer in respect of the 2023 financial year

Pursuant to the succession plan unanimously approved by the Board of Directors on October 27, 2020 and made public the same day, Christophe Périllat succeeded Jacques Aschenbroich as Chief Executive Officer of Valeo on January 26, 2022.

At its meeting held on March 24, 2021, the Board of Directors, on the recommendation of the Compensation Committee, decided to set the compensation policy for the Chief Executive Officer for the 2022 financial year in anticipation of the separation of the roles of Chairman and Chief Executive Officer. This compensation policy was submitted by anticipation to the vote of the Shareholders' Meeting of May 26, 2021 and approved at a rate of 95.14%. It was supplemented by the Board of Directors on February 24, 2022, on the recommendation of the Compensation Committee, with the criteria included in the variable compensation for the financial year 2022, and again submitted for approval at the Shareholders' Meeting of May 24, 2022 and approved at a rate of 92.25%, it being specified that the elements of compensation which were presented by anticipation to the Shareholders Meeting of May 26, 2021 (the amount of the annual fixed compensation, the maximum amount of the annual variable compensation portion set at 120% of the annual fixed compensation, the elements of long-term compensation including its maximum amount of 200% of the annual fixed compensation, pension, non-compete and termination benefits as well as benefits in kind) remained unchanged (the "**2022 Chief Executive Officer Compensation Policy**").

At its meeting held on February 23, 2023, the Board of Directors, on the recommendation of the Compensation Committee, decided to set the compensation policy of the Chief Executive Officer for the 2023 financial year (the "**2023 Chief Executive Officer Compensation Policy**"), which remained unchanged from the 2022 Chief Executive Officer Compensation Policy, subject to the adjustments recalled below.

Fixed compensation

The Chief Executive Officer's (gross) annual fixed compensation is set at 975,000 euros.

This compensation is unchanged from the 2022 Chief Executive Officer Compensation Policy (it being reminded that the latter had been set by the Board of Directors on March 24, 2021 in anticipation of the Chief Executive Officer's appointment on January 26, 2022).

Variable compensation

The variable portion of the compensation must be in line with the Chief Executive Officer's performance, as well as the Company's strategy and progress. It was therefore determined partly according to strict and ambitious quantifiable criteria based on the Group's financial, non-financial and operational performance, and partly on a qualitative basis. The quantifiable and qualitative objectives to be reached are set according to specific, strict and ambitious predetermined objectives. These criteria are determined each year by the Board of Directors, on the recommendation of the Compensation Committee.

During its review of the 2023 Chief Executive Officer Compensation Policy, the Board of Directors, at its meeting held on February 23, 2023, on the recommendation of the Compensation Committee, decided for the annual variable compensation, to keep unchanged the 2022 Chief Executive Officer Compensation Policy, subject to the fact that the Board of Directors, on the recommendation of the Compensation Committee, decided with regard to the quantifiable criteria, to replace EBITDA by EBIT (more closely monitored by the financial community), consistent with the "Move Up" strategic plan.

Regarding the qualitative criteria for the Chief Executive Officer's annual variable compensation in respect of the 2023 financial year, they remain identical to those mentioned in the 2022 Chief Executive Officer Compensation Policy, with an adjustment to the qualitative sub-criteria (see table below) in order to better reflect the Group's current operational and non-financial performance objectives.

The quantifiable and qualitative criteria of the annual variable compensation provided for in the 2023 Chief Executive Officer Compensation Policy are therefore as follows:

- **four quantifiable criteria:** (i) EBIT, (ii) free cash flow, (iii) net income, and (iv) Group order intake.

  The targets for these criteria are set on the basis of Valeo's budget and the guidance published for the relevant financial year. The achievement of these targets is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the published consolidated financial statements for the relevant financial year.

- **four qualitative criteria:** (i) strategic vision, (ii) risk management, (iii) corporate social responsibility, and (iv) reduction in CO_2 emissions ("CAP 50").

  The achievement of the qualitative criteria is assessed by the Board of Directors, on the recommendation of the Compensation Committee. In this respect, the Compensation Committee relies on the elements of assessment transmitted by the management, it being specified, however, that for the reduction of CO2 emissions, the objective set is in line with those set in the CAP 50 plan roadmap.

In accordance with the recommendations of the AFEP-MEDEF Code, the total amount of the variable portion is expressed as a percentage of the annual fixed compensation, each criterion granting entitlement to a percentage of the annual fixed compensation.

The maximum amount of the Chief Executive Officer's variable compensation portion is 120% of his (gross) annual fixed compensation, which corresponds to the same maximum level as when he was Chief Operating Officer *(Directeur des Opérations)*, Associate Chief Executive Officer *(Directeur Général Adjoint)* and Deputy Chief Executive Officer *(Directeur Général Délégué)*.

The maximum amount of annual variable compensation (120% of (gross) annual fixed compensation) is contingent on the achievement of ambitious, measurable objectives and set by the Board of Directors, on the recommendation of the Compensation Committee.

For each quantifiable criterion, the variable portion ranges from 0% to 100% of the maximum amount of annual fixed compensation obtainable under the relevant criterion.

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

Quantifiable criteria[1]	
Nature of quantifiable criterion	**Maximum variable portion as a % of the Chief Executive Officer's annual fixed compensation**
EBIT	18%
Free cash flow	18%
Net income	16%
Group order intake	18%
TOTAL QUANTIFIABLE CRITERIA	**70%**
Qualitative criteria	
Nature of qualitative criterion	**Maximum variable portion as a % of the Chief Executive Officer's annual fixed compensation**
Strategic vision *This criterion is assessed, in particular, against the following elements:* • *validation by the Board of Directors of the strategy presented by the CEO and quality of communication of this strategy inside and outside the company;* • *quality of financial communication;* • *quality of the Group's technological roadmap.*	14%
Risk management *This criterion is assessed, in particular, against the following elements:* • *compliance: (i) deployment of the new code of business ethics drafted in 2022 in all regions where the Group operates; (ii) implementation of a new organization of the compliance department with redefinition of the roles and responsibilities of compliance champions; (iii) adjustment and deployment of a whistleblowing system in line with the new regulation, involving the implementation of a system for each of the Group's legal entities;* • *management of operational risks;* • *management of inflation-related impacts (customer compensation in line with the budget);* • *quality of management of material and component shortages, in particular electronic components (number of vehicles affected maintaining Valeo among the most efficient equipment manufacturers in this field).*	12%
Corporate social responsibility *CSR is assessed in particular against the following elements:* • *safety performance, with the objective of maintaining a frequency rate in line with the automotive benchmark (FR1<1.1)*[2]*;* • *progression of the Gender Equity Index (reaching level 88 of the index) and improvement of the rate of women externally recruited by at least 10% compared to 2022 (M&Ps population).*	12%
CAP 50 *Reduction trajectory of CO_2 emissions in line with the CAP 50 plan: the objective is to limit CO_2 emissions below 46.6 $MtCO_2$ in 2023.*	12%
TOTAL QUALITATIVE CRITERIA	**50%**
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	**120%**

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

Long-term compensation policy – Allotment of performance shares

The aim of allotting performance shares is not only to encourage the Chief Executive Officer to take a long-term approach to his duties, but also encourage his retention and align his interests with those of Valeo and its shareholders. Under the performance share plans, performance criteria must be met over a period of three consecutive years. Valeo applies strict and ambitious performance criteria considered as particularly representative of the Company’s performance. Indeed, the proposed criteria are aimed at reflecting the Group’s strategy, financial, non-financial and operational performance objectives, value creation for Valeo’s shareholders measured using the external performance criterion, the Total Shareholder Return (TSR), and performance measurement.

The elements of the long-term compensation provided for in the 2022 Chief Executive Officer Compensation Policy remained unchanged in the 2023 Chief Executive Officer Compensation Policy, subject to the adjustments to better reflect the objectives of the “Move Up” strategic plan and to reinforce the incentive and retention objective of the long-term compensation. Thus, the Board of Directors, on the recommendation of the Compensation Committee, decided (i) in line with the adjustment of the quantifiable criterion of the 2023 Chief Executive Officer’s annual variable compensation to replace the EBITDA rate with the EBIT rate (more closely monitored by the financial community), consistent with the “Move Up” strategic plan, (ii) to modify the weighting of the level of achievement of the internal performance criteria in order to reinforce the attractiveness of the scheme for the beneficiaries, while maintaining its demanding nature and (iii) to modify the composition of the Automotive Europe Panel, composed of both European car manufacturers and automotive equipment suppliers, in order to retain a panel exclusively composed of European automotive equipment suppliers (including those already included in the Automotive Europe Panel), considered more relevant with regard to the positioning and financial situation of the equipment suppliers as compared to car manufacturers.

The performance shares depend on performance, measured against the following criteria:

i. two internal performance criteria, namely the EBIT rate as well as the return on capital employed rate (ROCE). The internal performance criteria represent no more than 60% of the allocated shares (30% for each criterion).

   The targets for these criteria are set on the basis of the guidance published for the financial year in question (see table below). The achievement of these objectives is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the published consolidated financial statements for the financial year in question.

ii. an external performance criterion, Valeo’s TSR, measured against the CAC 40 index (10%) and against the Europe Automotive Equipment Suppliers Panel[10] (10%). Thus, the external performance criterion represents no more than 20% of the allocated shares.

   The achievement of the objectives of this criterion is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the assessment elements provided by the management.

iii. two corporate social responsibility (CSR)-related criteria: an environmental criterion relating to the level of CO_2 emissions and a gender diversity criterion based on the number of women in the Group’s various management committees (relating to the 300 most important Group management positions). The CSR criteria represent no more than 20% of the allocated shares (10% for each criterion).

   The objectives of these criteria are set on the basis of the Group’s roadmaps for carbon neutrality (CAP 50 plan) and gender diversity in the various management committees within the Group (see table below). The achievement of these objectives is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the elements of assessment provided by the management.

The maximum amount of performance shares allotted to the Chief Executive Officer, valued under IFRS, must not exceed 200% of the Chief Executive Officer’s (gross) annual fixed compensation (i.e., 91% of the sum of the Chief Executive Officer’s maximum annual fixed and variable compensation), which corresponds to the same amount as the amount applicable when he was Chief Operating Officer *(Directeur des Opérations),* Associate Chief Executive Officer *(Directeur Général Adjoint)* and Deputy Chief Executive Officer *(Directeur Général Délégué).* This cap of 200% of (gross) annual fixed compensation corresponds to a maximum amount, and the Board of Directors reserves the right to allot a lower percentage depending on Valeo’s performance.

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

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

Criterion	Weight/Assessment
Internal performance criterion: ROCE rate[1] (30%) **Internal performance criterion: EBIT rate[1] (30%)**	Achievement of a performance assessed for each criterion (ROCE rate and EBIT rate) for each of the three financial years (Y, Y+1 and Y+2) of the vesting period. The relevant criterion will be satisfied if, for each financial year covered under the allotment, the rate effectively achieved for such criterion is greater than or equal to the target rate established by the Board of Directors, it being understood that (i) the target rate cannot be lower than the guidance for the financial year of reference, (ii) the selected criterion cannot be changed subsequently by the Board of Directors and (iii) the target rates cannot be changed subsequently by the Board of Directors, except by a duly justified decision in the context of exceptional circumstances beyond the beneficiaries' control. • If, for each financial year covered by the plan, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those three financial years: 100%. • If, for only two of the financial years covered by the plan, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those two financial years: 60%. • If, for only one of the financial years covered by the plan, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for that financial year: 30%. • If the target rate for the corresponding criterion is not satisfied for any of the financial years covered by the plan: 0%.
External performance criterion: TSR (20%) **Versus CAC 40 (10%)** **Versus panel (10%)**	TSR recorded over a 3-year period from January 1 of the year of allotment to December 31 of the year prior to delivery. • If Valeo's TSR recorded over the reference period is greater than the CAC 40 index's TSR recorded over the reference period: 100% (0% if lower or equal). • If Valeo's TSR recorded over the reference period is greater than the median of the TSRs of the companies in the Europe Automotive Equipment Suppliers Panel over the reference period: 100% (0% if lower or equal).
Corporate social responsibility **CO_2 emissions[2] (10%)** **Number of women within the Group's various management committees (relating to the 300 most important Group management positions)[3] (10%)**	CSR criterion recorded over a 3-year period from January 1 of the year of allotment to December 31 of the year prior to delivery and published at the time of the free share grant: • If the level of CO_2 emissions recorded over the reference period is lower than or equal to the target rate set over the reference period: 100% (0% if higher). • If the number of women within the Group's various management committees (covering the 300 most important management positions in the Group) recorded over the reference period is greater than or equal to the target rate set for the reference period: 100% (0% if lower).

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

(2) For the 2023 plan, the achievement of this target will be assessed on December 31, 2025, taking as a basis for the calculation a carbon neutrality objective by 2050 and a plan to, by December 31, 2030, reduce emissions related to its operating activities by 75% (Scopes 1 and 2) and to reduce emissions related to its supply chain and to the end use of its products by 15% (Scope 3) compared to January 1, 2020, as presented in Chapter 4, section 4.1.3 "Valeo's Carbon Neutrality Plan by 2050" of Valeo's 2020 Universal Registration Document. This 2030 objective implies an annual reduction of 0.75 $MtCO_2$ from 49.6 $MtCO_2$ at January 1, 2020 to 41.4 $MtCO_2$ at December 31, 2030. Accordingly, based on linear annual progression until 2030, the degree of achievement of this target is set at a maximum emission of 45.10 $MtCO_2$ by December 31, 2025.

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

In addition, a presence condition must be met at the time of the allotment. Thus, the performance shares allotted to the Chief Executive Officer will vest only if his term of office has not expired on the vesting date. Entitlement to the performance shares will be lost in the event of (i) dismissal due to gross negligence or willful misconduct or (ii) dismissal for reasons attributable to the Chief Executive Officer's performance, before the expiry of the vesting period.

Except for these two cases, the Board of Directors will determine whether or not the Chief Executive Officer will retain his entitlement to the performance shares before the expiry of the vesting period based on an in-depth analysis of the reasons for and circumstances surrounding his departure, it being specified that, in these cases, the benefit of performance shares allotted to the Chief Executive Officer before the expiry of the vesting period will be maintained on a *prorata temporis* basis of his presence as an executive corporate officer of Valeo. In any event, the shares will only vest if the performance criteria are achieved. By way of exception to the foregoing, in the event of termination of his corporate office in connection with the liquidation of any mandatory and supplementary pension plans, death or disability, entitlement to performance shares will be maintained and the performance criteria will apply to retirement but not to death or disability.

Each time that it decides to allot performance shares, the Board of Directors ensures that performance share allotments, valued under IFRS, do not represent a disproportionate percentage of all compensation and performance shares allotted, that they have a limited impact in terms of dilution and that the allotments are made at the same times of the year. In accordance with applicable laws and Company practices, the Group's executive managers and employees will also be entitled to performance shares.

In accordance with the recommendations of the AFEP-MEDEF Code and the provisions of the Code of Conduct, the Chief Executive Officer is not permitted to use hedging transactions to reduce his risk. He has made a formal commitment in this respect as required by the AFEP-MEDEF Code. At the end of the holding period set by the Board of Directors, the Chief Executive Officer must also hold a significant number of vested performance shares in the form of registered shares until the end of his term of office. This holding obligation will correspond to 50% of the vested performance shares.

Supplementary pension

Upon the appointment of Christophe Périllat as Chief Executive Officer on January 26, 2022, his employment contract was terminated. The termination of his employment contract entailed the loss of the benefit of any defined benefit supplementary pension plans to which he would have been entitled if he had remained a Valeo employee until his retirement, except for his rights acquired under the new plan from January 1, 2020 up until his employment contract was terminated (i.e., as of the date of his appointment as Chief Executive Officer, on January 26, 2022).

In this context, the Board of Directors decided to provide the Chief Executive Officer with a defined contribution pension plan, to replace the accrual of rights under the defined benefit plans. This compensation component remained unchanged in the 2023 Chief Executive Officer Compensation Policy and is set out below.

This plan is governed by Article 82 of the French General Tax Code and allows to build up a capital sum to which he is entitled at retirement. Thus, Valeo no longer guarantees a certain level of pension but pays an annual contribution.

Under this mechanism, the amount paid by the Company is split between a payment to the insurance company on an individual account in Christophe Périllat's name and a payment to Christophe Périllat to take into account the social costs and taxes due on the payments made to the insurance company.

The gross annual amount of the payments made by the Company to the insurance company amounts to 10% of the annual fixed and variable compensation received in each year of vesting, subject to the achievement of the performance condition described hereunder.

Given the loss of the defined benefit pension plan and the accrued rights at the end of 2019, a gross annual amount will also be paid to the insurance company amounting to:

- 10% for the 2022 and 2023 financial years;
- 12.5% for the 2024 and 2025 financial years;
- 15% for the 2026 and 2027 financial years;
- 20% for the 2028 to 2030 financial years (or following financial years).

These rates will apply to the annual fixed and variable compensation received in each year of vesting, subject to the achievement of a performance condition.

Thus, the gross annual amount paid to the insurance company is subject to a performance condition considered to be achieved if the variable portion of the beneficiary's compensation, paid in year Y+1 in respect of year Y, reaches 70% of his fixed compensation due in respect of year Y. In the event that the variable portion does not reach 70% of the fixed compensation, the gross annual amount paid will be calculated on a *prorata* basis down to zero.

This scheme was chosen between several alternatives and represents a lower total cost for the Company than the previous plans by approximately 36%, while retaining a retention effect similar to those previous pensions plans insofar as Christophe Périllat will have to remain with Valeo until the age of 65 to benefit from a supplementary pension of equivalent value to that which he had at the time his employment contract was terminated. For example, if he were to retire at 62 (age at which Christophe Périllat will be entitled to claim his legal, and therefore supplementary, pension entitlements) under this new scheme, he would receive a lower pension than under the old plan, with a discount of more than 40%.

Benefits of any kind

The principles and criteria relating to benefits in kind which were included in the 2022 Chief Executive Officer Compensation Policy remained unchanged in the 2023 Chief Executive Officer Compensation Policy.

The Chief Executive Officer is entitled to coverage under the unemployment insurance fund for company managers *(Garantie Sociale des Chefs et Dirigeants d'entreprise),* the collective and mandatory health, death and disability plan and life insurance covering death, disability or the consequences of any accidents that may occur during business travel. He also has the option of being provided with a company car and a driver.

Non-compete clause and termination benefits

The principles and criteria relating to the non-compete clause and termination benefits under the 2022 Chief Executive Officer Compensation Policy remained unchanged in the 2023 Chief Executive Officer Compensation Policy.

Non-compete clause

In order to protect the Company's interests, a non-compete clause binding the Chief Executive Officer was put in place by the Board of Directors.

If the Company triggers the non-compete clause, the executive corporate officer would be prohibited from working in any way for an automotive supplier or, more generally, for any of Valeo's competitors. The clause would apply for 12 months after the end of his term of office as Chief Executive Officer of Valeo, regardless of the reason for termination.

In consideration, the executive corporate officer would receive non-compete compensation equal to 12 months of compensation (calculated by taking the average compensation (fixed and variable) paid as executive corporate officer and, as the case may be, as an employee for the 36 months preceding the month of departure). If the clause were to be implemented by the Company, the consideration would be paid in equal monthly installments over the entire period to which the non-compete clause would apply.

If the Company triggers the non-compete clause, the amount owed would be taken into account to determine his termination benefits, as described below. As a result, the maximum amounts likely to be paid to the Chief Executive Officer in the form of a non-compete compensation and/or termination benefits would be equal to twice the annual compensation (fixed and variable), in accordance with the recommendations of the AFEP-MEDEF Code.

In any event, in accordance with the recommendations of the AFEP-MEDEF Code, no non-compete compensation shall be paid beyond the age of 65 or if the Chief Executive Officer claims his retirement benefits. The Board of Directors will have to decide whether or not the non-compete agreement will be applied at the time the Chief Executive Officer leaves.

The Company reserves the right not to implement this agreement and to waive the non-compete clause (in which case no compensation would be owed).

Termination benefits

In the event of early termination of his duties following a change in control or strategy, the Chief Executive Officer shall be entitled, at the initiative of the Company and with the approval of the Board of Directors, except on the grounds of willful misconduct in the performance of his duties, to termination benefits paid by the Company for a maximum amount of his total compensation as executive corporate officer and, as the case may be, as an employee, during the two years preceding the end of his term of office as Chief Executive Officer.

Those termination benefits are subject to performance criteria applicable to the annual variable compensation, in accordance with the following formula:

Total compensation paid as executive corporate officer and, as the case may be, as an employee during the two financial years preceding the end of his term of office as Chief Executive Officer

X

average (in %) of the results achieved for the annual variable compensation as executive corporate officer and, as the case may be, as an employee, applicable to the three financial years preceding the departure.

Furthermore, the amount effectively paid by the Company would be reduced, as the case may be, so that any other compensation would not have an effect of awarding him with a total compensation higher than the aforementioned amount of two years of compensation, in accordance with the AFEP-MEDEF Code.

No other components of compensation

The principles detailed below regarding the absence of other compensation components which were included in the 2022 Chief Executive Officer Compensation Policy remained unchanged in the 2023 Chief Executive Officer Compensation Policy.

The Chief Executive Officer will not receive any multi-annual variable compensation, compensation or benefits on appointment or exceptional compensation.

Christophe Périllat does not receive any compensation in his capacity as a director. He is not entitled to any compensation or other benefits as a result of agreements entered into with the Company or any Group company.

In addition, no stock purchase or subscription options or other long-term compensation component other than performance shares were allotted to him in the 2023 financial year.

In accordance with Articles L. 22-10-8 and L. 22-10-34 of the French Commercial Code, the variable compensation of the Chief Executive Officer for any given financial year will only be paid once the fixed, variable and exceptional components comprising the total compensation and benefits paid or allocated to the Chief Executive Officer for that year have been approved by the shareholders at an Ordinary Shareholders' Meeting (*ex post* vote).

Lastly, after consulting the Compensation Committee and, if applicable, the other specialized Committees, the Board of Directors will have the discretionary power, in the event of exceptional circumstances and on a temporary basis, to adjust the internal quantifiable objectives relating to the annual variable and long-term compensation components of the 2023 Chief Executive Officer Compensation Policy. In particular, the events that could give rise to the use of this possibility are any event beyond Valeo's control that cannot be reasonably foreseen or quantified at the time of the determination of the compensation elements and that has an impact on the automotive industry during the 2023 financial year, such as the Covid-19 epidemic, the components crisis and the price increase of raw materials and energy, as well as geopolitical tensions (e.g. conflict between Russia and Ukraine) and their consequences.

Change in governance

In accordance with applicable regulations, in the event of the appointment of a new Chief Executive Officer during the financial year, the compensation components, principles and criteria set out in the 2023 Chief Executive Officer Compensation Policy will also apply to him *prorata temporis*. The Board of Directors, on the recommendation of the Compensation Committee, will then determine, by adapting to the situation of the new Chief Executive Officer, the objectives, performance levels, parameters, structure and maximum percentages in relation to his annual fixed compensation, which may not be higher than those of the current Chief Executive Officer.

Compensation policy for the Chairman of the Board of Directors in respect of the 2024 financial year

During its meeting held on February 29, 2024, the Board of Directors set, on the recommendation of the Compensation Committee, the compensation policy of the Chairman of the Board of Directors for the 2024 financial year (the "**2024 Chairman of the Board of Directors Compensation Policy**"), which remains unchanged compared to the 2023 Chairman of the Board of Directors Compensation Policy, approved at a rate of 99.85% by the Shareholders' Meeting of May 24, 2023.

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 Chairman of the Board of Directors Compensation Policy.

Fixed compensation

The (gross) annual fixed compensation of the Chairman of the Board of Directors amounts to 360,000 euros (it being specified that this amount was set by the Board of Directors on December 8, 2022 in the context of the succession of Jacques Aschenbroich in his capacity of Chairman of the Board of Directors, and has remained unchanged since that date).

It is recalled that such amount has been set by taking into account the situation of the concerned person, including his experience, as well as benchmark studies of a specialized external advisor on the compensation of non-executive chairmen in CAC Next 20 and SBF 120 companies (excluding the luxury industry and banks).

Benefits of any kind

The Chairman of the Board of Directors is entitled to coverage of medical expenses, the applicable death and disability plan and will have the option of being provided with a company car and a driver.

No other components of compensation

The Chairman of the Board of Directors will not receive (i) annual or multi-annual variable compensation or long-term compensation and (ii) compensation or benefits on appointment, exceptional compensation, termination benefits or non-compete compensation.

He will not receive any compensation in his capacity as director. He will not be entitled to any compensation or other benefits of any kind as a result of agreements entered into with the Company or any Group company.

He is not entitled to a supplementary pension plan.

For the avoidance of doubt, it is specified that the Chairman of the Board of Directors does not have an employment contract.

Change in governance

In accordance with the applicable regulations, in the event of the appointment of a new Chairman of the Board of Directors during the financial year, the compensation structure of this new corporate officer would be in accordance with this compensation policy, which would be applied *prorata temporis,* and the Board of Directors, on the recommendation of the Compensation Committee, would adapt the various elements of compensation taking into account the situation of the concerned person, in particular his/her experience, competence, and the variety of missions entrusted to him or her, as well as market practices for similar roles.

Compensation policy of the Chief Executive Officer in respect of the 2024 financial year

During its meeting on March 27, 2024, the Board of Directors 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 Chief Executive Officer Compensation Policy, which was approved by 96.02% by the Shareholders' Meeting of May 24, 2023, 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 elements of the 2024 Chief Executive Officer Compensation Policy.

Fixed compensation

The (gross) annual fixed compensation of the Chief Executive Officer amounts to 975,000 euros (it being reminded that the latter had been set by the Board of Directors at it ts meeting of March 24, 2021 in anticipation of the Chief Executive Officer's appointment on January 26, 2022, and has remained unchanged since that date).

Variable compensation

The variable portion of the compensation must be in line with the Chief Executive Officer's performance, as well as the Company's strategy and progress. It was therefore determined according to quantifiable and qualitative criteria based on the Group's financial, non-financial and operational performance. It is specified that the quantifiable and qualitative objectives to be reached are set according to specific, strict and ambitious predetermined objectives. These criteria are determined each year by the Board of Directors, on the recommendation of the Compensation Committee.

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 keep the Chief Executive Officer's annual variable compensation unchanged compared to the 2023 Chief Executive Officer Compensation Policy, apart from replacing one of the quantifiable criteria, the Group order intake, by a net debt/EBITDA criterion, which is considered to be more relevant given the high interest rate environment and the Group' debt reduction commitments (the other quantifiable criteria remaining unchanged to those mentioned in the 2023 Chief Executive Officer Compensation Policy).

Regarding the qualitative criteria for the Chief Executive Officer's annual variable compensation in respect of the 2024 financial year, they remain identical to those mentioned in the 2023 Chief Executive Officer Compensation Policy, with an adjustment to some of the qualitative sub-criteria (see table below) 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 quantifiable and qualitative criteria of the annual variable compensation provided for in the 2024 Chief Executive Officer Compensation Policy are therefore as follows:

- **four quantifiable criteria:** (i) EBIT, (ii) free cash flow, (iii) net income, and (iv) net debt/EBITDA ratio.

  The objectives for these criteria are set on the basis of Valeo's budget and the guidance published for the relevant financial year. The achievement of these criteria is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the published consolidated financial statements for the relevant financial year.
- **four qualitative criteria:** (i) strategic vision, (ii) risk management, (iii) corporate social responsibility, and (iv) reduction in CO_2 emissions ("CAP 50").

  The achievement of the qualitative criteria is assessed by the Board of Directors, on the recommendation of the Compensation Committee. In this respect, the Compensation Committee relies on the elements of assessment transmitted by the management, it being specified, however, that for the reduction of CO_2 emissions, the objective set is in line with those set in the CAP 50 (carbon neutrality) plan roadmap.

In accordance with the recommendations of the AFEP-MEDEF Code, the total amount of the variable portion is expressed as a percentage of the annual fixed compensation, each criterion granting entitlement to a percentage of the annual fixed compensation.

The maximum amount of the Chief Executive Officer's variable compensation portion is 120% of his (gross) annual fixed compensation, which corresponds to the same maximum level as when he was Chief Operating Officer *(Directeur des Opérations),* Associate Chief Executive Officer *(Directeur Général Adjoint)* and Deputy Chief Executive Officer *(Directeur Général Délégué).*

The maximum amount of annual variable compensation (120% of (gross) annual fixed compensation) is contingent on the achievement of ambitious, measurable objectives and set by the Board of Directors, on the recommendation of the Compensation Committee.

For each quantifiable criterion, the variable portion ranges from 0% to 100% of the maximum amount of (gross) annual fixed compensation obtainable under the relevant criterion.

The following table summarizes, in a synthetic way, the quantifiable and qualitative criteria, the percentage of the (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 compensation**
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 stabilizing 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 organization for 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 $MtCO_2$ 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 of 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 this 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 reduction efforts required over the period to achieve them and (iii) the carbon footprint of Valeo's customers and suppliers has an impact on the result.*

Long-term compensation policy – Allotment of performance shares

The aim of allotting performance shares is not only to encourage the Chief Executive Officer to take a long-term approach to his duties, but also encourage his retention and align his interests with those of Valeo and its shareholders. Under the performance share plans, performance criteria must be met over a period of three consecutive years. Valeo applies strict and ambitious performance criteria considered as particularly representative of the Company's performance. Indeed, the proposed criteria are aimed at reflecting the Group's strategy, financial, non-financial and operational performance objectives, value creation for Valeo's shareholders measured using the external performance criterion, the Total Shareholder Return (TSR), and performance measurement.

In 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[11] 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 the 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[12].

The performance shares depend on performance, measured against the following criteria:

i. two internal performance criteria, namely the EBIT rate as well as the return on capital employed rate (ROCE). The internal performance criteria represent no more than 60% of the allocated shares (30% for each criterion).

   The targets for these criteria are set on the basis of the guidance published for the year in question (see table below). The achievement of these objectives is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the published consolidated financial statements for the financial year in question.

ii. an external performance criterion, Valeo's TSR, which will be measured against the CAC 40 index (10%) and against the Europe Automotive Equipment Suppliers Panel (as adjusted) (10%). Thus, the external performance criterion represents no more than 20% of the allocated shares.

   The achievement of the objectives of this criterion is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the assessment elements provided by the management.

iii. two corporate social responsibility (CSR)-related criteria: an environmental criterion relating to the level of CO_2 emissions and a gender diversity criterion based on the number of women within the Group's various management committees. The CSR criteria represent no more than 20% of the allocated shares (10% for each criterion).

   The objectives of these criteria are set on the basis of the Group's roadmaps for carbon neutrality (CAP 50 plan) and gender diversity in the various management committees within the Group (see table below), in line with the Group's CSR strategy (including climate change). The achievement of these objectives is assessed by the Board of Directors, on the recommendation of the Compensation Committee, on the basis of the elements of assessment provided by the management.

The maximum amount of performance shares allotted to the Chief Executive Officer, valued under IFRS, must not exceed 200% of the Chief Executive Officer's (gross) annual fixed compensation (i.e., 91% of the sum of the Chief Executive Officer's maximum annual fixed and variable compensation), which corresponds to the same amount as the amount applicable when he was Chief Operating Officer *(Directeur des Opérations),* Associate Chief Executive Officer *(Directeur Général Adjoint)* and Deputy Chief Executive Officer *(Directeur Général Délégué).* This cap of 200% of (gross) annual fixed compensation corresponds to a maximum amount, and the Board of Directors reserves the right to award a lower percentage depending on Valeo's performance.

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

[12] *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.*

The table below summarizes in a synthetic way the criteria and methods used to assess the performance shares as part of the 2024 Chief Executive Officer Compensation Policy:

Criterion	Weight/Assessment
Internal performance criterion: ROCE rate[(1)] (30%) **Internal performance criterion: EBIT rate[(1)] (30%)**	Achievement of a performance assessed for each criterion (ROCE rate and EBIT rate) for each of the three financial years (Y, Y+1 and Y+2) of the vesting period. The relevant criterion will be satisfied if, for each financial year covered under the allotment, the rate effectively achieved for such criterion is greater than or equal to the target rate established by the Board of Directors, it being understood that (i) the target rate cannot be lower than the guidance for the financial year of reference, (ii) the selected criterion cannot be changed subsequently by the Board of Directors and (iii) the target rates cannot be changed subsequently by the Board of Directors, except by a duly justified decision in the context of exceptional circumstances beyond the beneficiaries' control. • If, for each financial year covered by the plan, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those three financial years: 100%. • If, for only two of the financial years covered by the plan, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those two financial years: 60%. • If, for only one of the financial years covered by the plan, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for that financial year: 30%. • If the target rate for the corresponding criterion is not satisfied for any of the financial years covered by the plan: 0%.
External performance criterion: TSR (20%) **Versus CAC 40 (10%)** **Versus panel (10%)**	TSR recorded over a 3-year period from January 1 of the year of allotment to December 31 of the year prior to delivery. • If Valeo's TSR recorded over the reference period is greater than the CAC 40 index's TSR recorded over the reference period: 100% (0% if lower or equal). • If Valeo's TSR recorded over the reference period is greater than the median of the TSRs of the companies in the Europe Automotive Equipment Suppliers Panel (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 CO2 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 at 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 the 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 this Universal Registration Document. This 2030 objective 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 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 reduction efforts required over the period to achieve them and (iii) the carbon footprint of Valeo's suppliers and customers 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 various Group's 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 on December 31, 2024 and 27% of women on December 31, 2027, see section 3.2.1 "Composition of the Board of Directors", sub-section "Diversity policy within the governing bodies"). 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.

In addition, a presence condition must be met at the time of the allotment. The performance shares allotted to the Chief Executive Officer will therefore only vest and be delivered at the end of the vesting period (set at three years) if he continues to serve as an executive corporate officer until the vesting date. Entitlement to the performance shares will be lost in the event of (i) dismissal due to gross negligence or willful misconduct or (ii) dismissal for reasons attributable to the Chief Executive Officer's performance, before the expiry of the vesting period.

Except for these two cases, the Board of Directors will determine whether or not the Chief Executive Officer will retain his entitlement to the performance shares before the expiry of the vesting period based on an in-depth analysis of the reasons for and circumstances surrounding his departure, it being specified that, in this case, the benefit of performance shares allotted to the Chief Executive Officer before the expiry of the vesting period will be maintained on a *prorata temporis* basis of his presence as an executive corporate officer of Valeo. In any event, the shares will only vest if the performance criteria are achieved. By way of exception to the foregoing, in the event of termination of his corporate office in connection with the liquidation of any mandatory and supplementary pension plans, death or disability, entitlement to performance shares will be maintained and the performance criteria will apply to retirement but not to death or disability.

Each time that it decides to allot performance shares, the Board of Directors ensures that performance share allotments, valued under IFRS, do not represent a disproportionate percentage of all compensation and performance shares allotted, that they have a limited impact in terms of dilution and that the allotments are made at the same times of the year. In accordance with applicable laws and Company practices, the Group's executive managers and employees will also be entitled to performance shares.

In accordance with the recommendations of the AFEP-MEDEF Code and the provisions of the Code of Conduct, the Chief Executive Officer is not permitted to use hedging transactions to reduce his risk. He has made a formal commitment in this respect as required by the AFEP-MEDEF Code. At the end of the two-year holding period set by the Board of Directors, the Chief Executive Officer must also hold a significant number of vested performance shares in the form of registered shares until the end of his term of office. This holding obligation will correspond to 50% of the vested performance shares.

Supplementary pension

As of Christophe Périllat's appointment as Chief Executive Officer on January 26, 2022, 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 January 2022, the Board of Directors decided that the Chief Executive Officer should benefit from a defined contribution pension plan, with optional membership, to replace the acquisition of rights under the defined benefit pension plans. This compensation component remains unchanged in the 2024 Chief Executive Officer Compensation Policy.

This plan is governed by Article 82 of the French General Tax Code and allows to build up a capital sum to which he is entitled at retirement. Thus, Valeo no longer guarantees a certain level of pension but pays an annual contribution.

Under this mechanism, the amount paid by the Company is split between a payment to the insurance company on an individual account in Christophe Périllat's name and a payment to Christophe Périllat to take into account the social costs and taxes due on the payments made to the insurance company.

The gross annual amount of the payments made by the Company to the insurance company totals 10% of the annual fixed and variable compensation received in each year of vesting, subject to the achievement of the performance condition described hereunder.

Given the loss of the defined benefit pension plan and the accrued rights at the end of 2019, a gross annual amount will also be paid to the insurance company amounting to:

- 12.5% for the 2024 and 2025 financial years[13];
- 15% for the 2026 and 2027 financial years;
- 20% for the 2028 to 2030 financial years (or following financial years).

These rates will apply to the annual fixed and variable compensation received in each year of vesting, subject to the achievement of a performance condition.

Thus, the gross annual amount paid to the insurance company is subject to a performance condition considered to be achieved if the variable portion of the beneficiary's compensation, paid in year Y+1 in respect of year Y, reaches 70% of his fixed compensation due in respect of year Y. In the event that the variable portion does not reach 70% of the fixed compensation, the gross annual amount paid will be calculated on a *prorata* basis down to zero.

This scheme was chosen between several alternatives and, when it was introduced, represented a lower total cost for the Company than the previous plans by approximately 36%, while retaining a retention effect similar to those previous pensions plans insofar as Christophe Périllat will have to remain with Valeo until the age of 65 to benefit from a supplementary pension of equivalent value to that which he had at the time his employment contract was terminated.

Benefits of any kind

The principles and criteria relating to benefits in kind remain unchanged in the 2024 Chief Executive Officer Compensation Policy.

The Chief Executive Officer is entitled to coverage under the unemployment insurance fund for company managers *(Garantie Sociale des Chefs et Dirigeants d'entreprise),* the collective and mandatory health, death and disability plan and life insurance covering death, disability or the consequences of any accidents that may occur during business travel. He also has the option of being provided with a company car and a driver.

Non-compete clause and termination benefits

The principles and criteria relating to the non-compete clause and termination benefits remain unchanged in the 2024 Chief Executive Officer Compensation Policy.

[13] *In accordance with the compensation policies of the Chief Executive Officer for the 2022 and 2023 financial years, this amount was 10% for 2022 and 2023.*

Non-compete clause

In order to protect the Company's interests, a non-compete clause binding the Chief Executive Officer has been put in place by the Board of Directors.

If the Company triggers the non-compete clause, the executive corporate officer would be prohibited from working in any way for an automotive supplier or, more generally, for any of Valeo's competitors. The clause will apply for 12 months after the end of his term of office as Chief Executive Officer of Valeo, regardless of the reason for termination.

In consideration, the executive corporate officer would receive non-compete compensation equal to 12 months of compensation (calculated by taking the average compensation (fixed and variable) paid as executive corporate officer and, as the case may be, as an employee for the 36 months preceding the month of departure). If the clause were to be implemented by the Company, the consideration would be paid in equal monthly installments over the entire period to which the non-compete clause would apply.

If the Company triggers the non-compete clause, the amount owed would be taken into account to determine his termination benefit described below. As a result, the maximum amounts likely to be paid to the Chief Executive Officer in the form of non-compete compensation and/or termination benefits would be equal to twice the annual compensation (fixed and variable), in accordance with the recommendation of the AFEP-MEDEF Code.

In any event, in accordance with the recommendations of the AFEP-MEDEF Code, no non-compete compensation shall be paid beyond the age of 65 or if the Chief Executive Officer claims his retirement benefits. The Board of Directors will have to decide whether or not the non-compete agreement will be applied at the time the Chief Executive Officer leaves.

The Company reserves the right not to implement this agreement and to waive the non-compete clause (in which case no compensation would be owed).

Termination benefits

In the event of early termination of his duties following a change in control or strategy, the Chief Executive Officer shall be entitled, at the initiative of the Company and with the approval of the Board of Directors, except on the grounds of willful misconduct in the performance of his duties, to termination benefits paid by the Company a maximum amount of his total compensation as executive corporate officer during the two years preceding the end of his term of office as Chief Executive Officer.

Those termination benefits are subject to performance criteria applicable to the annual variable compensation, in accordance with the following formula:

Total compensation paid as executive corporate officer during the two financial years preceding the end of his term of office as Chief Executive Officer

X

average (in %) of the results achieved for the annual variable compensation as executive corporate officer and, as the case may be, as an employee, applicable to the three financial years preceding the departure.

Furthermore, the amount effectively paid by the Company would be reduced, as the case may be, so that any other compensation would not have an effect of awarding him with a total compensation higher than the aforementioned amount of two years of compensation, in accordance with the AFEP-MEDEF Code.

No other components of compensation

The principles detailed below regarding the absence of other compensation components remain unchanged in the 2024 Chief Executive Officer Compensation Policy.

The Chief Executive Officer will not receive any multi-annual variable compensation, compensation or benefits on appointment or exceptional compensation.

Christophe Périllat does not receive any compensation in his capacity as a director. He is not entitled to any compensation or other benefits as a result of agreements entered into with the Company or any Group company.

In addition, no stock purchase or subscription options or other long-term compensation component other than performance shares will be allotted to him in the 2024 financial year.

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

In accordance with Articles L. 22-10-8 and L. 22-10-34 of the French Commercial Code, the variable compensation of the Chief Executive Officer for any given financial year will only be paid once the fixed, variable and exceptional components comprising the total compensation and benefits paid or allocated to the Chief Executive Officer for that year have been approved by the shareholders at an Ordinary Shareholders' Meeting (*ex post* vote).

Lastly, after consulting the Compensation Committee and, if applicable, the other specialized Committees, the Board of Directors will have the discretionary power, in the event of exceptional circumstances and on a temporary basis, to adjust the internal quantifiable objectives relating to the annual variable and long-term compensation components of the 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.

Change in governance

In accordance with applicable regulations, in the event of the appointment of a new Chief Executive Officer during the financial year, the compensation components, principles and criteria set out in this compensation policy will also apply to him *prorata temporis.* The Board of Directors, on the recommendation of the Compensation Committee, will then determine, by adapting to the situation of the new Chief Executive Officer, the objectives, performance levels, parameters, structure and maximum percentages in relation to his annual fixed compensation, which may not be higher than those of the current Chief Executive Officer.

Compensation policy for directors in respect of the 2024 financial year

Non-executive corporate officers receive compensation (previously known as attendance fees) for their presence at Board of Directors' and Committee meetings.

In accordance with the French Commercial Code, the articles of association, the Board's Internal Procedures and the internal procedures of the Compensation Committee, the Board of Directors has authority to decide how this compensation should be allocated. As part of this decision-making, the Board considers the corporate interest and the Company's long-term future by taking into account market practices and encouraging director attendance at meetings. The Compensation Committee makes recommendations to the Board of Directors on the rules for allocating directors' compensation and the individual amounts to be paid to each director, taking into account the actual number of Board and Committee meetings attended. The variable portion linked to attendance must, other than in exceptional circumstances, have a heavier weighting than the fixed portion.

Pursuant to the requirements of Article L. 22-10-8 of the French Commercial Code, this compensation policy will be submitted for approval at the Shareholders' Meeting of May 23, 2024.

In order to ensure that the applicable rules are appropriate and to maintain the attractiveness of the compensation offered, the Compensation Committee carries out annual comparative studies of directors' compensation amongst CAC 40 and SBF 120 companies, the latest of which has been examined at the meeting held on October 25, 2023. While this study confirmed the appropriate positioning of the amounts budgeted for Valeo's directors, for which the allocation rules are unchanged since January 25, 2016[14], in the current Board structure, the Compensation Committee emphasized that this composition should change in 2024 with the presence of a director representing employee shareholders, whose appointment will be submitted to the Shareholders' Meeting of May 23, 2024. This appointment will therefore automatically increase the number of directors receiving a compensation. The Committee also noted the high number of meetings held during the previous financial years, and recommended that a potential increase in meetings over the next few years should be taken into account when setting directors' compensation.

In this context, shareholders will be asked, at the Shareholders' Meeting to be held on May 23, 2024 to increase the total amount of the sums allocated to directors' compensation, which has been set at 1,100,000 euros for the last eight years (Shareholders' Meeting of May 26, 2016, eleventh resolution), to 1,250,000 euros for the 2024 financial year and for any subsequent financial year until a new decision is taken by the Shareholders' Meeting. It is specified that this is a maximum amount, allocated in accordance with the rules set out below, and not an amount to be allocated in full during each financial year.

The basis for allocating directors' compensation, which remains unchanged, is as follows[15]:

- each director receives:
  - fixed portion: 25,000 euros/year,
  - variable portion: 3,000 euros/meeting attended;
- each director who is a member (but not Chair) of a Board Committee also receives:
  - fixed portion: 0 euro/year,
  - variable portion: 3,000 euros/meeting attended;
- the director who is also Chair of the Audit & Risks Committee also receives:
  - fixed portion: 15,000 euros/year,
  - variable portion: 3,000 euros/meeting attended;
- each director who is also Chair of a Board Committee (other than the Audit & Risks Committee) also receives:
  - fixed portion: 12,000 euros/year,
  - variable portion: 3,000 euros/meeting attended.

These payments are not capped, but if the budget is exceeded in any one year, the following formula is applied[16]:

Compensation allotted to an individual director	x 1,250,000 euros
Total compensation allotted to all directors	

Compensation is paid every six months, according to the following rules:

- payment of the fixed portion (where applicable, *prorata* to the period of the year during which the director held office, as described below);
- payment of the variable portion based on the number of meetings that the director attended during the relevant period.

The Board of Directors may also, on the recommendation of the Compensation Committee, allocate exceptional compensation to directors for assignments or mandates entrusted to the directors.

Board members (including the Chairman of the Board of Directors) may be reimbursed for reasonable travel and accommodation expenses, as well as any other expenses incurred in the interest of the Company, and in particular in connection with their participation in Board meetings, upon presentation of receipts.

On February 12, 2009, on the recommendation of the Appointments, Compensation & Governance Committee, the Board of Directors decided that no directors' compensation would be paid to corporate officers in respect of any offices held in the Group (other than those within the Company). The Chairman and the Chief Executive Officer do not receive any compensation for any offices held in the Group (including in their capacity as directors of the Company).

When a Lead Director is appointed, the compensation for this role shall be equal to the fixed portion and variable portion that they receive in their capacity as a director for a given year, in accordance with the Board of Directors' decision of October 21, 2015.

In addition, in view of the importance of CSR matters for Valeo, and therefore the key role played by the Board member in charge of CSR issues, on October 28, 2021, on the recommendation of the Compensation Committee, the Board of Directors decided to amend the allocation rules for directors' compensation as from the 2022 financial year by providing for annual fixed compensation of 6,000 euros per year to be allocated to the director in charge of CSR issues.

Apart from the executive corporate officers and the Chairman of the Board, no Board member was paid any other compensation or benefits during the financial year other than directors' compensation.

Apart from the executive corporate officer, the members of the Board of Directors (i) do not receive any free shares or performance shares during the financial year and (ii) do not hold any free shares or performance shares.

(14) Apart from the compensation provided for the director in charge of CSR issues, which was set by decision of October 28, 2021 – see hereinafter.
(15) As an exception to these rules, since the Appointments, Compensation & Governance Committee was split into two separate committees at the Board of Directors' meeting held on January 26, 2017 (the Governance, Appointments & Corporate Social Responsibility Committee and the Compensation Committee), directors who sit on both Committees do not receive double compensation unless decided otherwise by the Board of Directors on the recommendation of the Compensation Committee. Given the current composition of these Committees, this rule has been maintained since then (see section 3.2.2 "Preparation and organization of the Board of Directors' work", pages 133 to 146).
(16) Subject to approval by the Shareholders' Meeting of May 23, 2024. If the new amount is not approved, the previous maximum aggregate amount of 1,100,000 euros will continue to apply.

It is however specified that the directors representing employees and the director representing employee shareholders have an employment contract and as such receive a salary and benefit from free share allocations (including performance shares), in the same way as the other employees of the Group.

In accordance with the applicable regulations, if a new director is appointed during the year, the compensation components and principles provided for in this compensation policy will apply to the new appointee on a *prorata temporis* basis. The fixed compensation will therefore be calculated *prorata* to the length of time the director holds office during the year and the variable portion is based on the number of Board and Committee meetings attended during the period. These same *prorata temporis* calculation principles also apply in the event of a director's departure during the year.

3.3.2 Compensation of corporate officers in respect of the 2023 financial year

Compensation of the Chairman of the Board of Directors in respect of the 2023 financial year

In accordance with the provisions of Article L. 22-10-34, II of the French Commercial Code, the Shareholders' Meeting must vote on the fixed, variable and exceptional components composing the total compensation and benefits of any kind paid during or allocated in respect of the 2023 financial year to the Chairman of the Board of Directors.

The compensation paid during or allocated in respect of the 2023 financial year, as described below, is in line with the 2023 Compensation Policy for the Chairman of the Board of Directors approved at a rate of 99.85% by the Shareholders' Meeting of May 24, 2023 (fifteenth resolution).

Fixed compensation

In accordance with the 2023 Chairman of the Board of Directors Compensation Policy[17], the (gross) annual fixed compensation paid to Gilles Michel by Valeo for 2023 was 360,000 euros.

This represents 100% of the total compensation awarded to Gilles Michel in respect of the 2023 financial year.

Benefits of any kind

In accordance with the 2023 Chairman of the Board of Directors Compensation Policy[18], in respect of the 2023 financial year Gilles Michel was covered for medical expenses and was a member of the Valeo death and disability benefits plan representing an amount of 3,841 euros. He did not make use of the option of being provided with a company car and a driver.

These benefits of any kind represented less than 1% of the total compensation awarded to Gilles Michel in 2023.

No other components of compensation

In accordance with the 2023 Chairman of the Board of Directors Compensation Policy[19], in respect of the 2023 financial year, Gilles Michel did not receive any annual, multi-annual or long-term variable compensation, compensation or benefits on appointment, exceptional compensation, non-compete compensation or termination benefits, or directors' compensation or benefits of any kind under agreements with the Company or any Group company. He was not entitled to a supplementary pension plan.

Gilles Michel does not have an employment contract with the Valeo Group.

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

In accordance with the provisions of Article L. 22-10-34-II of the French Commercial Code, the Shareholders' Meeting must vote on the fixed, variable and exceptional components composing the total compensation and benefits paid during or allocated in respect of the 2023 financial year to the Chief Executive Officer. In addition, in accordance with the legal provisions, payment of the variable compensation awarded in respect of the 2023 financial year is subject to approval by the Shareholders' Meeting of May 23, 2024.

The compensation paid during or allocated in respect of the 2023 financial year, as described below, is in line with the 2023 Chief Executive Officer Compensation Policy approved at a rate of 96.02% by the Shareholders' Meeting of May 24, 2023 (sixteenth resolution). This policy includes conditions intended to encourage the Company's long-term development and performance.

Fixed compensation

In accordance with the 2023 Chief Executive Officer Compensation Policy[20], the (gross) annual fixed compensation paid by Valeo to Christophe Périllat for the 2023 financial year totaled 975,000 euros.

This represents 51.25% of the total compensation (fixed and variable) awarded to Christophe Périllat in respect of the 2023 financial year.

Variable compensation

At its meeting held on February 29, 2024, the Board of Directors assessed, on the recommendation of the Compensation Committee, the degree of achievement of the quantifiable and qualitative criteria of Christophe Périllat's annual variable compensation and set the amount in accordance with the method described in the 2023 Chief Executive Officer Compensation Policy (see paragraph "Variable Compensation" of this section, pages 153 to 154). The analysis showed that the achievement rate for the quantifiable criteria was 48.06% (out of a maximum percentage of 70%) and that the achievement rate for the qualitative criteria was 47.07% (out of a maximum percentage of 50%) of the (gross) annual fixed compensation of the Chief Executive Officer. The Board of Directors therefore set the total amount of (gross) annual variable compensation due to Christophe Périllat for 2023 at 95.13% of his (gross) annual fixed compensation for 2023, i.e., 927,518 euros, out of a maximum percentage of 120% of his (gross) annual fixed compensation, i.e., 79.28% in relation to the maximum allowed by the 2023 Chief Executive Officer Compensation Policy.

The variable compensation therefore represents 48.75% of the total amount of (fixed and variable) compensation due to Christophe Périllat in 2023.

(17) *See this section "Fixed compensation", page 152.*
(18) *See this section "Benefits of any kind", page 152.*
(19) *See this section "No other components of compensation", page 153.*
(20) *See this section "Fixed compensation", page 153.*

The following table summarizes, in a synthetic way, the applicable quantifiable and qualitative criteria, the degree of achievement of each quantifiable and qualitative criterion, the entitlement relating to each of these criteria in terms of percentage of the annual fixed compensation, and the maximum variable compensation for the 2023 financial year. The specific predetermined targets underlying the quantifiable criteria remained unchanged in the financial year ended December 31, 2023.

Quantifiable criteria(1)

Nature of quantifiable criterion	Maximum variable portion as a % of annual fixed compensation	Maximum variable portion obtained as a % of annual fixed compensation(3)	Percentage of achievement versus maximum
EBIT	18%	15.75%(4)	87.5%
Free cash flow	18%	14.31%(5)	79.5%
Net income	16%	0%(6)	0%
Group order intake	18%	18%(7)	100%
TOTAL QUANTIFIABLE CRITERIA	**70%**	**48.06%**	**68.66%**

Qualitative criteria

Nature of qualitative criterion	Maximum variable portion as a % of annual fixed compensation	Maximum variable portion obtained as a % of annual fixed compensation	Percentage of achievement versus maximum
Strategic vision *This criterion is assessed in particular against the following elements:* • *validation by the Board of Directors of the strategy presented by the Chief Executive Officer and quality of communication of this strategy inside and outside the company;* • *quality of financial communication,* • *quality of the Group's technological roadmap.*	14%	11.67%(8)	83.33%
Risk management *This criterion is assessed in particular against the following elements:* • *compliance: (i) deployment of the new code of business ethics drafted in 2022 in all regions where the Group operates; (ii) implementation of a new organization of the compliance department with redefinition of the roles and responsibilities of compliance champions; (iii) adjustment and deployment of a whistleblowing system in line with the new regulation involving the implementation of a system for each of the Group's legal entities;* • *management of operational risk;* • *management of inflation-related impacts (customer compensation in line with the budget);* • *quality of management of material and component shortages, in particular electronic components (number of vehicles impacted maintaining Valeo among the most efficient equipment manufacturers in this field).*	12%	12%(9)	100%
Corporate social responsibility *CSR is assessed in particular against the following elements:* • *safety performance, with the objective of maintaining a frequency rate in line with the automotive benchmark (FR1<1.1)(2);* • *progression of the Gender Equity index (reaching level 88 of the index) and improvement of the rate of women externally recruited by at least 10% compared to 2022 (M&Ps population).*	12%	11.40%(10)	95%
CAP 50 *Reduction trajectory of CO_2 emissions in line with the CAP 50 plan: the objective is to limit CO_2 emissions below 46.6 Mt in 2023.*	12%	12%(11)	100%
TOTAL QUALITATIVE CRITERIA	**50%**	**47.07%**	**94.14%**
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	**120%**	**95.13%**	**79.28%**

(1) *Excluding regulatory and tax impacts.*
(2) *In the event of a deadly accident involving a Valeo employee or temporary worker (excluding commuting accidents or those of a non-work-related cause), the result will be revised downwards for the part of the safety-related objective.*
(3) *It is understood that for each quantifiable criterion, the variable portion ranges from 0% to 100% of the maximum (gross) annual fixed compensation that may be obtained for that criterion.*
(4) *2023 EBIT margin of 3.8% of the turnover.*
(5) *2023 free cash flow generation of 379 million euros.*

(6) 2023 net income of 221 million euros.

(7) 2023 order intake of 34.9 billion euros.

(8) The elements considered include (subject to undisclosed information for confidentiality reasons): (i) second year of implementation of the "Move Up" plan, with 2023 results in line with the announced targets, (ii) launch of the software business transformation plan and the artificial intelligence technology deployment program, (iii) quality of financial communication, with a specific focus on products, technologies, technology partnerships and orders designed to support the Group's future growth (ADAS, software defined vehicle (SDV) and electrification) and (iv) quality of technology roadmaps (assessed by order intake and share of innovation in order intake) with, in 2023, a strong alignment of the Group's product offering with market needs (record order intake of 34.9 billion euros; share of innovation in order intake above 73%, improving compared to 2022).

(9) The elements considered include (subject to undisclosed information for confidentiality reasons): (i) further strengthening of the Group compliance policy in 2023, including (a) the new organization of the compliance department, and the redefinition of the roles and responsibilities of the compliance champions, as well as (b) the adjustment of the whistle-blowing system, and (ii) quality of the management of inflation-related impacts and (iv) quality of the management of the electronic component shortages, with no customer stoppages for the 12th consecutive quarter.

(10) The elements considered include (subject to undisclosed information for confidentiality reasons): (i) the improvement in employee safety, with, for the fifth consecutive year, a reduction in the number of accidents with lost days, the frequency rate obtained being lower than the target of 1.1 set, (ii) result for the Gender Equity index of 88.9, above the target of 88 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 (pay gap between men and women; gap in the distribution of individual pay rises between men and women; gap in the distribution of promotions; percentage of female employees who received a pay rise after returning from maternity leave; and percentage of women in the ten highest paid positions), 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 and (iii) increase in the rate of women externally recruited by 8.5%, which is slightly below the ambitious target of at least 10% compared to 2022 (M&Ps population).

(11) Emission of 45.16 MtCO_2 in 2023, better than the target set at 46.6 MtCO_2 in 2023. It should be noted that the annual targets are set on a linear basis according to the targets of Valeo's CAP 50 plan announced to the market and described in Chapter 4, section 4.1.3 "Valeo's Carbon Neutrality Contribution Plan for 2050 (CAP 50 plan)" of this Universal Registration Document. After a peculiar 2022 year when Valeo was able to reach, and very significantly exceed, the target set (45.2 MtCO_2 achieved against a target of 47.35 MtCO_2) due, in particular, to exogenous factors that led to a slowdown in vehicle sales in most regions of the world (tensions in the electronic components supply chain, Russo-Ukrainian crisis, lockdown measures in China and a slowdown in automotive production in Europe), in 2023 the Group succeeded in controlling its level of emissions in a context of sales growth of 10%. It should be emphasized that (i) achieving the targets set will require the implementation of dedicated action plans as well as renewing major efforts each year, (ii) the targets set are all the more ambitious as 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.

Long-term compensation policy – Allotment of performance shares

In accordance with the provisions of Article L. 225-197-1 of the French Commercial Code, as applicable at the date of the allotment, the total number of free shares allotted may not represent more than 10% of the Company's share capital on the date of the Board of Directors' decision. The maximum amount provided for in the twenty-sixth resolution of the Shareholders' Meeting of May 24, 2023, which is effective for a period of 26 months, is 4,600,000 shares (i.e., about 1.89% of the share capital at December 31, 2022), and the total number of shares that may be allotted to the executive corporate officers may not exceed 250,000 shares (i.e., representing around 0.10% of the share capital at December 31, 2022).

In accordance with the 2023 Chief Executive Officer Compensation Policy, the Board of Directors, at its meeting held on May 24, 2023, on the recommendation of the Compensation Committee, decided to allot 124,124 performance shares to Christophe Périllat for 2023 (i.e., 0.05% of the Company's share capital at December 31, 2023), pursuant to the abovementioned resolution. This number of shares was determined based on the share price on the date of the Board of Directors' meeting (average of 20 trading days, IFRS valuation), valued under IFRS at 15.71 euros, which corresponds to the maximum permitted under the 2023 Chief Executive Officer Compensation Policy (200% of (gross) annual fixed compensation).

Ceilings, criteria and conditions for this allotment are described in the 2023 Chief Executive Officer Compensation Policy (see section 3.3.1 "Long-term compensation policy – Allotment of performance shares", pages 155 to 157).

The final awards of the shares allotted are subject to the achievement of objectives for each internal performance criterion set at the beginning of the year based on the guidance at the Group[21] level it being specified that the assessment of performance criteria is binary (achieved/not achieved).

In accordance with the recommendations of the AFEP-MEDEF Code and the provisions of the Code of Conduct, Christophe Périllat is not permitted to use hedging transactions to reduce his risk. He has signed a formal commitment to that effect. No hedging instruments have been used with respect to his performance shares.

Supplementary pension[22]

In accordance with the 2023 Chief Executive Officer Compensation Policy, the Chief Executive Officer benefits from an optional defined contribution pension plan, governed by the provisions of Article 82 of the French General Tax Code, as an alternative to the acquisition of rights under defined benefit pension plans (see paragraph "Supplementary pension" in section 3.3.1, page 157).

The amount paid by the Company in respect of supplementary pension benefits for Christophe Périllat as Chief Executive Officer is split between a payment to the insurance company on an individual account in Christophe Périllat's name and a payment to Christophe Périllat to take into account the social costs and taxes due on the payments made to the insurance company.

[21] For 2023, the guidance was 12.1% for the ROCE rate and as of 3.2% for the EBIT rate.

[22] Upon the appointment of Christophe Périllat as Chief Executive Officer on January 26, 2022, his employment contract was terminated. The termination of his employment contract entailed the loss of the benefit of any defined benefit supplementary pension plans to which he would have been entitled if he had remained a Valeo employee until his retirement, except for his rights acquired under the new plan from January 1, 2020 up until his employment contract was terminated on January 26, 2022 (i.e., as of the date of his appointment as Chief Executive Officer).

The amount of payments to be made is subject to a performance condition.

The performance condition is considered to be satisfied if the variable portion of the Chief Executive Officer's compensation, which will be paid in Y+1 in respect of the financial year Y, reaches 70% of the (gross) fixed compensation due in respect of the financial year Y. In the event that the variable portion does not reach 70% of the fixed compensation, the gross annual amount paid will be calculated on a *prorata* basis down to zero. Given the amount of the annual variable compensation awarded in respect of the 2023 financial year and to be paid in 2024, this condition has been fully satisfied.

In respect of the 2023 financial year, the amount that will be paid in 2024 to the insurance company into an individual account in the name of Christophe Périllat in his capacity as Chief Executive Officer, representing 20% (10% for 2023, plus 10% to take into account the loss of defined benefit pension plans and the accrued rights at the end of 2019) of the fixed and variable annual compensation received in respect of the 2023 financial year, amounts to a total of 398,385 euros. An identical amount will be paid to Christophe Périllat in 2024, intended to take into account the social security contributions and income tax payable on the payments made to the insurance company and on the aforementioned payment.

Benefits of any kind

In accordance with the 2023 Chief Executive Officer Compensation Policy[23], in 2023 Christophe Périllat was eligible for coverage under the unemployment insurance fund for company managers *(Garantie Sociale des Chefs et Dirigeants d'entreprise),* the collective and mandatory health, death and disability plan and life insurance covering death, disability or the consequences of any accidents that may occur during business travel. He was provided with a company car and a driver but he did not take up the option of having a driver. These benefits in kind represented 27,237 euros in 2023.

These benefits in kind represent about 1% of the total compensation awarded to Christophe Périllat in 2023.

No other components of compensation

In accordance with the 2023 Compensation Policy for the Chief Executive Officer[24], in respect of the 2023 financial year, Christophe Périllat did not receive any multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, directors' compensation or benefits of any kind under agreements with the Company or any Group company. Nor did he receive any stock purchase or subscription options or any other form of long-term compensation except for performance shares.

In accordance with the recommendations of the AFEP-MEDEF Code, Christophe Périllat does not have an employment contract with the Group[25].

Compensation ratios and annual changes in compensation, Valeo's performance and five-year ratios

In accordance with Article L. 22-10-9-I-6° and 7° of the French Commercial Code, the following table shows:

- the ratios between the compensation of the executive corporate officers and on the one hand the average compensation of employees other than the corporate officers on a full-time equivalent basis and on the other hand the median compensation of employees other than the corporate officers on a full-time equivalent basis;
- the annual change in the compensation of the executive corporate officers, the Company's performance, the average compensation of employees other than the corporate officers on a full-time equivalent basis, as well as the ratios referred to above over the last five financial years.

The ratios below have been calculated:

- for the executive corporate officers, based on the fixed and variable short-term compensation paid and the performance shares allotted (IFRS valuation) from 2019 to 2023[26] as well as benefits in kind;
- for employees (full-time equivalent), based on the fixed and variable short-term compensation, free share awards and performance shares allotted (IFRS valuation) from 2019 to 2023, profit-sharing and incentive payments, and all components of total gross compensation. The scope includes 100% of employees of the Group's French companies. In accordance with the AFEP guidelines revised in February 2021, employees included in the scope are those with an employment contract who have been present on an uninterrupted basis over a period of two years.

(23) *See this section, "Benefits of any kind", page 157.*
(24) *See this section, "No other components of compensation", page 158.*
(25) *When Christophe Périllat was appointed Chief Executive Officer on January 26, 2022, his employment contract – which had been suspended since his appointment as Deputy Chief Executive Officer on May 26, 2021 – was terminated.*
(26) *It being specified that as regards the 2020 and 2021 allotment to the Chairman and Chief Executive Officer, the maximum number of performance shares taken into consideration has been adjusted (i)* prorata *to the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer and (ii) to take into account the one-sixth reduction of the shares allotted under the 2020 plan (pro rated) for the portion represented by the internal performance criteria (80%).*

	2019	2020	2021	2022	2023
Compensation of the Chairman and Chief Executive Officer until January 26, 2022	3,430,142[1]	3,229,673[2]	3,096,822[3]	1,488,828	-
Year-on-year change	*-30.06%*	*-5.84%*	*-4.11%*	*-[4]*	-
Compensation of the Chairman of the Board of Directors since January 26, 2022[5]	-	-	-	742,674	360,000
Year-on-year change	-	-	-	*-[6]*	*-51.53%*
Compensation of the Chief Executive Officer since January 26, 2022.	-	-	-	2,382,441[7]	3,969,385[8]
Year-on-year change	-	-	-	*-[7]*	*66.61%[8]*
Compensation of the Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022	-	-	1,756,080	440,840	-
Year-on-year change	-	-	-	*-[9]*	-
Average compensation of employees	52,532	47,015[10]	53,462	56,837	62,430
Year-on-year change	*-0.17%*	*-10.50%*	*13.71%*	*6.31%*	*9.84%*
Median compensation of employees	39,744	35,232[10]	39,062	41,535	45,091
Year-on-year change	*1.66%*	*-11.35%*	*10.87%*	*6.33%*	*8.56%*
RATIO TO AVERAGE COMPENSATION					
Chairman and Chief Executive Officer until January 26, 2022	65.30	68.69	57.93	26.19	-
Year-on-year change	*29.94%*	*5.19%*	*-15.67%*	*-[4]*	-
Chairman of the Board of Directors since January 26, 2022[5]	-	-	-	13.07	5.77
Year-on-year change	-	-	-	*-[6]*	*-55.85%*
Deputy Chief Executive Officer since January 26, 2022	-	-	-	41.92	63.58[8]
Year-on-year change	-	-	-	*-[7]*	*51.67%[8]*
Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022	-	-	32.85	7.76	-
Year-on-year change	-	-	-	*-[9]*	-
RATIO TO MEDIAN COMPENSATION					
Chairman and Chief Executive Officer until January 26, 2022	86.31	91.67	79.28	35.85	-
Year-on-year change	*-31.20%*	*6.21%*	*-13.52%*	*-[4]*	-
Chairman of the Board of Directors since January 26, 2022[5]	-	-	-	17.88	7.98
Year-on-year change	-	-	-	-	*-55.37%*
Chief Executive Officer since January 26, 2022	-	-	-	57.36	88.03[8]
Year-on-year change	-	-	-	*-[7]*	*53.47%[8]*
Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022	-	-	44.96	10.61	-
Year-on-year change	-	-	-	*-[9]*	-
Group performance[10]	6 pts	3 pts	0 pts	3 pts	3 pts
Year-on-year change					

(1) This amount takes into account the one-sixth reduction of the shares allotted under the 2019 plan for the portion represented by the internal performance criteria (80%).

(2) This amount includes Jacques Aschenbroich's donation of 25% of his fixed compensation for the duration of the Covid-19-related shutdown to support solidarity actions relating to Covid-19, the application of the prorata temporis *rule to shares allotted in the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer, and the one-sixth reduction of the shares allotted under the 2020 plan (pro rated) for the portion represented by the internal performance criteria (80%).*

(3) This amount includes the application of the prorata temporis *rule to shares allotted in the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer.*

(4) Calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio as this information concerns the position of Chairman and Chief Executive Officer held from January 1 to 26, 2022 (as well as the annual variable compensation awarded for this office in respect of the 2021 financial year and paid in the 2022 financial year).

(5) Relates to Jacques Aschenbroich from January 26, 2022 to January 31, 2022 and takes into account the variety and scope of the specific missions assigned to him in connection with his succession plan.

(6) Calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio as this information concerns the position of Chairman of the Board of Directors held from January 26 to December 31, 2022.

(7) As this information concerns only the position of Chief Executive Officer held by Christophe Périllat since January 26, 2022, the amount does not include the variable annual compensation awarded to him in his capacity as Deputy Chief Executive Officer in respect of the 2021 financial year and paid in the 2022 financial year. In view of these factors, calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio.

(8) This amount corresponds to the compensation for the position of Chief Executive Officer held by Christophe Périllat since January 26, 2022. It includes, for the first time, the amount of annual variable compensation awarded for this position in respect of the 2022 financial year and paid in 2023, which explains in particular (i) the difference between the amounts for 2022 and 2023 and (ii) the year-on-year change in the ratio.

(9) Calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio as this information concerns only the position of Deputy Chief Executive Officer held from January 1 to 26, 2022 (as well as the annual variable compensation awarded for this office in respect of the 2021 financial year and paid in the 2022 financial year).

(10) In 2020, the fall in the average and median compensation of employees was due to cost variabilization measures taken to deal with the Covid-19 crisis (short-time working, unpaid leave, salary freeze for senior executives).

(11) The Group's performance is measured by comparing OE sales growth on a like-for-like basis, i.e., at constant exchange rates and scope on an adjusted basis, with global automotive production growth. For information purposes, for the 2023 financial year, the OEM/production performance excluding the regional mix was +1 percentage point.

Explanations for the changes in the ratios for compensation are given below:

- the executive corporate officers' compensation reflects the variable compensation due in respect of the previous financial year and paid during the reference year;
- in 2020, the fall in the average and median compensation of employees was due to cost variabilization measures taken to deal with the Covid-19 crisis (short-time working, unpaid leave, salary freeze for senior executives);
- in 2022, the ratios reflect the separation of the roles of Chairman and Chief Executive Officer on January 26, 2022;
- in 2023, the ratios particularly reflect the inflation-related increase in salaries, the change of Chairman of the Board of Directors on January 1, 2023, with Gilles Michel replacing Jacques Aschenbroich, and the fact that Christophe Périllat's position as Chief Executive Officer was taken into account for the full year (including, for the first time, components related to the Chief Executive Officer's variable compensation), which automatically resulted in changes in the ratios relating to Christophe Périllat.

The ratios presented below were calculated based on performance shares allotted and valued under IFRS, in accordance with French Ordinance No. 2019-1234 of November 27, 2019.

The table below shows the ratios calculated based on the fixed and variable short-term compensation paid in the stated years and the performance shares that were delivered in the same periods.

	2019	2020	2021	2022	2023
RATIO TO AVERAGE COMPENSATION					
Chairman and Chief Executive Officer until January 26, 2022	30.76(1)	46.31(1)	41.26(1)	40.87(2)	-
Year-on-year change	*-59.30%*	*50.55%*	*-10.91%*	-(3)	-
Chairman of the Board of Directors since January 26, 2022(4)	-	-	-	13.07(5)	5.77
Year-on-year change	-	-	-	-	*-55.85%*
Chief Executive Officer since January 26, 2022	-	-	-	16.44(6)	32.35(6)(7)
Year-on-year change	-	-	-	-	*96.75%(7)*
Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022	-	-	8.44(6)	7.76(6)	-
Year-on-year change	-	-	-	-	-
RATIO TO MEDIAN COMPENSATION					
Chairman and Chief Executive Officer until January 26, 2022	40.65(1)	61.80(1)	56.47(1)	55.93(2)	-
Year-on-year change	*-60.04%*	*52.03%*	*-8.62%*	-(3)	-
Chairman of the Board of Directors since January 26, 2022(6)	-	-	-	17.88	7.98
Year-on-year change	-	-	-	-(5)	*-55.37%*
Chief Executive Officer since January 26, 2022	-	-	-	22.49(6)	44.78(6)(7)
Year-on-year change	-	-	-	-	*99.13%(7)*
Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022	-	-	11.55(6)	10.61(6)	-
Year-on-year change	-	-	-	-(8)	-

(1) None of the performance shares allotted to Jacques Aschenbroich under the 2016, 2017 and 2018 plans vested in 2019, 2020 or 2021.

(2) 43,561 performance shares allotted to Jacques Aschenbroich as executive corporate officer under the 2019 plan vested in 2022 (value of the share on the vesting date). The number of shares takes into account the one-sixth reduction of the shares allotted under the 2019 plan for the portion represented by the internal performance criteria (80%).

(3) Calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio as this information concerns only the position of Chairman and Chief Executive Officer held from January 1 to 26, 2022 (as well as the annual variable compensation awarded for this office in respect of the 2021 financial year and paid in the 2022 financial year).

(4) Relates to Jacques Aschenbroich from January 26, 2022 to January 31, 2022 and takes into account the variety and scope of the specific missions assigned to him in connection with his succession plan.

(5) Calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio as this information only concerns the position of Chairman of the Board of Directors held from January 26 to December 31, 2022.

(6) None of the performance shares allotted to Christophe Périllat as executive corporate officer vested in 2021, 2022 or 2023.

(7) This ratio corresponds to the compensation for the position of Chief Executive Officer held by Christophe Périllat since January 26, 2022. It includes, for the first time, the amount of annual variable compensation awarded for this position in respect of the 2022 financial year and paid in 2023, which explains the year-on-year change in the ratio.

(8) Calculating the year-on-year change in ratio is not an appropriate way of assessing changes in the ratio as this information concerns only the position of Deputy Chief Executive Officer held from January 1 to 26, 2022 (as well as the annual variable compensation awarded for this office in respect of the 2021 financial year and paid in the 2022 financial year).

Historical information

Annual variable compensation

Five-year summary of the annual variable compensation allocated to the executive corporate officer in office at December 31, 2023 (as Deputy Chief Executive Officer and then Chief Executive Officer after the separation of the roles of Chairman of the Board of Directors and Chief Executive Officer on January 26, 2022)

(% of fixed compensation)	2019		2020		2021(1)		2022(2)		2023	
	Achieved	Capped	Achieved	Capped	Achieved(1)	Capped	Achieved	Capped	Achieved	Capped
Quantifiable criteria	-	-	-	-	52.18%	80%	57.3%	70%	48.06%	70%
Qualitative criteria	-	-	-	-	37.67%	40%	47%	50%	47.07%	50%
VARIABLE COMPENSATION	**-**	**-**	**-**	**-**	**89.85%**	**120%**	**104.3%**	**120%**	**95.13%**	**120%**

(1) *The amount of fixed and variable compensation allocated to the Deputy Chief Executive Officer in respect of the 2021 financial year has been calculated* prorata *to the period of time he served in that capacity.*
(2) *The variable compensation provided for the Chief Executive Officer is applied to Christophe Périllat for the whole of the 2022 financial year.*

A five-year summary table of the annual variable compensation awarded to Jacques Aschenbroich in his capacity as Chairman and Chief Executive Officer until the separation of these two roles on January 26, 2022, covering the financial years from 2018 to 2022, is provided on page 190 of the 2022 Universal Registration Document.

Long-term compensation

The history of performance shares allotted is summarized in the tables presented in the paragraph "Compensation paid to the executive corporate officers over the last two years" of this section, on pages 172 to 179. It is recalled, as necessary, that no stock purchase options have been allocated since March 27, 2012.

The Code of Conduct states that the executive corporate officers must not use hedging transactions to reduce their risk, it being specified that no hedging instruments have been used with respect to their performance shares. There are also restrictions on trading in the Company's shares (including selling free shares) during black-out periods (see section 3.2.2 "Directors' rights and duties", pages 133 to 134).

At the end of the holding period set by the Board of Directors, the executive corporate officers must also hold a significant number of vested performance shares in the form of registered shares until the end of their terms of office. This holding obligation will correspond to 50% of the vested performance shares.

Evolution of the compensation of the executive corporate officers over the last two financial years

The following tables show the compensation paid and awarded to Gilles Michel and Christophe Périllat, and the performance shares allotted to Christophe Périllat, in their capacity as executive corporate officers, over the last two years.

It is recalled that Jacques Aschenbroich was Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors from January 26 to December 31, 2022. As he has not held a corporate office within the Company since December 31, 2022, and no compensation was allocated or paid to him in 2023, changes in his compensation over the last two years are not presented in the tables below. Tables summarizing the compensation, stock options and performance shares awarded to Jacques Aschenbroich for 2021 and 2022 are provided on pages 191 *et seq.* of the 2022 Universal Registration Document.

Summary of compensation, stock purchase options and performance shares allotted to the executive corporate officers (AMF Table No. 1)

(in €)	2022	2023(1)
Gilles Michel Chairman of the Board of Directors		
Compensation allocated for the financial year *(broken down in AMF Table No. 2)*	-	363,841
Value of multi-annual variable compensation allocated during the financial year	-	-
Value of stock purchase options allotted during the financial year	-	-
Value of performance shares allotted during the financial year *(broken down in AMF Table No. 6)*	-	-
TOTAL	**-**	**363,841**

(1) *The total compensation and benefits package paid or allocated to the Chairman of the Board of Directors under the 2023 Chairman of the Board of Directors Compensation Policy will be submitted to the vote of the Shareholders' Meeting of May 23, 2024 called to approve the financial statements for the financial year ended December 31, 2023* (ex post vote).

(in €)	2022	2023[1]
Christophe Périllat Chief Executive Officer since January 26, 2022		
Compensation allocated for the financial year *(broken down in AMF Table No. 2)*	1,950,922[2]	1,929,755
Value of multi-annual variable compensation allocated during the financial year	-	-
Value of stock purchase options allotted during the financial year	-	-
Value of performance shares allotted during the financial year *(broken down in AMF Table No. 6)*[3]	1,448,227[4]	1,949,988
TOTAL	**3,399,149**	**3,879,743**
Christophe Périllat Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022		
Compensation allocated for the financial year (prorata to the period served as Deputy Chief Executive Officer) *(broken down in AMF Table No. 2)*	50,490[5]	-
Value of multi-annual variable compensation allocated during the financial year	-	-
Value of stock purchase options allotted during the financial year	-	-
Value of performance shares allotted during the financial year *(broken down in AMF Table No. 6)*	-	-
TOTAL	**50,490**	**-**

(1) The total compensation components and benefits of any kind paid or allocated to the Chief Executive Officer under the 2023 Chief Executive Officer Compensation Policy will be submitted to the vote of the Shareholders' Meeting of May 23, 2024 called to approve the financial statements for the financial year ended December 31, 2023 (ex post vote)*. Payment of the Chief Executive Officer's variable compensation is contingent on its approval by the shareholders.*

(2) This amount corresponds to (i) the (gross) annual fixed compensation of 975,000 euros allocated to Christophe Périllat as Chief Executive Officer, calculated on a prorata temporis *basis for the period from January 26 to December 31, 2022, (ii) the annual variable compensation awarded to him as Chief Executive Officer in respect of the 2022 financial year and (iii) the benefits in kind allocated him as Chief Executive Officer.*

(3) All performance shares allotted to the Chief Executive Officer are subject to presence conditions, the achievement of performance criteria, and holding obligations. The performance criteria linked to the performance shares allotted to the Chief Executive Officer in 2023 are described in paragraphs "Long-term compensation – Allotment of performance shares" of this section, page 168 and in paragraphs "Long-term compensation – Allotment of performance shares" of section 3.3.1 of Valeo's 2022 Universal Registration Document, pages 177 to 179.

(4) This amount, which corresponds to 100,154 performance shares valued under IFRS, reflects the Board of Directors' decision of March 23, 2022 to apply a 26% discount on the maximum amount per grant authorized in the 2022 Chief Executive Officer Compensation Policy.

(5) This amount corresponds to the (gross) annual fixed compensation of 725,000 euros allocated to Christophe Périllat as Deputy Chief Executive Officer, calculated on a prorata temporis *basis for the period from January 1 to 26, 2022, plus the benefits in kind allocated to him as Deputy Chief Executive Officer during the relevant period.*

Summary of the compensation of the executive corporate officers in office during 2023 (AMF Table No. 2)

	2022		2023	
(in €)	Amount allocated	Amount paid	Amount allocated	Amount paid
Gilles Michel Chairman of the Board of Directors				
Fixed compensation	-	-	360,000	360,000
Annual variable compensation	-	-	-	-
Multi-annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' compensation	-	-	-	-
Benefits in kind	-	-	3,841	0
TOTAL	**-**	**-**	**363,841**	**360,000**

(in €)	2022 Amount allocated	2022 Amount paid	2023 Amount allocated	2023 Amount paid
Christophe Périllat[1] Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022, then Chief Executive Officer since January 26, 2022				
Fixed compensation	958,199[2]	958,199[2]	975,000	975,000
Annual variable compensation	1,016,925[3]	390,331[4]	927,518[5]	1,016,925[6]
Multi-annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' compensation	-	-	-	-
Benefits in kind	26,288[7]	26,288[7]	27,237[8]	27,237[8]
TOTAL	**2,001,412**	**1,374,818**	**1,929,755**	**2,019,162**

(1) *The table shows the amounts allocated and paid in respect of 2022 and 2023 financial years to Christophe Périllat as Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022 and as Chief Executive Officer since that date, excluding amounts allocated and paid in respect of his status as an employee prior to his appointment as executive corporate officer.*
(2) *Amount of fixed compensation for 2022 corresponding to the sum of (i) the (gross) annual fixed compensation of 725,000 euros allocated to the Deputy Chief Executive Officer, calculated on a* prorata temporis *basis for the period from January 1 to 26, 2022, i.e., 48,723 euros and (ii) the (gross) annual fixed compensation of 975,000 euros allocated to the Chief Executive Officer, calculated on a* prorata temporis *basis for the period from January 26 to December 31, 2022, i.e., 909,476 euros.*
(3) *Amount of variable compensation provided for the Chief Executive Officer applied to Christophe Périllat for the 2022 financial year.*
(4) *Amount of variable compensation as Deputy Chief Executive Officer awarded in respect of the 2021 financial year and paid in the 2022 financial year.*
(5) *Amount of variable compensation provided for the Chief Executive Officer applied to Christophe Périllat for the whole of the 2023 financial year and which will be paid in 2024, to be submitted to the vote of the Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2024 (*ex post vote*). Payment of the variable compensation is contingent on its approval by the shareholders.*
(6) *Amount of variable compensation as Chief Executive Officer awarded in respect of the 2022 financial year and paid in the 2023 financial year.*
(7) *Company car and annual contribution to the unemployment insurance fund for company managers* (Garantie Sociale des Chefs et Dirigeants d'entreprise)*, annual contribution to the health, death and disability plan and life insurance (of which 1,767 euros as Deputy Chief Executive Officer from January 1 to 26, 2022 and 24,521 euros as Chief Executive Officer from January 26 to December 31, 2022).*
(8) *Company car, annual contribution to the unemployment insurance fund for company managers* (Garantie Sociale des Chefs et Dirigeants d'entreprise)*, and annual contribution to the health, death and disability plan and life insurance.*

Stock purchase options allotted to the executive corporate officers during the financial year by Valeo or any Group company (AMF Table No. 4)

None.

Stock purchase options exercised by the executive corporate officers during the financial year (AMF Table No. 5)

None.

Performance shares allotted to the executive corporate officers during the financial year by Valeo or any Group company (AMF Table No. 6)

	Plan no. and date	Number of shares allotted during the financial year	Value of shares according to the method used for consolidated financial statements	Vesting date	Shares available as at	Performance criteria
Gilles Michel Chairman of the Board of Directors	None	-	-	-	-	-
Christophe Périllat Chief Executive Officer	05/24/2023	124,124	15.71(1)	05/24/2026	05/24/2028(2)	-(3)

(1) In accordance with the 2023 Chief Executive Officer Compensation Policy, the Board of Directors, at its meeting held on May 24, 2023, on the recommendation of the Compensation Committee, decided to allot 124,124 performance shares to Christophe Périllat for 2023, pursuant to the twenty-sixth resolution of the Shareholders' Meeting of May 24, 2023. Based on the share price on the date of the Board of Directors' meeting (average of 20 trading days, IFRS valuation), this corresponds to 124,124 shares, valued under IFRS at 15.71 euros, corresponding to a maximum of 200% of the (gross) annual fixed compensation authorized in the 2023 Chief Executive Officer Compensation Policy.

(2) Obligation to hold at least 50% of the vested shares as registered shares until the end of his term of office.

(3) All performance shares allotted to the Chief Executive Officer are subject to a presence condition, the achievement of performance criteria, and a holding obligation (see above). The performance criteria linked to the performance shares allotted to the Chief Executive Officer during the 2023 financial year are described in this section, paragraph "Long-term compensation – Allotment of performance shares", page 168.

Performance share allotments that became available for trading for the executive corporate officers during the financial year (AMF Table No. 7)

The table below shows the performance shares allotted to the executive corporate officer *(ex officio)* that became available during the financial year[27].

	Plan no. and date	Number of shares that became available for trading during the financial year	Vesting requirements
Christophe Périllat Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022, then Chief Executive Officer since January 26, 2022	-	-	-

History of allotments of stock purchase options including to the executive corporate officers – Information concerning stock purchase options (at December 31, 2023) (AMF Table No. 8)

The table showing the history of stock purchase option allotments, including those to the corporate officers, is set out in section 3.3.2 of the 2020 Universal Registration Document, page 189.

It is recalled that the last stock purchase option plan in effect expired on March 26, 2020. Valeo has not been authorized to allot stock options by the Shareholders' Meeting since August 5, 2014.

[27] Jacques Aschenbroich, who was Chairman and Chief Executive Officer until January 26, 2022, then Chairman of the Board of Directors from January 26, 2022 to December 31, 2022, ceased to be a corporate officer of Valeo on December 31, 2022. However, 62,417 shares were delivered to him on March 24, 2023 under the 2020 plan. The number of shares delivered takes into account (i) the one-sixth reduction in the number of performance shares initially allocated for the portion represented by the internal performance criteria (i.e., 80%), decided by the Board of Directors on March 24, 2021 on the recommendation of the Compensation Committee, and (ii) the reduction in the number of shares allocated on a prorata temporis basis for the period during which Jacques Aschenbroich was both Chairman and Chief Executive Officer.

History of allotments of free shares – Information concerning free shares allotted (at December 31, 2023) (AMF Table No. 10)

The table below shows a history of free share allotments[1].

	2013 plan	2014 plan	2015 plan
DATE OF SHAREHOLDERS' MEETING	**06/04/2012**	**06/04/2012**	**05/21/2014**
Date of Board of Directors' meeting	03/27/2013	03/27/2014	03/26/2015
Total number of free shares allotted	1,421,442	970,440	957,027
Number of shares conditionally allotted to Christophe Périllat in his capacity as Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022[2] and then Chief Executive Officer as from January 26, 2022[3].	-	-	-
Number of shares conditionally allotted to Christophe Périllat in his capacity as Chief Operating Officer then Associate Chief Executive Officer under plans still in effect at December 31, 2023[6]	-	-	-
Number of shares conditionally allotted to Jacques Aschenbroich in his capacity as Chairman and Chief Executive Officer until January 26, 2022[7]	76,902	31,515	30,696
Performance criteria – rate of achievement			
Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022, then Chief Executive Officer	-	-	-
Chairman and Chief Executive Officer until January 26, 2022	100%	100%	100%
Other	100%	100%	100%

(1) The figures in the table have been adjusted for the three-for-one stock split approved by the Shareholders' Meeting of May 26, 2016 (nineteenth resolution) and implemented by the Board of Directors on the same date. To protect the interests of the beneficiaries of free shares during the vesting period, at its meeting held on May 26, 2016, the Board of Directors decided to adjust the number of free shares (including performance shares) allotted but not yet vested by multiplying it by three.

(2) All performance shares allotted to Christophe Périllat are contingent on the achievement of performance criteria. The performance criteria applicable to the performance shares allotted to Christophe Périllat in the 2021 financial year are described in paragraphs "Long-term compensation – Allotment of performance shares" of section 3.3.2 of Valeo's 2021 Universal Registration Document, pages 190 and 191.

(3) All performance shares allotted to Christophe Périllat are contingent on the achievement of performance criteria. The performance criteria linked to the performance shares allotted to Christophe Périllat in 2022 and 2023 are described in paragraphs "Long-term compensation – Allotment of performance shares" of this section, page 168 and in paragraphs "Long-term compensation – Allotment of performance shares" of section 3.3.1 of Valeo's 2022 Universal Registration Document, page 186.

(4) As Deputy Chief Executive Officer.

(5) As Chief Executive Officer.

(6) All performance shares allotted to Christophe Périllat in his capacity as Chief Operating Officer and then Associate Chief Executive Officer are contingent on the achievement of performance criteria.

(7) All performance shares allotted to Jacques Aschenbroich are contingent on the achievement of performance criteria. The performance criteria linked to the performance shares allotted to Jacques Aschenbroich during the 2021 financial year are described in paragraphs "Long-term compensation – Allotment of performance shares" of section 3.3.2 of Valeo's 2020 Universal Registration Document, page 182, and "Long-term compensation – Allotment of performance shares" of section 3.3.1 of Valeo's 2021 Universal Registration Document, pages 163 to 165.

(8) This amount does not take into account the one-sixth reduction of the shares allotted under the 2019 plan for the portion represented by the internal performance criteria (80%). However, the number of shares allotted to Jacques Aschenbroich under the 2019 plan that have now vested includes this reduction. See footnote on page (26) below.

(9) It being specified that this number of shares was reduced due to (i) the application of the prorata temporis rule based on the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer, and (ii) the one-sixth reduction of the shares allotted under the 2020 plan for the portion represented by the internal performance criteria (80%) and amounted to 77,683.

(10) It being specified that this number of shares has been reduced prorata temporis to the period during which Jacques Aschenbroich served as Chairman and Chief Executive Officer and amounted to 42,218.

2016 plan	2017 plan	2018 plan	2019 plan	2020 plan	2021 plan	2022 plan	2023 plan
05/26/2016	**05/26/2016**	**05/26/2016**	**05/23/2019**	**05/23/2019**	**05/26/2021**	**05/26/2021**	**05/24/2023**
05/26/2016	03/22/2017	03/22/2018	05/23/2019	03/24/2020	05/26/2021	03/23/2022	05/24/2023
1,267,022	1,012,043	1,234,623	1,699,281	2,342,306	2,070,829	2,308,057	2,794,057
-	-	-	-	-	57,871[4]	100,154[5]	124,124[5]
-	-	27,810	56,223	83,997	-	-	-
70,974	51,030	55,026	87,122[8]	130,000[9]	118,536[10]	-	-
-	-	-	-	-	65%[11]	-	-
0%[12]	0%[13]	0%[14]	60%[15]	80%[16]	65%[11]	-	-
0%[12]	100%	100%	60%-87.5%[17]	80%-100%[18]	65%-90%[19]		

(11) Given the demanding target rate for the performance criteria, (i) the rate of achievement for the internal performance criteria was 50% for the ROCE and 100% for the EBITDA rates (each representing 30% of the shares allocated), (ii) the rate of achievement for the external performance criterion (Valeo's TSR) over the three-year period of the 2021 plan was nil (each representing 20% of the shares allocated), and (iii) the rate of achievement for the two criteria relating to corporate social responsibility (CSR) were 100% for the CO_2 emissions criterion and 100% for the gender diversity criterion (number of women on the various management committees within the Group) over the three-year period (each representing 10% of the shares allocated).

(12) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to achieve these criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the financial year, such as the introduction of the WLTP, a slowdown in the Chinese market, a rise in raw materials prices and, more generally, the turbulence in the financial markets.

(13) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to meet the criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the financial year, such as the introduction of WLTP, the market downturn in China and the rise in raw material prices.

(14) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to meet the criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the financial year, such as the introduction of WLTP, the market downturn in China and the rise in raw material prices, and in 2020 caused by the Covid-19 crisis.

(15) Given the demanding target rate inherent in the performance criteria, (i) the rate of achievement for the internal performance criteria is 50% for the ROA rate and 100% for operating margin (each representing 40% of the shares allocated) and (ii) the rate of achievement for the external performance criterion (Valeo's TSR) over the 3-year period of the 2019 plan is zero (representing 20% of the shares allocated).

(16) Given the demanding target rate inherent in the performance criteria, (i) the rate of achievement for the internal performance criteria is 100% for the ROA rate and the operating margin (each representing 40% of the shares allocated) and (ii) the rate of achievement for the external performance criterion (Valeo's TSR) over the 3-year period of the 2020 plan is zero (representing 20% of the shares allocated).

(17) 60% for the Operations Committee, 75% for the Liaison Committee and 87.5% for the other senior executives.

(18) 80% for the Operations Committee, 100% for the Liaison Committee and 100% for the other senior executives.

(19) 65% for the Executive Committee (formerly the Operations Committee), 65% for the Liaison Committee and 90% for the other senior executives.

	2013 plan	2014 plan	2015 plan
VESTING DATE OF SHARES			
Chief Executive Officer (under the 2022 and 2023 plans), Deputy Chief Executive Officer (under the 2021 plan), Chairman and Chief Executive Officer (until January 26, 2022) and members of the Executive Committee (formerly the Operations Committee)	France: 03/27/2016 Other countries: 03/27/2018	France: 03/27/2017 Other countries: 03/27/2019	France: 03/26/2018 Other countries: 03/26/2020
Liaison Committee and main direct reports of the Liaison Committee members	France: 03/27/2016 Other countries: 03/27/2018	France: 03/27/2017 Other countries: 03/27/2019	France: 03/26/2018 Other countries: 03/26/2020
High-potential managers	-	-	France: 03/26/2018 Other countries: 03/26/2020
All employees	France/Spain/ Italy: 06/30/2016 Other countries: 03/27/2018	France/Spain/ Italy: 06/30/2017 Other countries: 06/30/2019	France/Spain/ Italy: 06/30/2018 Other countries: 06/30/2020
Employee share ownership plans	-	-	-
SHARES AVAILABLE AS OF			
Chief Executive Officer (under the 2022 and 2023 plans), Deputy Chief Executive Officer (under the 2021 plan), Chairman and Chief Executive Officer (until January 26, 2022), and members of the Executive Committee (formerly the Operations Committee)	03/27/2018	03/27/2019	03/27/2020
Liaison Committee and main direct reports of the Liaison Committee members	03/27/2018	03/27/2019	03/27/2020
High-potential managers	-	-	03/27/2020
All employees	France/Other countries: 03/27/2018 Spain/Italy: 03/27/2019	France/Other countries: 03/27/2019 Spain/Italy: 03/27/2020	France/Other countries: 03/27/2020 Spain/Italy: 03/27/2021
Employee share ownership plans	-	-	-
Total number of shares vested	1,210,350	722,364	734,013
Of which total number of shares vested for Jacques Aschenbroich	76,902	31,515	30,696
Of which total number of shares vested for Christophe Périllat (since he was appointed as executive corporate officer)	-	-	-
Total number of shares canceled or forfeited (aggregate)	211,092	248,076	223,014
Allotted free shares remaining at year-end	0	0	0

(20) The Chairman and Chief Executive Officer.

(21) For members of the Operations Committee as well as members of the Liaison Committee and the main direct reports of the Liaison Committee members only, removal of 2018 and deferral of the performance measurement period by one year (i.e., 2017, 2019 and 2020 instead of 2017, 2018 and 2019). The vesting period is four years instead of three. No holding period.

(22) For members of the Operations Committee (including Christophe Périllat as Chief Operating Officer) as well as members of the Liaison Committee and the main direct reports of the Liaison Committee members only, removal of 2018 and deferral of the performance measurement period by one year (i.e., 2019, 2020 and 2021 instead of 2018, 2019 and 2020). The vesting period is four years instead of three. No holding period.

2016 plan	2017 plan	2018 plan	2019 plan	2020 plan	2021 plan	2022 plan	2023 plan
France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2020(20) 03/22/2021(21) Other countries: 03/22/2021(21)	France: 03/22/2021(20) 03/22/2022(22) Other countries: 03/22/2022(22)	France/ Other countries: 05/23/2022	France/ Other countries: 03/24/2023	France/Other countries: 05/26/2024	France/Other countries: 03/23/2025	France/Other countries: 05/24/2026
France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2021(21) Other countries: 03/22/2021(21)	France: 03/22/2022(22) Other countries: 03/22/2022(22)	France/ Other countries: 05/23/2022	France/ Other countries: 03/24/2023	France/Other countries: 05/26/2024	France/Other countries: 03/23/2025	France/Other countries: 05/24/2026
France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2020 Other countries: 03/22/2022	France: 03/22/2021 Other countries: 03/22/2023	France/ Other countries: 05/23/2022	France/ Other countries: 03/24/2023	France/Other countries: 05/26/2024	France/Other countries: 03/23/2025	France/Other countries: 05/24/2026
France: 06/30/2019 Other countries: 06/30/2021	France: 06/30/2020 Other countries: 06/30/2022	France: 06/30/2021 Other countries: 06/30/2023	France/ Other countries: 06/30/2022	France/ Other countries: 06/30/2023	France/Other countries: 06/30/2024	France/Other countries: 06/30/2025	France/Other countries: 06/30/2026
Spain/Italy: 11/15/2019 Belgium: 11/15/2021 Other countries: 06/30/2021	Spain/Italy: 07/27/2020 Belgium/Ireland: 07/27/2022 Other countries: 06/30/2022	Italy/Spain: 06/30/2021 Other countries: 06/30/2023	Italy/Spain: 06/27/2022 Other countries: 06/30/2024	Italy/Spain: 11/16/2023 Belgium: 11/16/2025 Other countries: 06/30/2025	Italy/Spain: 11/16/2024 Belgium: 11/16/2026 Other countries: 06/30/2026	Italy/Spain: 11/17/2025 Belgium: 11/17/2027 Other countries: 06/30/2027	Italy/Spain: 11/30/2026 Other countries: 11/30/2026
05/26/2021	03/22/2022[20]	03/22/2023[20]	05/23/2024[20]	03/24/2025[20]	05/26/2026[24]	03/23/2027[25]	05/24/2028[25]
	[23]	[23]	[23]	[23]	[23]	[23]	[23]
05/26/2021	[23]	[23]	[23]	[23]	[23]	[23]	[23]
05/26/2021	03/22/2022	03/22/2023	[23]	[23]	[23]	[23]	[23]
France/Other countries: 05/26/2021	France/Other countries: 03/22/2022	France/Other countries: 03/22/2023	[23]	[23]	[23]	[23]	[23]
Italy/Spain: 11/15/2022 Belgium: 11/15/2021 Other countries: 06/30/2021	Italy/Spain: 07/27/2023 Belgium/Ireland: 07/27/2022 Other countries: 06/30/2022	Italy/Spain: 06/30/2024 Other countries: 06/30/2023	Italy/Spain: 06/27/2025 Other countries: 06/30/2024	Italy/Spain: 11/16/2026 Belgium: 11/16/2025 Other countries: 06/30/2025	Italy/Spain: 11/16/2027 Belgium: 11/16/2026 Other countries: 06/30/2026	Italy/Spain: 11/17/2028 Belgium: 11/17/2027 Other countries: 06/30/2027	Italy/Spain: 11/30/2029 Other countries: 11/30/2026
274,341	579,305	735,608	944,760	1,494,751	12,358	12,166	0
0	0	0	43,561[26]	62,147[27]	27,442[28]	-	-
-	-	27,810	33,734	67,198	37,616	-	-
642,060	193,267	227,495	420,651	377,589	172,453	142,197	44,343
0	0	0	241,812	259,786	1,686,937	2,153,694	2,749,714

(23) No holding period.

(24) The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer.

(25) The Chief Executive Officer.

(26) This number of shares was reduced to take into account the one-sixth reduction of the shares allotted under the 2019 plan for the portion represented by the internal performance criteria (80%). These shares were delivered to Jacques Aschenbroich on May 23, 2022 and remain subject to a two-year holding period.

(27) The number of shares takes into account (i) the one-sixth reduction in the number of performance shares initially allocated under the 2020 plan for the portion represented by the internal performance criteria (i.e., 80%), decided by the Board of Directors on March 24, 2021 on the recommendation of the Compensation Committee, and (ii) the reduction in the number of shares allocated on a prorata temporis basis for the period during which Jacques Aschenbroich was both Chairman and Chief Executive Officer. These shares were delivered to Jacques Aschenbroich on March 24, 2023 and remain subject to a two-year holding period.

(28) The number of shares takes into account the reduction in the number of shares allocated on a prorata temporis basis for the period during which Jacques Aschenbroich was both Chairman and Chief Executive Officer.

EMPLOYMENT CONTRACT, SUPPLEMENTARY PENSION PLANS AND BENEFITS (AMF TABLE NO. 11)

	Employment contract	Supplementary pension plans	Compensation or benefits owed or likely to be owed on termination or change of position	Compensation relating to a non-compete clause
Gilles Michel Chairman of the Board of Directors First appointed as a director: 05/23/2018 Lead director from 10/24/2019 to 01/26/2022[(1)] Appointed as Chairman of the Board of Directors: 01/01/2023 Last renewal of the current term of office as a director: 05/24/2022 End of term of office as Chairman of the Board of Directors: Shareholders' Meeting called to approve the 2025 financial statements	No	No	No	No
Christophe Périllat Chief Executive Officer First appointed as a director: 05/26/2021 Deputy Chief Executive Officer from May 26, 2021 to January 26, 2022 First appointed as Chief Executive Officer: Board meeting of 01/26/2022 End of current term of office as a director: Shareholders' Meeting called to approve the 2024 financial statements	No, since January 26, 2022.[(2)]	Yes. A description of this supplementary pension is provided in the paragraph "Supplementary pension" of this section, page 157.[(3)]	Yes. For a description of this benefit, see paragraph "Termination benefits" of this section, page 158.	Yes. For a description of this benefit, see paragraph "Non-compete clause" of this section, page 157.

(1) In accordance with Article 1.7 (a) of the Internal Procedures, Gilles Michel's duties as Lead Director ended on January 26, 2022, the date on which the roles of Chairman of the Board of Directors and Chief Executive Officer were separated.

(2) Christophe Périllat's employment contract was suspended during his term of office as Deputy Chief Executive Officer and was terminated as of the date of his appointment as Chief Executive Officer on January 26, 2022. His employment contract was terminated upon his appointment as Chief Executive Officer.

(3) The termination of his employment contract entailed the loss of the benefit of any defined benefit supplementary pension plans to which he would have been entitled if he had remained a Valeo employee until his retirement, except for his rights acquired under the new plan from January 1, 2020 up until his employment contract was terminated. In accordance with the 2023 Chief Executive Officer Compensation Policy, Christophe Périllat, in his capacity as Chief Executive Officer, benefits from an optional defined contribution pension plan, which replaces the acquisition of rights under the defined benefit pension plans.

Directors' compensation in respect of the 2023 financial year

The amount of compensation paid to each director in respect of the 2023 financial year is outlined in the table below.

(Gross) compensation awarded and paid to Board members amounted to 957,000 euros for 2023 compared with 964,381.22 euros for 2022[(28)]. The compensation was distributed as follows:

[(28)] The compensation allocated to Alexandre Dayon upon his appointment as director in 2022, i.e., 19,733.70 euros, was paid at the beginning of 2023.

SUMMARY OF DIRECTORS' COMPENSATION PROVIDED FOR IN ARTICLES L. 22-10-4 AND L. 225-45 OF THE FRENCH COMMERCIAL CODE AND OTHER COMPENSATION RECEIVED BY THE CORPORATE OFFICERS (AMF TABLE NO. 3)

	Compensation				Other compensation (fixed, variable or exceptional compensation, benefits in kind)	
(in €)	2022	Fixed portion 2023	Variable portion 2023	Ratio between the 2023 fixed and variable portions	2022	2023
EXECUTIVE CORPORATE OFFICERS						
Gilles Michel (Chairman of the Board of Directors since January 1, 2023)	-	-	-	-	-	360,000
Jacques Aschenbroich	-	-	-	-	835,036	-
Christophe Périllat	-	-	-	-	2,001,412	1,929,755
NON-EXECUTIVE CORPORATE OFFICERS						
Julie Avrane[(1)]	73,000	25,000	45,000	fixed portion: 36% variable portion: 64%	-	-
Bruno Bézard	73,000	25,000	42,000	fixed portion: 37% variable portion: 63%	-	-
Bpifrance Participations[(2)]	82,000	25,000	45,000	fixed portion: 36% variable portion: 64%	-	-
Alexandre Dayon[(3)]	19,733.70	25,000	48,000	fixed portion: 34% variable portion: 66%	-	-
C. Maury Devine[(4)]	41,266.30	-	-	-	-	-
Stéphanie Frachet[(5)]	-	25,000	63,000	fixed portion: 28% variable portion: 72%	-	-
Mari-Noëlle Jégo-Laveissière	73,000	25,000	45,000	fixed portion: 36% variable portion: 64%	-	-
Gilles Michel[(6)]	98,381.22	-	-	-	-	-
Thierry Moulonguet	97,000	40,000	63,000	fixed portion: 39% variable portion: 61%	-	-
Éric Poton	73,000	25,000	45,000	fixed portion: 36% variable portion: 64%	-	-
Patrick Sayer	88,000	37,000	57,000	fixed portion: 39% variable portion: 61%	-	-
Ulrike Steinhorst	88,000	31,000	60,000	fixed portion: 34% variable portion: 66%	-	-
Grzegorz Szelag	73,000	25,000	45,000	fixed portion: 36% variable portion: 64%	-	-
Véronique Weill	85,000	37,000	54,000	fixed portion: 41% variable portion: 59%	-	-
	-	**345,000**	**612,000**			
TOTAL	**964,831.22**		**957,000**			

(1) *Julie Avrane is the permanent representative of Fonds Stratégique de Participations.*
(2) *Bpifrance Participations was represented by Stéphanie Frachet until December 31, 2022. At its meeting held on December 8, 2022, the Board of Directors acknowledged the appointment of Alexandre Ossola as permanent representative of Bpifrance Participations, effective January 1, 2023.*
(3) *At its meeting held on July 26, 2022, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors unanimously decided to co-opt Alexandre Dayon as an independent director to replace C. Maury Devine.*
(4) *Resignation with effect on July 26, 2022.*
(5) *At its meeting held on December 8, 2022, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors unanimously decided to co-opt Stéphanie Frachet as an independent director to replace Jacques Aschenbroich, effective January 1, 2023.*
(6) *Gilles Michel's duties as Lead Director ended on January 26, 2022. At its meeting held on December 8, 2022, on the recommendation of the Governance, Appointments & Corporate Social Responsibility Committee, the Board of Directors unanimously decided to appoint Gilles Michel as Chairman of the Board of Directors of Valeo, effective January 1, 2023.*

3.3.3 Overall compensation of other Group senior executives

The Group's other senior executives correspond to the members of the Executive Committee[29] which at December 31, 2023 was made up of 14 members including the Chief Executive Officer. The total gross amount paid directly and indirectly to the members of the Executive Committee (excluding the executive corporate officers) was 11,592,634 euros in 2023 (compared with 10,857,784 euros in 2022), of which a fixed portion of 6,632,206 euros, a variable portion of 4,811,749 euros, and benefits in kind of 148,679 euros.

At its meeting held on May 24, 2023, the Board of Directors, on the recommendation of the Compensation Committee, decided to allot free shares or performance shares to employees and corporate officers under the conditions provided for in the applicable legal provisions and pursuant to the twenty-sixth resolution of the Shareholders' Meeting of May 24, 2023, including:

- 443,644 performance shares to the Executive Committee members (excluding Christophe Périllat);
- 202,159 performance shares to the Liaison Committee members (other than the Executive Committee members);
- 1,050,840 free shares/performance shares to the main direct reports of the Liaison Committee members and other Group managers;
- 973,290 free shares (maximum), not subject to performance criteria, including (i) 773,867 free shares allotted (a) among all the Group's employees in France and in countries not participating in the Shares4U employee share ownership plan, and (b) share allotments for the international contribution under the Shares4U employee share ownership plan, under the terms and conditions of allotment set out in the various plan regulations, and (ii) 199,423 free shares (exceptional allotment) to high-potential managers.

The main characteristics of the performance shares allotted to the members of the Executive Committee and the Liaison Committee, as well as the main direct reports of the Liaison Committee members, are as follows:

- the performance shares allotted to the members of the Executive Committee (excluding Christophe Périllat) and the Liaison Committee are subject to the same performance criteria, target rates and performance assessment methods as the performance shares allotted by the Board of Directors on the same date to the Chief Executive Officer (see section 3.3.1 "Overview of the compensation policy for the Chief Executive Officer in respect of the 2023 financial year", pages 153 to 158);
- 50% of the performance shares allotted to the main reports of the Liaison Committee members and other Group managers are contingent on the achievement of the following performance criteria as assessed over the three years of the vesting period: (i) two internal performance criteria based on EBIT (20% weighting) and ROCE rate (20% weighting), and (ii) two CSR criteria, i.e., an environmental criterion based on the level of CO_2 emissions (5% weighting) and a gender diversity criterion, based on the number of women on the Group's management committees (covering the 300 most important Group management positions) (5% weighting). The target rates and procedures used to measure the achievement rates for these criteria are the same as those used for the performance shares allotted on the same day by the Board of Directors to (i) the Chief Executive Officer (see section 3.3.1 "Overview of the compensation policy for the Chief Executive Officer in respect of the 2023 financial year", pages 153 to 158) and (ii) the members of the Executive Committee and the Liaison Committee;
- the performance shares will vest after a three-year vesting period; there is no minimum holding period for the shares obtained;
- free shares allotted to high-potential executives, to employees in countries not participating in the Shares4U employee share ownership plan and to French employees are not subject to any performance criteria;
- all free shares or performance shares will be allotted provided, in particular, that (i) the beneficiary's employment contract is still valid, and (ii) the share vesting date does not fall during the notice period following the beneficiary's resignation, dismissal or contract termination, unless provided otherwise (such as in the case of death, total and permanent disability, retirement, early retirement, the sale of the beneficiary's entity, or the Board of Directors' discretionary decision)[30]. Furthermore, the Board of Directors reserves the right to maintain the entitlement to the performance shares in specific cases determined by it;
- in accordance with the Group's Code of Conduct, the Chief Executive Officer, the members of the Executive Committee and the Liaison Committee shall not engage in hedging transactions over Valeo securities (including performance and/or free shares).

The free shares or performance shares allotted to employees and corporate officers (including the executive corporate officer) in the 2023 financial year had a limited dilutive impact and represented 1.14% of the Company's share capital at December 31, 2023. All of the free shares and performance shares allotted since 2010 to employees and corporate officers (including to the executive corporate officer in respect of the 2023 financial year) represented 8.54% of the Company's share capital at December 31, 2023.

Further to the Board of Directors' decision on July 20, 2017, the supplementary pension plan covering the Group's senior executives, which came into effect on January 1, 2010, was closed to new members on July 1, 2017. A new "Article 83" defined contribution supplementary pension plan was introduced on January 1, 2019 and is open to all employees in France whose compensation is more than four times the social security ceiling. In accordance with French Ordinance No. 2019-697 of July 3, 2019, the defined benefit pension plan, which no longer welcomes new members since July 1, 2017, no longer allows for the acquisition of new rights as from January 1, 2020. Since January 1, 2020, members of the previous defined benefit pension plan have been covered by a new defined benefit plan governed by Article L. 137-11-2 of the French Social Security Code.

(29) The previously named Operations Committee was dissolved after the Shareholders' Meeting of May 24, 2023 and is now called the Executive Committee.

(30) For the free shares allotted under the Shares4U plan, rights to free shares are forfeited if the employee resigns or is dismissed for misconduct. The shares allotted under this plan may be delivered in advance of the vesting date in the event of an employee's death or if an employee becomes disabled.

3.3.4 Information about the performance shares

The performance share allotment policy is described in section 3.3.1 "Overview of the compensation policy for the Chief Executive Officer in respect of the 2023 financial year", pages 153 to 158 for allotments made to Christophe Périllat, and in section 3.3.3 "Overall compensation of other Group senior executives", page 182 with respect to allotments made to other beneficiaries.

Stock options and free shares are also detailed in Chapter 6, section 6.6.2 "Other securities giving access to the share capital – Stock purchase option and free share plans", pages 437 to 439.

Stock purchase options allotted and exercised in the 2023 financial year (AMF Table No. 9)

Stock purchase options allotted to the ten employees receiving the greatest number of options and options exercised by the ten employees exercising the greatest number of options, excluding corporate officers	Number of options allotted/exercised	Weighted average strike price	Expiration date	Date of Board of Directors' meeting
Options allotted during the financial year by Valeo and/or other Group companies to the ten employees of the issuer or other Group companies receiving the greatest number of options	-	-	-	-
Options held on Valeo and/or other Group companies, and exercised during the financial year by the ten employees of the issuer or other Group companies with the greatest number of options exercised	-	-	-	-

Performance shares allotted during the 2023 financial year

Performance shares allotted to the ten employees receiving the greatest number of performance shares, excluding corporate officers	Number of performance shares allotted	Date of Board of Directors' meeting
Performance shares allotted by Valeo to the ten employees of Valeo or related entities, as defined in Article L. 225-197-2 of the French Commercial Code, who received the greatest number of such shares(1)	394,894	05/24/2023

(1) Valued at 16.17 euros under IFRS.

Pensions and other post-employment benefits and related provisions

At December 31, 2023, the total amount of provisions set aside by Valeo or its subsidiaries for the payment of pensions or other post-employment benefits to members of the Board of Directors and other senior executives of the Group came to 10 million euros (unchanged from December 31, 2022).

At December 31, 2023, the total amount of provisions set aside and the total amounts paid by Valeo or its subsidiaries for these benefits to former Board members or other senior executives of the Group came to, respectively, 3 million euros (versus 2 million euros at December 31, 2022) and 64,210 euros (versus 108,742 euros at December 31, 2022).

4

SUSTAINABLE DEVELOPMENT

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

Interview with Christophe Périllat

Christophe Périllat
CHIEF EXECUTIVE OFFICER

You took over as Valeo's Chief Executive Officer two years ago. How do you view Valeo's maturity in terms of sustainable development?

C.P. The automotive industry is currently undergoing the biggest transformation in its history. For more than a decade, Valeo has been anticipating this transformation and has made the reduction of greenhouse gas emissions one of its strategic priorities and a vector for growth. We have structured our product portfolio to meet the major challenges of sustainable mobility, in particular the quest for safer, low-carbon mobility. Valeo is at the heart of the four sustainable mobility megatrends: acceleration of electrification, acceleration of ADAS, reinvention of the interior experience and lighting everywhere.

Day in, day out, we are innovating to make low-carbon mobility a reality with technologies that are accessible to as many people as possible. Valeo derives more than 90% of its original equipment sales from products contributing to cleaner and safer mobility.

Since its creation 14 years ago, Valeo's Sustainable Development Department has undertaken and led work to improve our performance and transparency on environmental, human resources and social issues, enabling Valeo to become one of the leading automotive suppliers in terms of non-financial performance. In 2023, Valeo was awarded an A- score based on the data provided under the CDP's (Carbon Disclosure Project) Climate Change questionnaire. And the other great news this year is that Valeo also scored an A on the Water Security questionnaire. These non-financial ratings reward our leadership in terms of transparency and action to combat climate change. Valeo also received the highest rating among its automotive supplier peers from the main non-financial rating agencies.

This work is in keeping with our adherence to the ten principles of the United Nations Global Compact since 2005. We support this initiative, and continue to contribute to the United Nations Sustainable Development Goals.

What were the highlights of 2023 in terms of sustainable development?

C.P. 2023 was marked by major initiatives that continue Valeo's groundbreaking work on sustainability.

We also continued the successful roll out our CAP 50 Carbon Neutrality Contribution Plan, to the point of exceeding our 2023 targets – our emissions are down by 4.5 $MtCO_2eq$. compared with 2019, a reduction of 9%.

Under this plan, Valeo has set major intermediate targets for 2025 and 2030. This demands a huge transformation of our operations, our value chain and our products, one that involves mobilizing and training all our employees, but which also requires a commitment from us beyond the scope of our plants and products. Decarbonization is a priority that must be shared with our entire ecosystem and the automotive industry as a whole, including our suppliers. That's why we aim to support them in their carbon transition, leading to the emergence of new products, materials and solutions. To further onboard our suppliers in this transition, Valeo partnered with CDP two years ago and uses the CDP Supply Chain Assessment to measure the carbon performance of its suppliers. The program targets suppliers representing more than 80% of annual manufacturing purchasing expenditure and will be repeated each year.

We also strengthened our ties with stakeholders by attending COP 28 – our second COP summit. At the event, we presented low-cost electrification solutions for developing countries. Because while mobility must indeed be decarbonized, it must also be affordable, otherwise we will not achieve our greenhouse gas emissions reduction targets.

Valeo also presented its low-carbon strategy to the Annual Summit of the International Transport Forum at the OECD, the world's largest gathering of transport ministers, in May 2023. It was an opportunity to explain the importance of cooperation between public and private sector players to accelerate the adoption of solutions for the mobility of tomorrow.

What are the Group's priorities in terms of sustainability for 2024 and beyond?

C.P. Our industry is responsible for 18% of CO_2 emissions worldwide. That means we have a huge responsibility in this area, and we are proud to be part of the solution, in particular by positioning ourselves as a major player in electrification.

Electrification is now a reality, but its gradual development poses other challenges for our industry. In keeping with our goal of achieving excellence in the area of sustainable development, I wanted us to anticipate future trends and challenges. That's why we are addressing the issue of carbon in a much broader way than simply vehicle use, and plan to involve our plants, suppliers and partners. Our Carbon Neutrality Contribution Plan assigns eco-design, recyclability and material impact reduction objectives to all of our main production platforms.

We will continue our efforts to meet the challenges that lie ahead and achieve our decarbonization targets in accordance with our SBTi commitments and recommendations issued by the relevant industry bodies.

But the challenges we face stretch far beyond carbon.

Valeo is keen to strengthen its commitment to the circular economy, particularly by giving consideration to its impact on biodiversity. In 2022, we launched a circular economy policy known as the "4Rs approach", encompassing robust design, remanufacturing, repair and recycling. It applies at all of our plants. This approach sums up the Group's commitment to making its operations and its value chain more circular, and the results are already tangible. They include the qualification of 70% recycled polycarbonates and 100% recycled polypropylenes and more than 1 million products remanufactured each year. Remanufacturing and repair operations are to be accelerated over the coming decade, with the aim of doubling annual volumes of parts featuring materials from the circular economy.

Beyond the circular economy, Valeo is keenly aware of its responsibility as a key contractor in its supply chains. So, in order to set an example, in 2023 Valeo set a certain number of milestones in the critical materials and strategic sourcing ecosystems, by taking part in bilateral consortiums between countries working together on these issues.

Because our employees are an essential asset for the Group, we are pressing ahead with our commitment to safety, skills development and job quality. 2023 saw improvements in health and safety, diversity and time allocated to training. As a key partner in the regions where we operate, Valeo must continue to drive its entire ecosystem's commitment to sustainable development. Our aim is to further develop our relationships with local stakeholders, through our partnerships with universities, schools and technical training centers, to help the schoolchildren, apprentices and students of today become responsible citizens of tomorrow. In addition to measures aimed at better aligning our suppliers with sustainability standards relating to society, particularly in terms of respect for human rights, we intend to contribute to and shape the pool of skills that will best serve the low-carbon, smart mobility ecosystem. All of these initiatives accurately reflect the meaning Valeo wishes to give to its work to promote the sustainable development of society.

4.1 Sustainable development strategy

Valeo presents its sustainable development policy with a view to ensuring the transparency and clarity of the non-financial information reported annually.

In accordance with the European and French frameworks in force[1], Valeo publishes its Non-financial Information Statement in this chapter, and also presents the key points relating to its action in favor of the circular economy (see section 4.3.3 “Environmental policies and commitments”, page 247).

Valeo also reports on the progress of its duty of care plan (see section 4.6 of this chapter, pages 279 to 281), in accordance with French legal requirements[2].

4.1.1 Vision and governance

4.1.1.1 Valeo and the United Nations Sustainable Development Goals

The Group’s sustainable development initiatives are in line with the United Nations Sustainable Development Goals (SDGs), which include eradicating poverty, promoting development and protecting the planet. Depending on the countries in which Valeo operates, the Group undertakes to contribute to the following SDGs and targets:

	Targets	Commitments and targets	2023 results
4 QUALITY EDUCATION	Target 4.3 “By 2030, ensure equal access for all women and men to affordable quality technical, vocational or tertiary education, including university”.	Training of its teams at all levels of the organization (see section 4.2.2 “Risk related to attracting talent”, page 221). Local partnerships between Valeo and local education and training structures (see section 4.3.5.2 “A proactive commitment to local communities”, page 260).	97,686 employees (93% of the total headcount) took at least one training course during the year.
	Target 4.4 “By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship”.	Continuous education and access to quality technical training for all, allowing it to support the professional ambitions of each Valeo employee (see section 4.2.2 “Risk related to attracting talent”, page 221).	More than 502,673 hours of “Technical and Scientific” training were provided at Valeo.
5 GENDER EQUALITY	Target 5.1 “End all forms of discrimination against women and girls everywhere”.	Implementation of an extensive program to promote gender diversity, dating back to 2011. Awareness-raising and support initiatives for women at work are carried out, notably to promote the use of adapted work schedules and workstations (see section 4.2.2, “Risk related to lack of diversity”, page 227).	The gender equity index was 88.9/100(1).
	Target 5.5 “Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life”.	Promotion of women in manager and professional positions, and to positions of operational and executive responsibility. Valeo has set itself the goal of having 32% women within the Group's various management committees by 2030 (see section 4.2.2 “Risk related to lack of diversity”, page 227).	The percentage of women within the Group's various management committees is 23.6%.
8 DECENT WORK AND ECONOMIC GROWTH	Target 8.7 “Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms”.	Comprehensive program to promote respect for fundamental rights, protect against forced labor, and prohibit child labor, based notably on the Valeo Code of Business Ethics, which prohibits such practices and behaviors. Valeo requires all its suppliers to adhere to the Valeo Business Partners Code of Conduct, which includes provisions for the elimination of forced labor (see section 4.2.2 “Risk related to fundamental rights”, page 237).	94.2% of the registered headcount operates under a collective agreement (see section 4.2.2, “Risk related to fundamental rights”, page 237).

(1) The gender equity index includes all sites located in countries with at least 150 Managers and Professionals worldwide. This index is based on the evaluation of 5 criteria, see sustainable development glossary, page 291.

(1) Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations.
(2) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.

	Targets	Commitments and targets	2023 results
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Target 9.5 “Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of Research and Development workers per 1 million people and public and private research and development spending”.	Valeo is a major industrial and technological player in the automotive and mobility sectors. Thanks to its global footprint, the Group is continuing its development efforts in the areas of production, technology and training in various countries (see section 4.3.2.2 “A comprehensive and partnership-based approach to Research, Innovation and Development (R&I&D)”, page 244).	Valeo has filed 1,666 patents, and invests 11.8% of its sales in Research and Development (original equipment).
11 SUSTAINABLE CITIES AND COMMUNITIES	Target 11.2 “By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons”.	Development of cleaner, safer and smarter mobility solutions.	60% of Valeo’s sales contributed directly or indirectly to reducing greenhouse gas emissions, and 46% to safer mobility (15% of sales contributed both to the reduction of greenhouse gas emissions and to safer mobility).
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Target 12.2 “By 2030, achieve sustainable management and efficient use of natural resources”.	Always in keeping with local regulations, the Group is committed to a circular economy approach aimed at reducing the consumption of natural resources stemming from its growth and its waste-related environmental impact, and at building a more eco-friendly and economically viable development model (see section 4.3.3 “Environmental policies and commitments”, page 247). This approach is aimed at reducing the consumption of raw materials (metal, plastic, etc.) and replacing materials impacting the carbon footprint of the end-product (vehicle) with greener substitutes (see section 4.2.2 “Risk of non-achievement of Valeo’s Carbon Neutrality Contribution Plan commitments”, page 200).	Between 2022 and 2023, Valeo reduced its water consumption by 9% in absolute terms. In 2023, Valeo’s water consumption as a proportion of sales totaled 148 cu.m. per million euros.
	Target 12.5 “By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse”.	Reduction of landfilled and non-recycled waste generation (see section 4.2.2 “Risk associated with accidental pollution of water and/or soil”, page 208).	The Group’s waste production increased by 13 kt in absolute terms, but was down 9% as a percentage of sales compared with 2022.
13 CLIMATE ACTION	Target 13.1 “Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries”.	Valeo is committed to carbon neutrality by 2050 and aims to achieve 45% of this objective by 2030 (see section 4.1.3 “Valeo’s Carbon Neutrality Contribution Plan for 2050”, page 193). The Group also aims to have 40% of its sites certified for energy management (ISO 50001) by 2025 (see section 4.3.3 “Environmental policy” “Evaluation and certification processes”, page 222).	Valeo has reduced its greenhouse gas emissions (Valeo Scopes 1, 2 and 3) by 9% compared with 2019. This achievement is in line with the annual target set for 2023. 52% of the Group’s sites already had ISO 50001 certification in 2023.

4.1.1.2 Strong stakeholder relationships

Relationships between Valeo and its stakeholders span the entire product life cycle, from design (research centers, universities and engineers) to production (suppliers and employees) and sales (automakers and distribution networks).

Valeo offers a comprehensive picture of its sustainable development policy based on an analysis of its relationships with stakeholders. The analysis states the type of stakeholder, the objectives and the form of dialogue. The table underscores the Group's responsible approach, taking into account changes in the automotive industry, stakeholders' demands and the Group's determination to meet the highest international standards in sustainable development.

	Stakeholders	Objective of dialogue	Sample responses and types of dialogue undertaken
Customers	• Automakers • Distributors	• Design, develop, manufacture and market innovative products and systems for sustainable mobility	• Technology steering committees • Customer meetings • Market trend studies
Employees	• Valeo employees • Professional organizations • Administrative and governmental authorities • Employer representative bodies • Employee representative bodies and labor unions • Social security organizations	• Ensure ongoing dialogue with employees • Ensure ongoing dialogue with the leaders of the different trade unions and professional organizations	• Annual survey of employee commitment • Diversity program • Well-Being at Work program • Collective bargaining • Dialogue with labor unions and employers' associations
Research and Development partners	• Research partners and subcontractors • Start-ups and accelerators • Venture capital firms • Laboratories • Universities, institutes of technology • Independent public bodies • Certification and control bodies	• Establish cooperative and industry-oriented Research and Development • Organize transfers and exchanges of competences, techniques and know-how	• Scientific events (conferences and congresses) • Collaborative research • Partnerships with universities, institutes of technology and competitiveness clusters • Organization of technology days • Participation in technological platforms
Partners and suppliers	• Lessors/tenants • Suppliers • Innovative SMEs	• Cooperate and co-construct in compliance with competition law and fundamental rights	• Supplier integration • Selection committees • Calls for tender • Working groups • Regional supplier agreements
Institutions	• Public authorities (governments) • European Commission • International organizations (UN, ITF, IFC, OECD, etc.)	• Conduct economic, industrial and labor dialogue in compliance with national, European and international laws and regulations	• Communication on Progress of the UN Global Compact (once annually) and participation in proposed programs (SDG Ambition) • Dialogue with national authorities • Dialogue with the European Commission
Regions	• Local authorities • Local governments • Associations • Civil society • Schools	• Ensure positive development interaction between the Group and its local ecosystem	• Dialogue with employment agencies • Dialogue with local authorities • Dialogue with local stakeholders (associations, NGOs, etc.) • Partnerships with schools
Financial community, individual and non-financial shareholders	• Shareholders/institutional investors • Individual shareholders • Banks • Insurers • Statutory Auditors • Independent third party	• Adopt a dialogue-based approach building on the relevance, rigor and transparency of information relating to the Group's results and performance	• Meetings with investors and analysts (including SRI(1)) • Financial results presentations • Shareholders' Meeting • Discussions with shareholders (dedicated line and email address) • Website and digital resources (webzine, flash e-newsletter, shareholders' letters, etc.)

(1) SRI: socially responsible investment.

Dialogue with industry stakeholders

The dialogue between Valeo and its stakeholders is maintained and continually enriched, notably through:

- the introduction of new topics, such as the fight against planned obsolescence, for which Valeo has represented automotive suppliers (excluding tire manufacturers); and
- the opening of discussion forums, including Stakeholder Dialogues at the 2017, 2018 and 2019 editions of Movin'on, the former Bibendum Challenge, organized by Michelin in Montreal, and the annual European Research Conference organized by the European Commission (TRA 2019) in Vienna.

Within the Automotive Industry Platform (*Plateforme de la filière automobile* – PFA), Valeo also supports entering into dialogue with stakeholders, drawing on a panel of various French and European public bodies and international organizations, representatives of local authorities, private automotive companies, infrastructure managers and urban planning agencies, as well as representatives from civil society and environmental NGOs.

Since 2015, this approach has provided the French automotive industry with a forum for open dialogue with representatives of various stakeholders (civil society, local authorities, related industries, education and research) and an opportunity to identify possible solutions in the field. In 2023, as part of this open dialogue, three sessions were held, relating to the challenges of the transition (with the municipality of Goussainville, France), the technological and regulatory challenges of the transition (with UTAC), and the challenges posed by the transition in relation to training, skills and attractiveness (with the *École des Ponts*).

Valeo, a global player in the automotive industry

As a responsible player within the French automotive industry, Valeo contributes to the Automotive Future Fund (*Fonds Avenir Automobile* – FAA).

Along with other major automotive suppliers, the Group supports tier-two suppliers and those further down in the chain, helping them strengthen their activities among customers.

Placing great importance on its involvement in different consultation bodies in the industry, Valeo actively participates in French, European and international working groups:

- in France, Valeo took part in creating the Automotive Industry Platform (*Plateforme de la Filière Automobile* – PFA), which works to improve customer-supplier relationships and in turn to better align research and production. It continues to play an active part;
- in Germany, Valeo participates in working groups of the *Verband der Automobilindustrie* (VDA), the German automotive industry body;
- in Europe, Valeo is involved in collaborative, precompetitive research through the European Road Transport Research Advisory Council (ERTRAC), the European Commission's technology platform for research on road transportation;
- Valeo is also a member of the French-Chinese automotive industry working group coordinated by the two countries' respective ministry of industry;
- in the United States, Valeo works with research teams from the National Highway Traffic Safety Administration (NHTSA);
- Valeo seeks to maintain relationships with major cities as a provider of solutions for smarter, low-carbon mobility facilitating the emergence of smart cities.

Participation in these organizations takes place in strict compliance with competition law.

4.1.1.3 Sustainable development governance and organization

Sustainable development organization

The sustainable development policy spans all of the Group's functions and networks, and is designed to dovetail with Valeo's business objectives and policies.

The Sustainable Development and External Affairs Department lays down policies and plays the role of pilot and coordinator for the Group's various departments. It ensures the appropriate level of interface between the Group and external stakeholders in order to satisfy their growing requirements. The Human Resources, Health, Safety and Environment (HSE), Ethics, Compliance and Data Protection, Risk and Insurance, Research and Development departments and the Operational departments (Purchasing, Quality, Transportation and Logistics) all contribute to Valeo's sustainable development policy.

To support the management of risks related to sustainable development challenges (known as non-financial risks), the Sustainable Development and External Affairs Department performs dedicated mapping and reviews it annually, in conjunction with the Risk Management Department (see section 4.2 "Sustainable development challenges and non-financial risks", page 196).

Since 2020, the Sustainable Development and External Affairs Department has also been in charge of the governance structure established for the launch, implementation and monitoring of Valeo's Carbon Neutrality Contribution Plan for 2050. This steering committee brings together all the aforementioned departments and networks under the supervision of the Chief Executive Officer. Its aim is to set annual objectives for the various contributing networks and to oversee the implementation of Valeo's Carbon Neutrality Contribution Plan (see section 4.1.3, "Valeo's Carbon Neutrality Contribution Plan", page 193).

A committee of the Board of Directors in charge of sustainable development and corporate social responsibility

The Governance, Appointments & Corporate Social Responsibility Committee has been given the following responsibilities in particular:

- reviewing the main thrusts of the Group's corporate social responsibility policy;
- identifying corporate social responsibility objectives and challenges, and making sure that the previously defined objectives are met;
- overseeing the gradual and increasing implementation of the corporate social responsibility policy, and assessing the Group's contribution to sustainable development;
- in conjunction with the Audit & Risks Committee, gaining an understanding of the risks and issues involved in corporate social responsibility (CSR), and obtaining information about the resources the Group can call on to pursue its strategy in this area.

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

Issues are presented to the Committee several times a year, at meetings attended by the Group Senior Vice-President, Sustainable Development and External Affairs, the Group Vice-President, Health, Safety and Environment (HSE), the Chief Ethics, Compliance and Data Protection Officer and the Group Chief Human Resources Officer, for employee-related issues.

These discussions are an opportunity to:

- **validate the main lines of action** regarding:
  - the rollout of the Carbon Neutrality Contribution Plan,
  - the assessment of risks and opportunities related to climate change,
  - the conservation of water, resources and biodiversity,
  - health and safety at work and the development of a healthy work environment,
  - the development of human capital, social dialogue,
  - ethics, diversity, inclusion, and respect for individual and collective rights;
- **review achievements during the year** relating to:
  - reduction of greenhouse gas emissions within the framework of the Carbon Neutrality Contribution Plan,
  - resource conservation, including water, waste management, and the circular economy,
  - selection and monitoring of non-financial risks,
  - the Group's response to customer demands concerning sustainable development,
  - the deployment of sustainable development principles in the purchasing policy,
  - prevention initiatives in the fight against fraud and corruption, and the establishment and rollout of the Whistleblowing System,
  - integration and solidarity initiatives with the communities of the cities and regions where Valeo operates,
  - integration into research and educational ecosystems,
  - Valeo's sustainable development practices and performance assessments by non-financial analysis agencies,
  - non-financial reporting (Universal Registration Document, Climate Report).

In 2023, the new reporting obligations resulting from the CSRD[3] were also presented.

CSR and climate issues are also discussed with the Audit & Risks Committee, either through the risks related to CSR issues (including climate) or more generally through a presentation by the member responsible for CSR issues at least once a year. This principle – which was added to the internal procedures of the two Committees by way of a decision of the Board of Directors on February 23, 2023 – was respected in 2023. At the June 21, 2023 meeting of the Audit & Risks Committee, Ulrike Steinhorst stressed that her presentation was aimed at informing the Audit & Risks Committee more fully on CSR issues, while at the same time developing cooperation between the two Committees, particularly with a view to the application of the CSRD. She also presented the CSR work of the Governance, Appointments & Corporate Social Responsibility Committee to the Audit & Risks Committee.

As part of the steps taken for applying the CSRD, the Board of Directors decided to increase the collaboration between the Audit & Risks Committee – which has a number of verification responsibilities pursuant to the CSRD – and the Governance, Appointments & Corporate Social Responsibility Committee by envisaging the principle of the Chair of the Audit & Risks Committee attending a meeting of the Governance, Appointments & Corporate Social Responsibility Committee at least once a year, to present the work carried out by the Audit & Risks Committee on non-financial issues, particularly regarding the internal control and processing of sustainability information. The internal regulations of these two committees were amended to this effect on February 29, 2024.

4.1.1.4 Business model

Valeo's business model is presented in the Integrated Report, pages 40 to 41.

4.1.2 Recognition of Valeo's commitment to sustainable development

Valeo has for several years seen its non-financial performance acknowledged by the main rating agencies in this area, reflecting the successful cross-functional deployment of sustainable development efforts and related communications that respect the principles of transparency, discipline and relevance. Valeo has maintained its position as one of the most highly rated automotive suppliers.

Organization	Rating
CDP Climate Change **CDP Water** **CDP SER** (Supplier Engagement Rating)	**A-** **A** **A**
MSCI ESG Rating	**AAA,** Industry leader, ranked No. 1 among automotive suppliers
ISS-oekom	**B-, prime,** Industry leader, ranked No. 1 among automotive suppliers, excluding tire manufacturers
S&P Global Corporate Sustainability Assessment (CSA)	**68/100**
Sustainalytics	**10.1 Low Risk,** ESG Industry and Regional Top Rated
Moody's	**63/100**

Valeo scored **A- in the CDP Climate Change** questionnaire.

For the first time, Valeo **scored an A** in the **CDP Water questionnaire,** reflecting the transparency and relevance of Valeo's action plans to reduce greenhouse gas emissions and protect water resources. Under the CDP Supplier Engagement Rating program, Valeo was awarded the highest possible score (A) in 2023 for the transparency and quality of its disclosures relating to corporate governance and Scope 3 emissions.

[3] *Corporate Sustainability Reporting Directive: Directive (EU) 2022/2464 of the European Parliament and of the Council of December 14, 2022 as regards corporate sustainability reporting, transposed into French law by Government order no. 2023-1142 of December 6, 2023 on the publication and certification of sustainability reporting and the environmental, social and corporate governance obligations of commercial companies.*

MSCI once again awarded Valeo the highest score possible (AAA) under its evaluation system. This places Valeo at the very top of the ranking in the group of automotive equipment manufacturers. The score reflects an excellent assessment of the transparency of information and clear positioning in terms of work to control the risks identified in the sector.

S&P Global Corporate Sustainability Assessment (CSA) assessed Valeo's various sustainable development actions (governance, environment, social) and awarded it a very satisfying score of 68/100, ranking the Group among the best in its sector. This confirms the relevance of Valeo's cross-functional approach to sustainable development.

Valeo has obtained one of the best ESG risk management assessments in the Auto Components category (Low Risk) from rating agency **Sustainalytics.** This outcome validates the risk management policies and tools implemented by Valeo for several years.

In addition to these ratings assigned by rating agencies, Valeo featured in several non-financial indices, in particular:

- CAC40 ESG;
- CAC SBT 1.5°;
- Euronext Vigeo Europe 120;
- FTSE4Good Index Series;
- MSCI ESG Leaders Index Series;
- Solactive Europe Corporate Social Responsibility Index;
- STOXX® Global ESG Leaders.

4.1.3 Valeo's Carbon Neutrality Contribution Plan for 2050 (CAP 50 plan)

HIGHLIGHTS

- Ambitious greenhouse gas reduction targets: reductions of 75% in absolute terms for Scopes 1 and 2 and 15% for upstream and downstream Scope 3 by 2030. These targets have been validated by the Science Based Targets initiative.
- 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 $MtCO_2$ in 2030.
- 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.

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.

Valeo's technologies are expected to enable third parties to avoid 13.6 $MtCO_2eq.$ in greenhouse gas emissions, i.e., 27% of the Group's emissions (2019 baseline).

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 ($tCO_2eq./€m$) compared with the ambition of its Move Up plan[4].

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

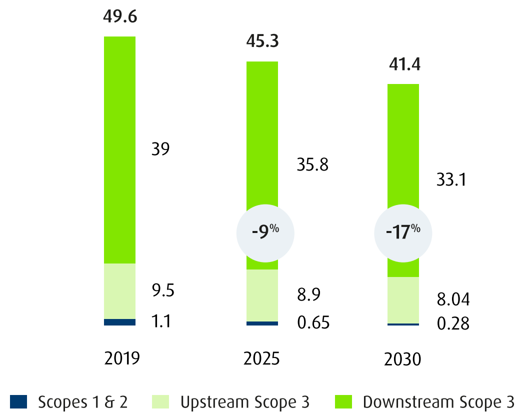
- a 59% reduction in greenhouse gas emissions of Valeo's activities per euro of sales compared with 2019, across the entire value chain;
- at the level of its operations (Scopes 1 and 2), an 88% reduction in greenhouse gas emissions from Valeo's activities per euro of sales compared with 2019;
- for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

(4) *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).*

SBTi TARGETS IN ABSOLUTE TERMS AND CHANGE VS 2019 BASELINE YEAR

($MtCO_2$)

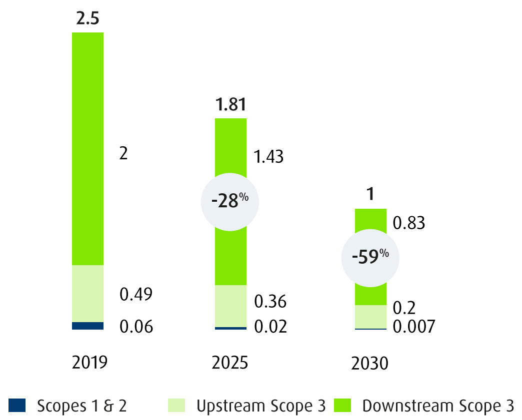


Reduction targets expressed in intensity, relative value

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

($ktCO_2$/€m)



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).

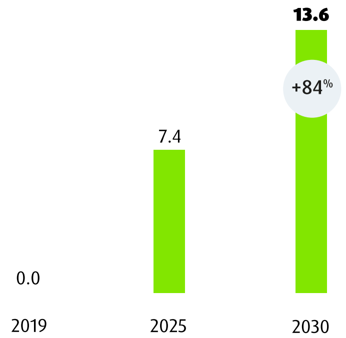
Due to the complexity of inter-sectoral harmonization, the methodology developed by the Science Based Targets initiative (SBTi) does not currently allow for emissions avoided by third parties thanks to products sold by a company to be taken into account. However, this does not call into question their 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 – see section 4.2.2 "Greenhouse gas emissions related to the use of Valeo products (Scope 3)", page 201). 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

($MtCO_2$)



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.

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.

Outcomes in 2023 and priorities for 2024

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

	$ktCO_2eq.$	2019	2021	2022	2023
Emissions trajectory established as part of the SBTi commitment and outcomes	Scope 1	196	193	191	186
	Scope 2 (including renewable energy purchases)	966	582	517	464
	Upstream Scope 3 (purchased goods and services, and transportation and distribution)	9,479	8,617	8,697	8,317
	Downstream Scope 3 (use of sold products)	39,000	36,845	35,814	36,200
	Total emissions (Scopes 1, 2 and 3)	49,640	46,237	45,220	45,168
	Annual greenhouse gas emissions target Scopes 1, 2 & 3	49,640	48,143	47,397	46,684
	Achievement of the annual target		✓	✓	✓

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".

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).

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).

The information and monitoring of indicators required for bonds and *Schuldschein* loans (German private placements) issued by Valeo in 2021 and 2022 and linked to the 2025 carbon footprint targets will be provided in a dedicated progress report available on the company's website (https://www.valeo.com/fr/investors-obligataires/).

4.2 Sustainable development challenges and non-financial risks AFR

Valeo has performed a materiality analysis to identify its main sustainable development challenges and to reinforce its work among stakeholders (see section 4.1.1.2 "Strong stakeholder relationships", page 190).

Additionally, in compliance with the French and European legal framework, Valeo maps its non-financial risks. This mapping is subject to an annual review and serves to support the management of sustainable development policies within the Group's various networks. It allows priority actions to be targeted.

4.2.1 Materiality matrix

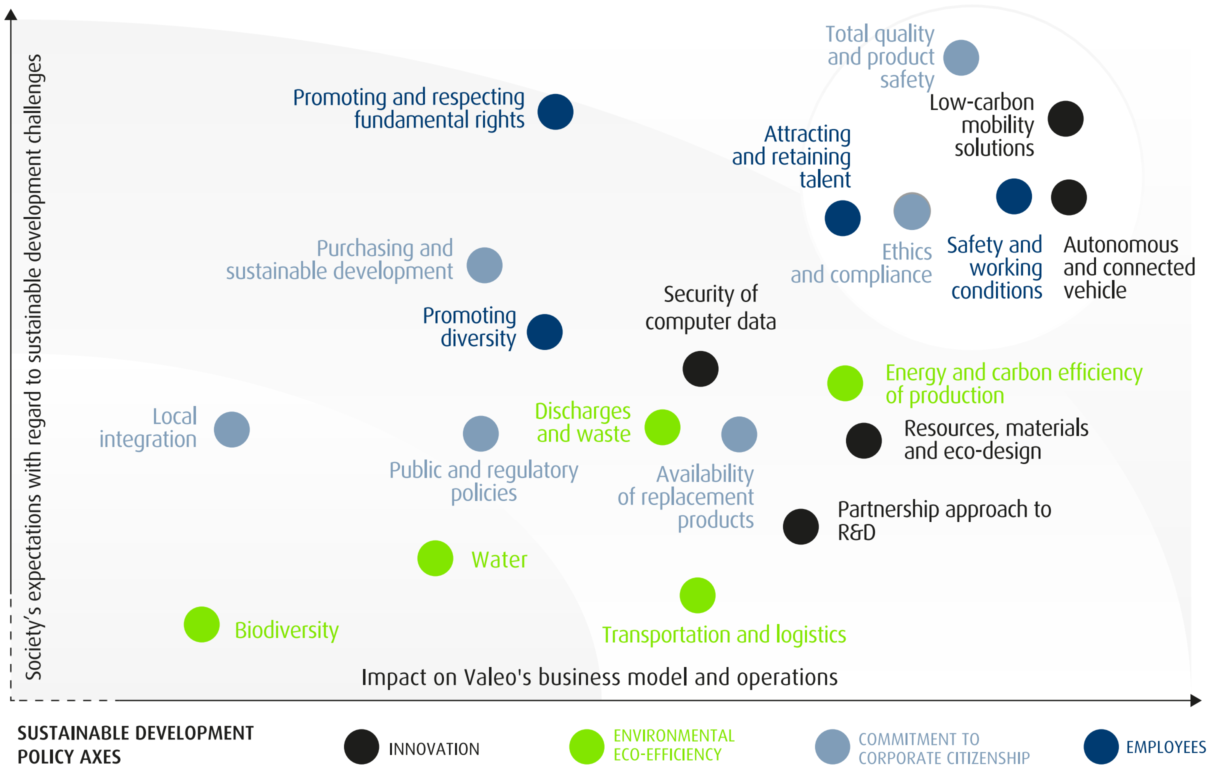
Materiality matrix plotting the Group's sustainable development challenges

The materiality analysis serves to compare Valeo's internal ambitions in respect of sustainable development with its stakeholders' expectations. The analysis is based on:

- a series of interviews with Valeo's various departments (Industrial, Purchasing, Health, Safety and Environment (HSE), Transportation and Logistics, Research and Development, Human Resources, Ethics and Compliance);
- a documentary review (non-financial questionnaires, survey results, etc.);
- specific requests from the Group's stakeholders in respect of sustainable development (automakers, civil society, specialist press, non-financial analysts, etc.) and interviews with them.

The materiality matrix is built on the following four axes: **innovation, environmental eco-efficiency, employees and commitment to corporate citizenship.** A total of 20 challenges have been identified (see below).

MATERIALITY MATRIX PLOTTING THE GROUP'S SUSTAINABLE DEVELOPMENT CHALLENGES



The matrix serves to compare, for the challenges identified, the expectations of stakeholders and their impact on the Group's activity, in order to:

- enable partners to better comprehend their interactions with Valeo;
- give Research and Development (R&D), environmental, labor-related and social data sharper focus on key issues of significance for the Group and its stakeholders;
- reinforce the relevance and quality of information put forward by the Group.

The matrix was first rolled out in 2016. Subsequently, three challenges were updated in 2017 (“Promoting and respecting fundamental rights”, “Attracting and retaining talent” and “Promoting diversity”).

In 2023, in preparation for the European Corporate Sustainability Reporting Directive, work was started to update the matrix to cover a dual impact and financial materiality analysis. The new matrix and the findings of the dual materiality analysis will be published in the 2024 Universal Registration Document, in accordance with the Directive.

4.2.2 Valeo’s non-financial risks

Valeo analyzes its non-financial risks in compliance with the French legal framework[(5)]. The analysis of non-financial risks is the result of joint work between the Risk Management Department and the Sustainable Development and External Affairs Department.

In analyzing its non-financial risks, Valeo has developed duty-of-care and measurement tools blended into methodologies developed internally to evaluate its operations and its supply chain.

The work followed the methodological approach and included the following key steps:

- **step 1:** by comparing the Group’s risk map (the details of which are presented in Chapter 2, section 2.1 “Risk factors”, page 84) with the materiality matrix (the details of which are presented in section 4.2, “Sustainable development challenges and non-financial risks”, page 196), Valeo sought to identify and analyze the potential risks associated with the challenges set out in the matrix. The analysis took into account changes in the French legal framework and the risks associated with corruption[(6)], serious violations of human rights and fundamental freedoms, personal health and safety, and the environment[(7)] (see section 4.6 “The duty of care plan”, pages 279 to 281). In addition:
  - it was considered that the materiality matrix had already been performed for challenges in the matrix covered by the Group’s risk mapping, which correspond to risk factors,
  - the challenges not covered by the Group’s risk mapping were analyzed in detail, based largely on in-depth interviews with the various contributors to their management, as well as on sector comparisons. The results gave rise to the formalization of non-financial risks, their evaluation in accordance with the Group’s risk assessment scale (i.e., that used for the risk factors presented in Chapter 2) and the establishment of specific mapping of non-financial risks;
- **step 2:** the mapping of the non-financial risks and its associated analysis for 2018 were presented to the Risks Committee in early 2019, which approved the findings;
- **step 3:** the risk factors resulting from this non-financial risk mapping were first published in the Registration Document for 2018 (at the end of March 2019).

The risks are analyzed and dealt with in a low-carbon scenario approach, in connection with the new legal provisions on the disclosure of financial risks related to the effects of climate change[(8)(9)].

Risk mapping is updated each year and presented to the Risks Committee, which validates the assessment. The 2023 update resulted in an upward reassessment of the risk related to lack of diversity. Valeo has identified 12 key non-financial risks, which are described in this section and in the table below.

These topics are those that were considered material following the non-financial risk analysis. In view of the Group’s industrial and automotive activity, Valeo does not address the following issues, which it considers immaterial:

- the fight against food waste;
- the fight against food insecurity;
- respect for animal welfare;
- responsible, fair and sustainable food[(10)];
- promoting physical[(11)], sporting and cultural activities[(12)].

The measures taken by Valeo to combat tax evasion are described in Chapter 1, section 1.3.3 “Valeo’s tax policy” (page 52).

In addition to the annual review of non-financial risks, Valeo has conducted regular analysis of risks and opportunities related to the consequences of climate change since 2020, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The process was conducted jointly by the Risk Management Department and the Sustainable Development and External Affairs Department, with the involvement of a number of internal contributors, and a presentation was given to the Group’s Risks Committee in 2021. It was also published in Valeo’s first climate report in 2022, which is available on the company’s website (https://www.valeo.com/en/corporate-documents/). A TCFD cross-reference table is also contained in this Universal Registration Document, in section 4.7.2, page 284.

(5) Decree No. 2017-1265 of August 9, 2017 issued for the application of Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations.
(6) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization.
(7) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.
(8) Energy transition law for green growth, application guide of Article 173-VI.
(9) Article L. 225-100-1 of the French Commercial Code.
(10) Article L. 225-102-1 of the French Commercial Code.
(11) Law No. 2022-296 of March 2, 2022 aimed at democratizing sport in France.
(12) Article L. 225-35 of the French Commercial Code.

Summary table of non-financial risks

	Risks	Description	Due diligence policies and procedures	Key performance indicators	Pages
Innovation	Risk of non-achievement of Carbon Neutrality Contribution Plan commitments	Financial and reputational risks related to the non-achievement of commitments made under the plan to reduce greenhouse gas emissions	• Valeo's Carbon Neutrality Contribution Plan • Innovation for the reduction of greenhouse gas emissions related to products during their use phase • A product eco-design strategy aimed at reducing their carbon impact during the design and production phase	• 60% of Valeo sales derived from products contributing to the reduction of greenhouse gas emissions • 4.5 $MtCO_2$ reduction across all operating activities, suppliers and the end use of products (Scopes 1, 2 and 3 – SBTi scope) between 2019 and 2023	200 to 208
Environmental eco-efficiency	Risk associated with accidental pollution of water and/or soil	Risk related to the use of polluting substances that can generate hazardous waste, or the discharge of liquid effluents that may be polluted	• Implementation of several operational environmental directives setting out rules for all sites in order to limit risks • Chemical spills must be reported in real time, regardless of the product or volume	• 96% of sites free of accidental spills(1) • Non-hazardous waste/sales: 89% • 91% of waste recovered or recycled of which 6% incinerated with heat recovery	208 to 212
	Risk related to water management	Risk related to the exposure of Valeo sites to water cuts or restrictions	• A resource protection program has been incorporated into the 4Rs circular economy program to reduce abstraction and consumption, and to increase the protection of groundwater and surface water	• Water consumption with monthly monitoring and an annual consolidated volume of 3 million cu.m, a reduction of 18% in absolute terms since 2019 • 20 sites use groundwater intake • 5 sites are subject to water restrictions	212 to 214
	Risk related to atmospheric discharges and emissions	Risk related to the atmospheric discharge of substances that could impact the environment	• Eradication of the use of halogenated solvents (TCE/Perchlo, etc.) and ozone-depleting substances (CFC, HCFC, HFC, etc.) • Control of air emissions with an annual measurement	• Annual consumption of chlorinated solvents reduced to 0 kg • Reduction of ozone-depleting chlorinated refrigerants in facilities to 9,774 kg • Heavy metal discharges (2 kg of lead, 0 kg of cadmium, 0 kg of mercury) • Atmospheric emissions of 1,281 metric tons of VOCs (904 metric tons avoided thanks to filtration systems)	214 to 217
	Risk related to transportation and logistics	Risks related to the difficulty of reducing greenhouse gas emissions from goods transportation and demonstrating the reduction	• Collection of transportation data to calculate greenhouse gas emissions of transportation suppliers, and to measure the impact of sourcing decisions • Adoption of multimodal solutions and alternative fuels (biofuel) with carriers • Comparison of greenhouse gas emissions for available transportation solutions	• Assessment of transportation providers based on the GLEC framework (97 assessments, adherence rate of 65%) • 63% of transportation expenditure covered by an annual greenhouse gas emissions report	217 to 218

(1) A spill is considered significant when the quantity spilled is greater than 1 cu.m.

	Risks	Description	Due diligence policies and procedures	Key performance indicators	Pages
Employees	Health and safety risk	Risk related to the occurrence of an accident	• Rollout of policies and directives on a range of topics (building and facility safety, employee health and safety, data security and the environment) • Quick Response Quality Control (QRQC) methodology • Safety First training program • Rollout of the five golden safety rules (protective equipment, Lock-Out Tag-Out operations, working at height, vigilance at work)	• Frequency rate of occupational accidents FR1: 0.8 • Frequency rate of occupational accidents FR2: 5.2 • Number of days lost owing to an occupational accident, or severity rate (SR1): 0.03	218 to 221
	Risk related to attracting talent	Risk related to difficulties in attracting the talent needed to achieve its goals in a competitive environment undergoing profound transformation	• Implementation of Talent Acquisition Centers (TAC) • Global IT recruitment management solution • A strong employer brand	• 22,873 recruitments • 1,352,652 LinkedIn followers • 51.43% of Valeo's plants have partnerships with higher education institutions	221 to 223
	Risk related to developing and retaining talent	Risk related to difficulties in retaining talent, adapting and taking on new skills	• Training and skills development • Compensation and benefits • Development of networks of experts and specialists	• Number of resignations: 8,731 • Voluntary turnover of Managers and Professionals: 7.2%	223 to 227
	Risk related to lack of diversity	Risks related to promoting and enhancing diversity	• Implementation of policies and actions on four themes: gender, disability, culture and generations • Women Executive development program	• Rate of women within the Group's various management committees: 23.6% • Gender equity index: 88.9 • Percentage of employees with disabilities: 1.9%	227 to 230
Commitment to corporate citizenship	Risk of individual corruption	Risk related to the impact of possible corrupt practices on the Group's reputation, operations, financial situation and profitability	• Anti-corruption program rolled out worldwide, subject to internal controls and multiple audits • Additional training, procedures for declaring conflicts of interest clarified, communication campaign illustrated with practical cases	• Code of Business Ethics issued to 99.5% of newcomers	231
	Risk related to suppliers' sustainable development practices	Risk related to non-compliance with sustainable development requirements by suppliers	• Assessment of suppliers' sustainable development practices • Compliance with Valeo's Business Partners Code of Conduct • Anticipatory measures to ensure legal compliance in France	• Share of production purchases for which suppliers' sustainable development practices were assessed: 85%	232 to 237
	Risk related to fundamental rights	Risk related to non-compliance with human rights requirements	• Compliance with the Code of Business Ethics • Compliance with Valeo's Business Partners Code of Conduct • Data protection policies (Valeo Data Protection Principles, Valeo Employee Data Protection, Valeo Data Protection Statement and Privacy Notice, Whistleblowing Policy) • Anti-Harassment Policy, Compensation and Benefits Policy, Non-Discrimination Policy, Due Diligence including Human Rights, Gender Diversity by Design policy • Assessment of corporate social responsibility practices in Valeo plants • HSE Management Manual	• Number of employees represented by the European Company Works Council: 40,713 • Percentage of employees covered by collective bargaining agreements: 94.2% • Percentage of sites with trade union representation: 60% • Gender equity index: 88.9 • Share of production purchases for which suppliers' sustainable development practices were assessed: 85%	237 to 239

Risk of non-achievement of Valeo's Carbon Neutrality Contribution Plan commitments

Description of the risk

In 2021, Valeo developed a plan to reduce its carbon footprint (see section 4.1.3 "Valeo's Carbon Neutrality Contribution Plan for 2050"), with intermediate 2030 targets of:

- reducing its emissions by 75% on its own activities (Scopes 1 and 2) and by 15% on its upstream and downstream Scope 3 compared with 2019; and
- achieving 13.6 Mt in greenhouse gas emissions avoided by third parties thanks to Valeo technologies.

This plan is based on annual greenhouse gas reductions and action plans within each network.

Emissions items do not all have the same impact with respect to meeting the 2030 target. In 2019, Valeo emitted nearly 50 $MtCO_2$eq., of which 39 $MtCO_2$eq. from the product use phase and 9 $MtCO_2$eq. from the use of materials in the manufacture of Valeo products. So it will be vital to achieve objectives within the R&D and Purchasing networks to meet these commitments.

Non-achievement of commitments related to the Carbon Neutrality Contribution Plan could have a significant impact for the Valeo Group, particularly in terms of visibility with its partners and customers. However, a development of that nature is considered unlikely. This is due notably to the increasingly stringent regulatory environment as regards the reduction of pollutant emissions from vehicles and the introduction of electromobility, and to market trends in favor of the penetration of hybrid and electric vehicles.

Risk management policy

Valeo has set up a dedicated governance system to manage this risk, based largely on the management of the "CAP 50" Carbon Neutrality Contribution Plan action plans. Strategic reviews covering all networks concerned are held each quarter.

Action plans aimed at monitoring upstream and downstream Scope 3 emissions are divided into two parts:

- **innovation for the reduction of greenhouse gas emissions** of products during their use phase, with contributions from the following three Valeo activities:
  - products contributing to the hybridization and electrification of powertrains, especially those dedicated to medium-power (48V) hybridization,
  - high-power (over 60V) electrification for electric vehicles and plug-in hybrids, offering a significant reduction in greenhouse gas emissions and the option of driving in low-emissions mode, especially in urban areas,
  - thermal solutions for both engine and cabin, integrating all battery thermal management solutions for electric vehicles,
  - exterior and interior lighting solutions (vehicle projectors, etc.) with reduced energy consumption and mass to help limit the vehicle's carbon impact. In wiper systems, Valeo also develops systems that consume less energy;
- **rollout of a product eco-design strategy** geared toward reducing their carbon impact well beyond the simple use phase, with the following priorities:
  - life cycle assessments of Valeo products,
  - limiting the consumption of raw materials and chemicals,
  - using recyclable, biosourced and recycled materials,
  - eliminating hazardous materials in anticipation of the applicable legal and regulatory framework.

Measures taken to reduce the risk

The management of this risk is characterized by preemptive actions aimed at:

- limiting greenhouse and pollutant gas emissions from vehicles[13] (i.e., monitoring of downstream Scope 3 action plans);
- limiting the use of hazardous and regulated substances (by monitoring of upstream Scope 3 action plans);
- complying with the regulatory framework in terms of eco-design[14] and production processes (by monitoring upstream Scope 3 action plans).

Managing this risk is also shared by all stakeholders in the automotive industry (many of which have also made commitments to reduce greenhouse gas emissions).

Reduce greenhouse gas emissions

The key products contributing to the hybridization and electrification of powertrains are presented in Chapter 1, section 1.4.2 "Operational organization", paragraph "Powertrain Systems", pages 58 to 61. Similarly, the latest innovations in thermal systems, and lighting and wiper systems are presented in paragraph "Thermal Systems", pages 62 to 65, and paragraph "Visibility Systems", pages 66 to 69.

As part of Valeo's Carbon Neutrality Contribution Plan, management of this risk has been reinforced by the implementation of a tool to calculate the CO_2 impact of Valeo products during their use phase (see next paragraph, "Greenhouse gas emissions related to the use of Valeo products (Scope 3)"). This work has benefited from a range of advice and draws on accepted standards. It will enable the progress of the Carbon Neutrality Contribution Plan to be monitored each year.

(13) Regulation (EC) No. 715/2007 of the European Parliament and of the Council of June 20, 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information; Regulation (EU) 2019/631 of the European Parliament and of the Council of April 17, 2019 setting CO2 emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No. 443/2009 and (EU) No. 510/2011 (recast).

(14) Directive 2009/125/EC of the European Parliament and of the Council of October 21, 2009 establishing a framework for the setting of eco-design requirements for energy-related products. Directive No. 2000/53/EC of September 18, 2000 on end-of-life vehicles.

The Group's main areas of action to reduce greenhouse gas emissions are:

- to build a product portfolio in line with the increasing electrification of new vehicles sold;
- to progressively decarbonate the energy consumed (greater integration of renewable energies);
- reduced vehicle mass;
- to improve the performance of Valeo's technological solutions.

Valeo also conducts approval and certification tests for each product, based on automotive sector standards.

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 CO_2 emissions related to Valeo's operations[15], the Group undertook extensive work in 2017 to lay down a methodology for calculating emissions relating to the use of its products, in the absence of existing methodology in the industry:

- in view of the wide range of uses[16] offered by Valeo products, which vary depending on the choices made by automakers on which Valeo only has a certain amount of information, this work drew on the modeling of its products' carbon impacts and was based on the parameters set out below;
- the work benefited from scientific and technical advice from EMISIA SA[17], a branch of the Applied Thermodynamics Laboratory of the University of Thessaloniki (Greece) and an expert in modeling transportation-related CO_2 impacts recognized by the European Commission.

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

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

This work was continued and further established in 2020 as part of the development of Valeo's Carbon Neutrality Contribution Plan, as CO_2 emissions relating to the use of Valeo products represent the most significant source of so-called Scope 3 emissions[18]. This work involved the following actions in 2020:

- review of the accounting of products' nominal carbon impact;
- review of the relevant emissions calculation cycle, with all emissions from Valeo products being calculated in accordance with the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) so as to reflect real-life conditions of use as closely as possible;
- integration of the carbon impact of the energy (fossil fuel or electric) consumed by the various types of vehicles in which Valeo products are installed, allowing well-to-wheel[19] emissions to be calculated on a regional basis;
- integration of all Valeo product families so as to cover the Group's entire annual sales.

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

It resulted in a revision of emissions for 2019 to 39 $MtCO_2eq$. and those for 2022, i.e., 36 $MtCO_2eq$. Under this methodology, emissions for 2023 totaled 36.2 $MtCO_2eq$., 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.

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 $MtCO_2eq$. more emissions than in 2019.

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

(16) *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).*

(17) *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").*

(18) *To be endorsed by the SBTi, a CO_2 emissions reduction target must include at least 60% of so-called Scope 3 emissions (see SBTi Criteria and Recommendations, Version 4.1, April 2020).*

(19) *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).*

Product eco-design

Actions

The eco-design approach has been rolled out at every level of the Group's Research and Development network. It aims to:

- reduce greenhouse gas emissions;
- increase the recyclability of materials and systems;
- ensure that materials are safe.

The approach is an integral part of Valeo's Carbon Neutrality Contribution Plan, for which the Group has implemented a dedicated calculation tool to assess the carbon impact of materials, products and other inputs at Valeo, and to make longer-term projections. It takes into account the consumption of raw materials and carbon emission factors specific to each family of materials.

Product eco-design and life cycle assessments

Valeo's eco-design approach is based on internal standards, which guide the project teams in their life cycle analyses in the upstream research phase. This mainly includes internal documents, such as the EcoDesign standard[20]. These documents enable engineers to assess the major environmental impacts of products at all stages of their life cycle during project development:

- type, origin, number and quantity of raw materials;
- production and packaging;
- transportation and distribution;
- use and maintenance;
- disassembly, recycling, reuse, recovery and disposal.

To ensure the directive's circulation and implementation, Valeo has published an EcoDesign Checklist designed to monitor the application of the criteria in new projects. This easy-to-use tool ensures that eco-design criteria are observed from the upstream phase. This means that products are consistently engineered from the outset with an eye to sustainable development criteria.

Project teams refer to this checklist in their qualitative and quantitative analysis in respect of electricity consumption, hazardous materials use and component weight to reduce the number of components and the volume of materials that do not benefit the environment or the consumer.

It also responds to changes in the European End-of-Life Vehicle (ELV) Directive[21], which since January 1, 2015 has required automakers to achieve a minimum rate of reuse and recycling of 85% by weight of the ELV, or 95% when disposing by incineration. As a result, automakers have established increasingly higher standards with their suppliers to gradually raise the recycling rate of their products. The R&D and Projects teams work closely with automakers to anticipate and design products and systems that take into account recyclability and the best circuits in the industrial value chain.

In addition to working closely with automakers, Valeo has for many years been committed to identifying second life solutions for products, and, as such, promotes:

- the use of materials with a small carbon footprint or produced using low-carbon energy;
- the reduction of material waste during the manufacture of primary parts, including among suppliers;
- the lightening of products (reduction of thickness, etc.);
- the use of assembly solutions that allow for easy dismantling, simple and strictly necessary repairs, and optimum recycling for the separation of materials before recycling our products.

Valeo's commitment to the circular economy is presented in greater detail in section 4.3.3 "Environmental policies and commitments", paragraph "Circular economy", page 253.

Life Cycle Assessments (LCAs) at Valeo

Managing the risk of non-achievement of the Carbon Neutrality Contribution Plan requires in-depth product life cycle assessments, for which methodologies and tools are currently being developed within the sector.

Based on the information listed and monitored in its EcoDesign Checklist database, the Group estimates that it has now identified and made available nearly 80% of the data required for a product LCA. This information is used to create and develop products with less impact on the environment.

Compilation and use of the information is managed in the Product Life Cycle Management (PLM) system, which lists the components of products and systems used in their design, and requires compliance with clearly defined standards. It is thus mandatory to justify any departure from the standards (in particular when using non-documented materials). By systematically referring to the standards, Valeo demonstrates its determination to embed eco-design (including greenhouse gas emissions impact analysis) as far upstream as possible in the product development phase.

As part of its Carbon Neutrality Contribution Plan and in line with the gradual transition from carbon accounting to life cycle assessments in the automotive sector, Valeo has opted to build a broad plan to analyze the carbon impact of its products through systematic life cycle assessments (LCA). The reorganization of Valeo's R&D and industrial activities resulted in the classification of its product portfolio into platforms.

[20] Directive 2009/125/EC of the European Parliament and of the Council of October 21, 2009 establishing a framework for the setting of eco-design requirements for energy-related products.
[21] See sustainable development glossary, page 291.

Examples of recyclability of two Valeo products

The new generation Valeo i-StARS starter-alternator has a recyclability rate of 98.2% and a recovery rate of 99.5%[1] (based on an internal evaluation).

The Valeo e-supercharger has a recyclability rate of 94.8% and a recovery rate of 97.6%[2] (based on an internal evaluation).

(1) The recovery rate is defined as the sum of recycling and energy recovery rates.

(2) Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No. 793/93 and Commission Regulation (EC) No. 1488/94 as well as Council Directive No. 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC.

Compliance of products with environmental standards

Complementing the internal EcoDesign Checklist tool, the eco-design approach is backed by a requirement for product quality and reliability right from their design phase, which is broken down within the RAISE methodology. It stands for:

- Robustness;
- Accountability;
- Innovation;
- Standards;
- Expertise.

RAISE aims to ensure the robustness of Valeo's products and processes. Dedicated teams (one per product group) have been assigned to RAISE on a full-time basis, with the following explicit objectives:

- set standards that are easy to identify, understand, learn, implement and verify. This is essential for ensuring that they are properly applied in a group like Valeo, whose employees speak a variety of languages and come from multiple cultural backgrounds;
- communicate on the standards and circulate them within the Group. Knowledge-sharing involves ensuring that standards are available in a single, global database (the PLM or Product Life Cycle Management database), and providing training at the Valeo Technical Institutes;
- verify that standards are implemented. To this end, the RAISE teams regularly visit sites and review project design. They do this to ensure that standards are applied correctly and to obtain any feedback that can be used to improve them.

More than 8,000 product and process standards are in place and maintained in the various Product Groups. They are applied day-to-day in designing new products and manufacturing processes.

Special training programs (core RAISE training courses on design reviews, risk analysis and reliability) are continuously provided for Research and Development and Industrialization teams to extend their reach even further.

Reduction and elimination of hazardous chemical substances

The Group also gives priority to eliminating hazardous substances in its products.

The European regulation commonly known as REACH[22] has established a single system for the Registration, Evaluation, Authorization and Restriction of Chemicals. REACH is aimed at increasing knowledge of the properties of chemical substances manufactured or marketed in the European Union so as to contain the risks related to them and, where necessary, restrict or ban their use. It covers nearly 30,000 substances out of the 100,000 currently on the European market. Of them, 1,500 are deemed particularly hazardous. Their use is controlled by the European authorities. As such, at the end of December 2020, 209 SVHCs (Substances of Very High Concern) had been identified by the competent European authorities and their use has been progressively subject to authorization. Among other substances, they include solvents, primarily used during procedures involving plasticizers to soften polymers, flame retardants used in electrical and electronic products to provide effective protection against the propagation of fire, and certain surface treatments. Moreover, due to the increasing integration of electronic components requiring the use of nanomaterials in its products, Valeo is closely following work by the European Commission in this area, especially via the REACH regulation, in order to anticipate possible substitutions of nanomaterials, or modifications to their supply processes and their use in manufacturing.

For REACH purposes, Valeo is generally considered to be a downstream user of chemicals. This means that it must list the substances used in manufacturing its products and those required to operate its industrial facilities to ensure the safety of its supply chain and its operations.

Valeo has introduced a special structure and appropriate tools to comply with REACH regulations.

[22] *See sustainable development glossary, page 291.*

This structure works under the Material Compliance manager and a team including a representative in each Business Group. They set the list of hazardous substances and decide on whether to eliminate them from Valeo's products and processes. REACH representatives are in place within each entity affected by REACH regulations and at every Valeo plant. This has created a network of REACH managers covering each Group site and Technical Services Center. The Research and Development, Purchasing and Customer Quality departments are required to have a full understanding of Valeo's products, and are responsible for communicating with external parties (suppliers, customers and competent authorities), in particular via the International Material Data System (IMDS).

The Group issues a set of standardized documents from local REACH network correspondents to enhance the spread of Research and Development standards in this field and to support prevention and response work regarding the substances used.

These documents include a reference database created by Valeo of banned or restricted substances in the automotive industry. It summarizes the regulations applicable in the different countries where Valeo operates, and the requirements of its automaker customers concerning the substances used in the composition of parts, and in manufacturing and repair processes. The database was updated again in 2023.

Valeo has long conducted in-depth research into the potential presence of SVHCs in its products, and has begun to replace them with substances with less environmental impact. It has set the ambitious target of eliminating from its products any substance requiring authorization in any of its markets and will work with its suppliers to systematically find alternatives to using SVHCs. In particular, a plan to replace products containing certain phthalates, including DEHP[23] and certain nonylphenols, including nonoxinol, widely used as a plasticizer, was continued.

Valeo is working on gradually replacing these substances in response to consumer concerns about their presence in vehicles.

Valeo actively participates in the work of professional associations in Europe and internationally. The Group follows the recommendations of the Automotive Industry Guide issued by the French Federation of Automotive Suppliers (*Fédération des industries des équipements pour véhicules* – FIEV). It took part in the REACH task force within the European Association of Automotive Suppliers (known under the French acronym CLEPA). Valeo is also active in the dedicated working group of the Automotive Industry Platform *(Plateforme de la filière automobile),* which aims to identify materials and substances that have a negative impact on the environment.

The purpose of this work is to anticipate regulatory change and to modify choices in respect of materials and/or substances upstream.

Valeo has asked suppliers from which the Group purchases between 1 and 100 metric tons of substances to comply with the latest REACH disclosure requirements (in line with the methodology advocated by ACEA and CLEPA[24]). The audits carried out by Valeo showed that the Group was compliant with all mandatory requirements.

2023 results and performance

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 $MtCO_2$ equivalent in the 2019 baseline year (see section 4.1.3 "Valeo's Carbon Neutrality Contribution Plan by 2050") to 45.2 $MtCO_2$ eq. 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, the following emissions sources were included in the review:

- **direct greenhouse gas emissions:** combustion emissions from stationary sources on sites, emissions from fuel combustion by Group vehicles, direct emissions from non-energy processes such as the incineration of VOCs[25], and direct fugitive emissions relating to refrigerant leaks (included in Scope 1 of the international framework);
- **indirect greenhouse gas emissions** associated with energy consumption, related to the consumption of electricity, steam, compressed air and other sources (included in Scope 2 of the international framework);
- **indirect greenhouse gas emissions** related to purchases of products used in industrial processes, the transportation of goods and people and the use of products (included in Scope 3 of the international framework).

In 2023, Scope 1 and 2 greenhouse gas emissions as a proportion of sales totaled 31.7 tCO_2eq./€m, of which 9.1 tCO_2eq./€m for direct emissions and 22.6 tCO_2eq./€m for indirect emissions. This corresponds to a decrease of 44.9% compared with 57.5 tCO_2eq./€m in 2019.

The Group reduced its greenhouse gas emissions (Scope 1, Scope 2) to 464 $ktCO_2$eq. in absolute terms, against a target of 790 $ktCO_2$eq. at the end of 2023, i.e., a reduction of 49% compared with the baseline volume of 966 $ktCO_2$eq. 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;

[23] *Diethylhexyl phthalate or di-2-ethylhexyl.*
[24] *Joint ACEA-CLEPA position paper of June 28, 2016: REACH registration – 2018 Deadline.*
[25] *See sustainable development glossary, page 291.*

- 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;

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.

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 paragraphs below provide detailed information on the calculation of greenhouse gas emissions for Scopes 1, 2 and 3.

Scope 1

Direct greenhouse gas emissions *($ktCO_2eq.$)* **– Emission sources**	**2020**	**2021**	**2022**	**2023**
Emissions generated by fuel oil and gas combustion at sites *($ktCO_2eq.$)*	135.8	164.2	164.2	157.1
Direct emissions from non-energy processes *($ktCO_2eq.$)*	5.6	4.5	2.7	1.7
Emissions caused by Valeo's vehicle fleet *($ktCO_2eq.$)*	16.2	16.0	14.5	15.2
Fugitive emissions (refrigerant leakage) *($ktCO_2eq.$)*	13.0	8.8	9.8	12.1
TOTAL DIRECT EMISSIONS *($ktCO_2eq.$)*	**170.6**	**193.5**	**191.1**	**186.1**
TOTAL DIRECT EMISSIONS/SALES *($tCO_2eq./€m$)*	**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.

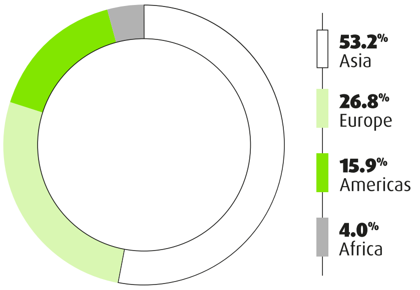
Scope 2

Indirect emissions related to electricity consumption[(1)(2)] **and other energy such as steam, compressed air, etc.**	**2019**	**2021**	**2022**	**2023**
TOTAL INDIRECT EMISSIONS *($ktCO_2eq.$)*	**892.0**	**581.5**	**517.4**	**464.3**
TOTAL INDIRECT EMISSIONS/SALES *($tCO_2eq./€m$)*	**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 Protocol[26]. 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.

Scope 3

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:

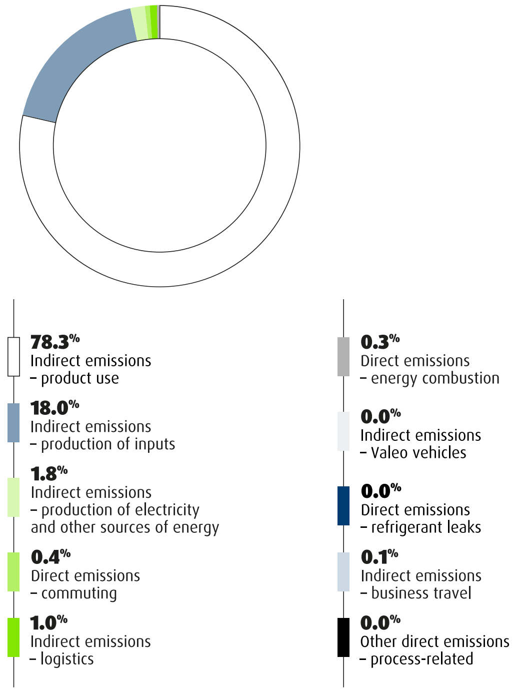
- emissions related to the upstream transportation of goods and raw materials;
- emissions from employee travel (commuting and business trips).

In 2023, total indirect emissions (Scope 3) amounted to 44.8 $MtCO_2eq.$, 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 *($ktCO_2eq.$)* **– 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**

(26) *See sustainable development glossary, page 291.*

BREAKDOWN OF SCOPE 3 GREENHOUSE GAS EMISSIONS IN 2023

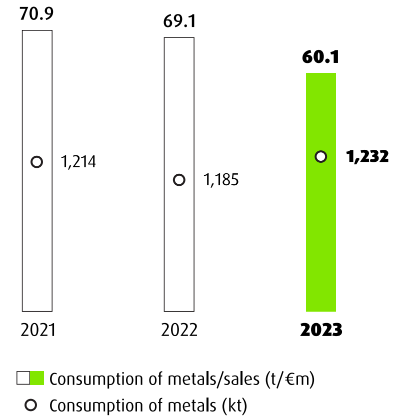


Materials consumption

Reducing greenhouse gas emissions also means changing the materials used. Seeking to provide solutions both to reduce product mass and seize new opportunities for product development, Valeo is implementing solutions for a progressive substitution of the use of metal by lighter materials, such as resins, or even carbon fiber (for limited use in the automotive industry due to cost and large scale production constraints). This approach is further supported by the phasing-in of recycled plastics.

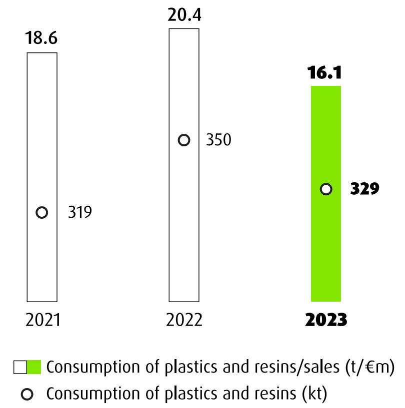
Consumption of raw materials

CONSUMPTION OF METALS



Metal consumption amounted to 1,232 kt, up 4% compared with 2022; as a proportion of sales, it was down 13%. This trend reflects Valeo’s eco-design approach, which is based on the gradual replacement of metal with lighter materials, such as plastics and resins.

CONSUMPTION OF PLASTICS AND RESINS



In 2023, the consumption of plastics and resins totaled 329 kt, down 6% compared with 2022. By way of comparison, over the same period, plastic consumption was 16.1 t/€m, down 21% as a proportion of sales compared with the previous year.

Use of recycled input materials

To reduce its environmental footprint, Valeo is developing the use of recycled materials. Purchases of recycled plastics totaled 3.8 thousand metric tons in 2023. In addition to purchased volumes, a total of 2.15 thousand metric tons of waste materials are recycled internally within the Valeo Group, mainly at the Visibility Systems Business Group sites, including 866 metric tons at Martos (Spain), 475 metric tons at Seymour (United States) and 364 metric tons at Queretaro (Mexico).

Commitment on recycled plastics

Valeo actively participated in the PFA *(Plateforme Française de l'Automobile)* working group on recycled materials, thereby playing its part in the transition to a circular economy.

Alongside its automaker customers and the public authorities, Valeo is working to gradually increase the share of recycled materials in the global supply of polymers, as part of an action plan that was drawn up jointly by the government and automakers*. Due to its widespread use, polypropylene has been prioritized.

Among the actions identified by the government and the automotive industry, Valeo will contribute over the coming years to:

- establishing a generic material specifications document for recycled materials in collaboration with its customers;
- working with communities to develop standards. To that end, Valeo will participate in voluntary work for the development of grades of recycled materials. Its aim will be to test them on its own automotive component applications.

Via CLEPA, Valeo is a member of the Circular Plastic Alliance launched by the European Commission in 2018, which brings together public and private players in the plastics value chains. Its aim is to promote voluntary initiatives and commitments for more recycled materials.

Valeo's strategy is to gradually increase the amount of recycled content in polypropylene (PP) from 30% (+/-5%) in 2022 to 100% by 2030. Valeo is looking into the possibility of using bio-based polymers and fibers – polypropylene (PP) and polycarbonates (PC) – which can potentially reduce associated greenhouse gas emissions by 84% for some components.

New regulations on the use of post-consumer recycled plastic (PCR), including 25% recycled content in internal cycles, will come into force in 2030. With this in mind, Valeo is working with industrial partners to develop PCR materials and make them available in order to comply with the new regulations as quickly as possible.

Valeo is also diversifying its range of recycled products by developing recycled aluminum materials. This will address a very specific issue related to heat exchanger materials, where the percentage of recycled aluminum is still very low, mainly due to technical problems and insufficient availability of recycled material.

Valeo's strategy is to increase the recycled content of certain products to 40% without compromising product performance.

* *100% recycled plastics objective: commitments for a sustainable plastics value chain.*

Risk associated with accidental pollution of water and/or soil

Description of the risk

Some of Valeo's activities use polluting substances that can generate hazardous waste, or discharge liquid effluents that may be polluted, such as firewater, oily water or water containing hydrocarbons.

The risk for the Group stems from failure to control the use of certain substances, the polluting nature of the resulting discharges and effluents, and the management of its hazardous waste. The various steps must therefore be perfectly controlled throughout the production and post-production cycle in order to avoid any pollution of the natural environment, in the water or in the soil. Moreover, each site must ensure, through regulatory monitoring, the constant compliance of the procedures and substances used with local environmental regulations.

The main causes to be averted are:

- the absence of waste management;
- aging equipment;
- the absence of a firewater retention area;
- the absence of treatment stations on site or externally;
- poorly managed waste treatment channels;
- the tightening of regulations in force.

The risk may also be aggravated by late detection of discharges into the environment due to a lack of:

- periodic checks of the discharge management process;
- intervention and control policy in respect of environmental accidents.

Risk management policy

The Group has for many years banned the use of the following substances:

- asbestos;
- PCBs (polychlorinated biphenyls);
- RCFs (refractory ceramic fibers);
- radioactive substances.

To prevent the risk of pollution across all sites, the Group has adopted several operational environmental directives setting rules for all sites, on the following issues:

- liquid effluents;
- intervention means and consequence limitations;
- the management of underground tanks;
- waste management;
- soil and groundwater management.

These directives are an integral part of the Risk Management Manual (see section 4.3 "Sustainable development policies and commitments", paragraph "Environmental policies and commitments", page 247). They are defined and updated by the HSE Department. The correct application of these requirements is ensured by the HSE network (see section 4.3 "Sustainable development policies and commitments", paragraph "Organization of the Health, Safety and Environment (HSE) network", page 248) and external audits (see section 4.3 "Sustainable development policies and commitments", paragraph "External audits worldwide" page 249). These directives are presented to the Governance, Appointments & Corporate Social Responsibility Committee along with all environmental policy tools.

Although Valeo's industrial wastewater does not contain large amounts of pollutants, the liquid effluents directive includes the following requirements:

- effluents whose composition exceeds the regulatory thresholds must go through treatment plants located directly on Valeo sites so as to limit their impact on the receiving environment;
- as far as possible, effluent networks should be connected to the public network;
- sites' rain-fed networks must receive only rainwater;
- the direct discharge of industrial effluents into groundwater is strictly prohibited;
- firewater must be separated and analyzed prior to proper disposal.

To avoid the risk of soil pollution, Valeo seeks to reduce the volume of hazardous and non-hazardous waste it generates by optimizing its manufacturing processes and seeking solutions to recover and recycle materials wherever possible. The Group pays particular attention to controlling and tracing its processing channels. Whatever the nature of the waste, landfilling or incineration of waste on a Valeo site is strictly prohibited. The Group only allows waste to be exported as a means of recovery.

Measures taken to reduce the risk

As part of their environmental management system, and in accordance with Group directives, the sites implement **prevention methods:**

- **prior to the purchase** or lease of land or buildings, an assessment of the risk of legacy soil and groundwater pollution is performed. On sites where groundwater is sensitive and vulnerable, groundwater quality is monitored regularly;
- the **loading/unloading of tankers** can cause numerous accidents with serious consequences for the environment. To prevent spillage during these operations, Valeo sites are required to draft a specific transfer procedure appropriate to the nature and risks of the products in question, notably including a vehicle circulation plan, a list of people approved for unloading, the method for verifying the nature of the product and its compatibility with the recipient container and instructions in case of spillage;
- the **storage of hazardous products** can be another source of accidental spillage. The Group has laid down rules for designing and building retention systems and tanks, specifying minimum volumes, what materials to use to ensure the sealing of tanks and retention systems based on the nature of products stored and how to structure warning systems in case of overflow;
- to go further in **chemical risk** management, the Group embarked on a new process of external audits dedicated to chemical product management and waste treatment in 2020. Each year, a representative sample of sites from all of the Group's Business Groups is audited in accordance with directives and changes in local regulations;
- **underground tanks** have been banned within the Group since the early 1990s, with the aim of eliminating the risk of significant pollution of soil and groundwater associated with such facilities;
- **internal landfills** are prohibited on all sites, regardless of their location;
- for cases of **accidental spillage,** the directive entitled "Intervention means and consequence limitation" focuses on the human and material resources to be put in place on sites to prevent, detect and limit the consequences of emergencies liable to have a direct impact on human health or the environment;
- in the event of an accidental spill, the site concerned reports the incident in real time, regardless of the volume or area affected, in order to share the safety, prevention and control measures;
- as part of its ongoing commitment to protect **water resources** and prevent major groundwater or river pollution, Valeo decided in 2019 to start closing activities involving the direct abstraction of groundwater or surface water for industrial use, and to reinforce protection systems to prevent the backflow of residual water withdrawals;
- when a **business is sold or shut down,** the Group commissions an audit, generally accompanied by an examination of the soil and groundwater, to determine whether any pollution occurred during its operational phase. If pollution is discovered, the necessary measures are taken (monitoring or decontamination for instance);
- if a site is **closed permanently,** all waste, raw materials, products and equipment are removed, and site maintenance continues until it is sold.

If, in the course of its operations, the site is responsible for soil or groundwater pollution, it performs the studies, research, work and monitoring necessary to manage the pollution so that it does not pose a risk to the health of its employees, local residents or, more generally, the environment.

With regard to waste management, Valeo's strategy has two main objectives:

- **end** landfill;
- **identify** waste recovery solutions.

Resource scarcity and pressure on raw material supplies are leading industry to rethink the way it uses waste. Waste is no longer seen as problem to be eliminated, but a resource to be exploited.

Every Group site has a role to play, by:

- **minimizing** the generation of waste by reducing the weight of packaging, substituting raw materials or changing its procedures or processes;
- **collecting** and storing waste in conditions that minimize risks to the health and safety of people and the environment:
  - waste storage areas are controlled and monitored,
  - waste containers are labeled with the type of waste and characteristics of the hazard (e.g., flammability),
  - a "waste production and disposal register" is kept to ensure systematic monitoring of waste;
- **prioritizing** the use of waste for recycling, or else for recovery;
- **ensuring** that elimination channels comply with local regulations and guarantee safe waste treatment. Whatever the channel:
  - waste must be **transported** in optimal safety conditions by selected service providers,
  - each shipment must be accompanied by a waste tracking slip summarizing the characteristic of the waste shipped, the company in charge of the transportation and the company in charge of disposal and treatment,
  - the site must ensure that the waste is **disposed of safely** and in accordance with local regulations.

To this end, the site must be able to obtain the following documents when selecting a disposal company:

- to operate a waste treatment/disposal facility;
- authorization to treat/eliminate specific waste;
- certificate (e.g., inspection report) issued by the administrative authorities stating that the company's operations comply with all applicable local regulations;
- insurance certificate;
- for hazardous waste, financial guarantees showing the company's ability to close the site following its operation in such a way that it no longer represents a risk for people and the environment.

For waste hazardous to humans or the environment, the site must obtain a description of disposal procedures from the disposal company. In case of doubt about waste treatment, the disposal company is audited.

In the absence of a reliable waste disposal and treatment channels in the country in question, Valeo exports its waste. The environmental indicators reporting tool tracks the amount of waste sent to these channels.

Waste and recycling initiatives

At the 2023 SPE Innovation Awards in November 2022, Valeo's Seymour (USA) site won the "Reserve Champion" prize in the sustainability category for its Silverado MCM recycled BMC bracket.

The component is made with plastic materials recycled in a closed loop, with the acrylic from used products fully reincorporated into the manufacturing of new parts. In addition, parts that are usually not considered recyclable are pulverized into very fine particles to be used as a filler replacement – a first in the automotive industry.

The Chonburi (Thailand) site of the Comfort & Driving Assistance Systems Business Group received the "Amata Best Waste Management Award" from a shortlist of 94 factories within the industrial region comprising the cities of Amata, Rayong and Chonburi.

In France, a nationwide tender was launched to streamline waste management by major companies.

Workshops were held at each plant to identify solutions for the recovery of all hazardous and non-hazardous waste.

In France, these projects resulted in an increase in the recycling and recovery rate from 89.2% to 91.3% in 2023:

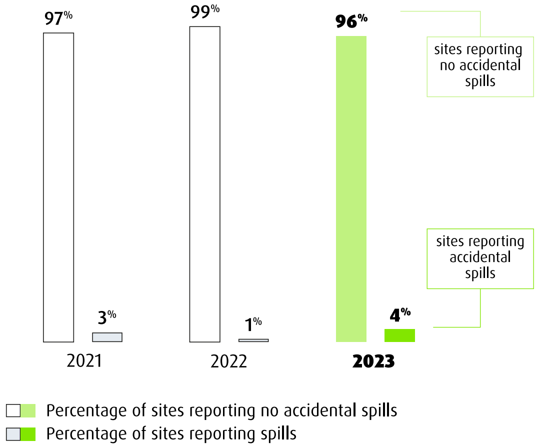
- the recycling rate increased from 81.6% to 83.5%;
- the thermal recovery rate edged down from 7.9% to 7.8%;
- landfill fell from 8.3% to 7.1%;
- incineration fell from 2.2% to 1.6%.

Actions include:

- improving waste sorting;
- awareness-raising campaigns on the sorting of domestic waste;
- reducing, reusing and recycling plastic films and papers;
- internal reduction and reuse of scraps;
- elimination of the use of plastic cups by the provision of individual bottles;
- reuse of cardboard for internal packaging;
- widespread waste sorting in canteens.

2023 results and performance

ACCIDENTAL SPILLS



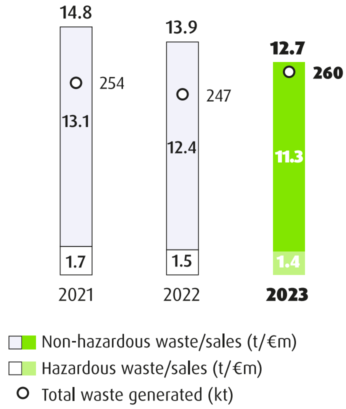
To improve the monitoring of events liable to have an environmental impact, the Group rolled out an internal tool – Environmental Red Alert – in 2019, allowing sites to issue alerts in real time when a spill occurs. The new tool makes it possible to inform the highest level of the Group's organization depending on the seriousness of the incident, and to monitor and validate the resources devoted to limiting the consequences of the incident. Since 2020, use of this tool has been extended to any notification of an event linked to a potential environmental impact.

All spills are reported and recorded by the sites in this tool. An event is considered significant when the quantity spilled is greater than 1 cu.m.

Six spills were reported in 2023, including:

- two significant spills: an aluminum chloride overflow from a tank in a retention pond at the Suze (France) site of the Thermal Systems Business Group and an oil container spill during transportation at the San Luis Potosi (Mexico) site of the Powertrain Systems Business Group. Both were immediately secured and handled by a specialized service provider. As a result, they did not cause any soil contamination or chemical reactions;
- four minor spills inside buildings: an oil spill at the Bad Rodach (Germany) site of the Thermal Systems Business Group, a silicone gel spill during unloading by the transporter at the Shenzhen (China) site of the Comfort & Driving Assistance Systems Business Group, and a varnish spill when the maintenance technician moved the used container and a cooling water mold spill related to a broken connector, respectively at the Timisoara (Romania) and Queretaro (Mexico) sites of the Visibility Systems Business Group.

TOTAL WASTE GENERATED

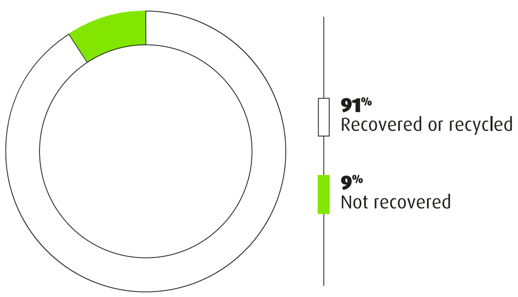


The total amount of waste generated was 260 kt, an increase of 13 kt in absolute terms compared with 2022. As a proportion of sales, it was 12.7 t/€m, a decline of 9% over the same period, as the Group takes great care to limit the amount of waste generated as it grows. In keeping with its ISO 14001 certification, the Group plans to reduce the amount of waste sent to landfill and increase the proportion of waste recycled to produce energy. It has set itself the goal of extracting synergies between the Purchasing, Industrial, and Research and Development Departments, with the following aims:

- continue reducing raw material consumption;
- shorten development time in the launch phase for new projects (products and processes);
- establish monthly monitoring of the main producers of waste.
- identify internal reuse or recycling channels.

The Powertrain Systems Business Group alone accounts for almost 56% of the Group's total waste volume, due to the increase in the number of sites in the Business Group, but also to its press cutting, tray machining and friction lining activities. These manufacturing processes generate considerable raw material waste.

RECOVERY OF WASTE IN 2023



As part of its circular economy program, Valeo is working to optimize its waste recovery: on average, 91% of the Group's waste is recovered or recycled, including 6% incinerated with heat recovery. The number of sites that have already managed to recycle or reuse all their waste rose from 57 in 2022 to 68 in 2023, an increase of 19% year on year.

A catalog of best practices in six categories (reuse, disassembly, recycling, innovation, new channels, new players) has been created and made available to the industrial network to promote waste recovery initiatives. Quarterly online seminars are also organized to provide training to all sites on three good practices already implemented within the Group.

The main waste generated by the Group's facilities (presented below in decreasing order of weight) is reused as follows:

- metal waste, almost all of which is sold for recycling;
- wood, which is recycled or used to generate heat;
- plastic, which is sold for recycling.

The breakdown between non-hazardous waste and hazardous waste has been stable since 2014. Non-hazardous waste represents nearly 90% of all waste, which tends to increase recycling and recovery opportunities. Valeo is also working to develop new channels for its hazardous waste in order to improve the recycling and recovery rate for all waste.

Consumption of heavy metals

In the automotive industry, consumption of heavy metals stems mainly from the presence of lead in welding materials used for certain specific activities. Determined to phase out the use of lead in the development of its products, Valeo is working to optimize its industrial welding process in order to reduce the consumption of materials used for this purpose.

Over recent years, Valeo has therefore replaced lead with tin in the soldering processes used in the Group's various activities (Powertrain Systems and Comfort & Driving Assistance Systems Business Groups). Lead consumption has fallen from 11.5 metric tons in 2019 to 1.3 metric tons in 2023. The Comfort & Driving Assistance Systems Business Group accounts for 98% of the Group's remaining consumption. The sites of the Visibility Systems Business Group and the Thermal Systems Business Group no longer consume lead.

Depending on changes in industrial processes and their acceptance within the industry, Valeo's objective is to completely replace the lead used in welding with tin by 2025.

Control of heavy metal discharges in effluents

Since 2022, the Group has included nickel, copper, zinc, cobalt and manganese in the monitoring of heavy metal discharges in wastewater, in addition to lead, mercury, cadmium and hexavalent chromium, which were already reported. This broadening of the reporting scope resulted in an increase in the total amount of heavy metals to 59 kg in 2023.

The total volume of industrial effluents discharged by the Group's sites fell from 526 thousand cu.m in 2022 to 408 thousand cu.m in 2023.

Consumption of chemicals

The main measures taken are:

- the elimination of trichloroethylene (TCE) since 2020;
- the elimination of perchlorethylene in 2023, historically used in washing processes as a degreaser for metal parts by the Powertrain Systems Business Group;
- reduction in the consumption of carcinogenic, mutagenic and reprotoxic (CMR) products in general[27].

CMR consumption amounted to 141 metric tons this year, an increase of 28% in absolute terms from 110 metric tons in 2022, due to the reclassification of a chemical product used for surface treatment in a process of the Thermal Systems Business Group as a substance suspected of damaging fertility or unborn children, in accordance with the European CLP (Classification, Labelling, Packaging) regulation.

Risk related to water management

Description of the risk

Because of the importance of this resource, the Group aims to limit and control its water consumption, and to ensure the supply of good quality water for its staff. Due to their geographical location, some Valeo sites may be exposed to water cuts or restrictions resulting from:

- a municipal/regional decision in the event of a drought;
- a shortage of water sources supplying the site or poor water quality (wells, groundwater);
- a restriction imposed by local authorities in the event of overconsumption;
- the lack of a water recovery system;
- the absence of a recycling loop or closed-loop water circuit.

Growing demand for water around the world, particularly in China, India and the United States, relative to their local capacity to replenish their water reserves, and the effects of global warming are increasing the risk of water stress in many geographies.

An analysis was conducted in 2021 with an external consultant to identify the sites exposed to the risk of water stress, or even to risks of water restrictions, water shortages or water cuts by 2030, 2040 and 2050. It is based on two IPCC global warming scenarios, RCP2-4.5 and RCP5-8.5, respectively optimistic and pessimistic.

Risk management policy

To prevent risk related to water management on its sites, the Group has undertaken several initiatives in recent years.

Prior to the purchase or lease of land or buildings, the Group requires that an environmental risk assessment be carried out in order to determine, among other things, the level of water stress of the future location.

The Group also intends **to control and minimize water consumption at its sites as much as possible,** by leveraging appropriate human and material resources:

- water cycle studies are conducted to fine-tune the identification of water losses related to processes, evaporation or water leaks in pipes;
- systems for determining the volume of water consumed and its uses (domestic, industrial and fire protection) for each water supply source;
- prohibition of the use of water for cooling in open circuits, except for heat pumps for heating or air conditioning of premises, for which our sites recover condensate water;
- non-drinking water is used wherever possible (e.g., toilets, watering, cleaning, extra water for closed water cooling circuits and fire extinguishing);
- work is done to prevent leaks attributable to aging equipment;
- regular updates by the sites to water supply and distribution network plan. The plan identifies the network's isolation systems, backflow preventers and meters, distinguishing between:
  - domestic use (if separate from drinking water),
  - industrial uses,
  - use for firefighting,
  - drinking water.

For drinking water, the site must, where possible, be supplied externally (public mains network preferably), and water networks must be protected from the risk of contamination by other networks.

[27] *See sustainable development glossary, page 291.*

Measures taken to reduce the risk

To minimize water consumption, sites are urged to take action on both their industrial and domestic consumption:

- increasing the frequency of water consumption readings from quarterly to monthly;
- identifying the respective needs in regard to each of the main uses of water;
- optimizing consumption by integrating water saving aspects that can be factored into the purchasing decision for new equipment;
- optimizing washing operations by switching to closed-loop equipment with water treatment and reuse;
- setting up recycling systems such as recovering discharge water from cooling towers;
- reusing water from washing floors and equipment;
- replacing cooling towers by adiabatic towers or air-to-air heat exchangers;
- reducing domestic water consumption by reducing pressure, installing sensor taps, recycling shower water for use in toilets, installing dual flush toilets, and collecting rainwater.

The benefits of a water conservation program:

Since 2019, significant efforts in the water conservation program have led to a considerable reduction in water consumption.

- The promotion of sub-meters with fine-tuned reading makes it possible to alert on excessive drift.
- The most significant reductions have been achieved by the Isehara and Fujioka (Japan) sites of the Visibility Systems Business Group, which have significantly reduced their water consumption by replacing old pipes and absorption chillers with heat pumps.
- The various leak detection campaigns and work carried out made it possible to reduce water withdrawals by 324 thousand cubic meters in 2023.

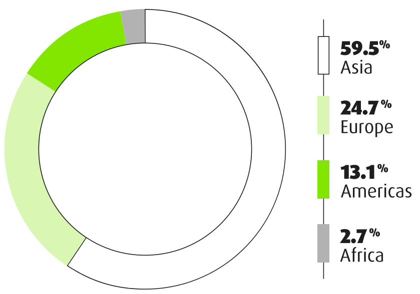
The efforts made under this program enabled Valeo to obtain an A rating from the CDP Water in 2023, reflecting its strong commitment on this issue.

In 2023, the Group's sites renewed the following initiatives aimed at reducing water consumption:

- rainwater harvesting at the Rio Bravo (Mexico) site, covering 60% of its annual consumption;
- reducing domestic water pressure and flow rates;
- installing a domestic water treatment and recycling station at the Chennai (India) site reduced consumption there by 80%;
- installing cooling water reuse systems;
- installing plastic crate washers that recycle their water at the Shenzhen (China) site;
- installing new equipment that uses less water;
- installing systems to collect and reuse rainwater or industrial water after treatment.

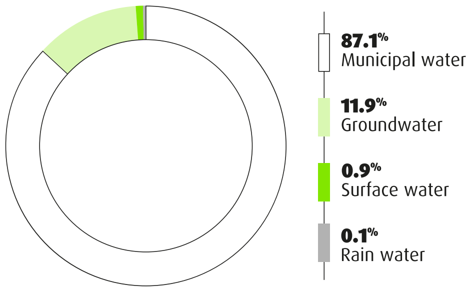
Results and performance

GEOGRAPHIC BREAKDOWN OF TOTAL WATER CONSUMPTION IN 2023



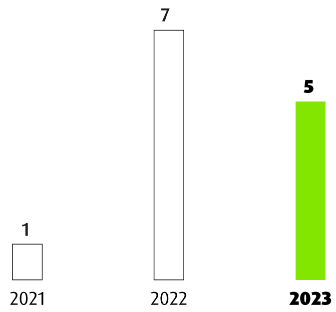
Sites in Europe and Asia now account for nearly 85% of the Group's total water consumption. Asia accounts for the lion's share of the Group's water consumption (59.5%), while Europe is the second most water-intensive geographic area (24.7%).

SOURCES OF WATER IN 2023



To measure the overall impact of its activities on water resources, Valeo measures its consumption, distinguishing between the various sources (municipal water, groundwater, surface water) and uses (industrial water, domestic water) of water on its sites. The breakdown of the various sources of water was stable compared with 2022. The percentage of water supplied by municipal water networks represents 87.1% of the breakdown.

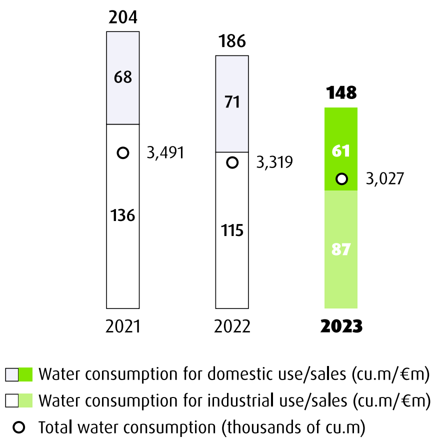
NUMBER OF WATER OUTAGES AND RESTRICTIONS



In 2023, five sites were exposed to water restrictions related to the prolonged drought, but no outages were reported.

With a view to ensuring that the Group's future operations do not face water restrictions or outages, Valeo added a chapter on the availability of water in the area surrounding the prospective site to the audit questionnaire that must be completed before new industrial projects are undertaken. Environmental Red Alert, an internal tool, also allows sites to report this type of event (see section 4.2 "Sustainable development challenges and non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 208 to 212).

WATER CONSUMPTION



Since 2008, total water consumption as a proportion of sales has fallen by 60%.

Between 2019 and 2023, Valeo reduced its water consumption by 18% in absolute terms.

In 2023, the Visibility Systems Business Group accounted for 41% 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. The Group and its sites are continuing their efforts to reduce the level of consumption.

Risk related to atmospheric discharges and emissions

Description of the risk

Valeo's activities are liable to generate the discharge of substances into the air that could impact the environment. Such discharges must be tightly controlled to avoid pollution. The Group is committed to controlling the atmospheric emissions of its polluting products, which can result in air pollution with environmental or health impacts for several reasons:

- lack of control over discharges of this nature;
- poor performance by equipment;
- lack of regular inspection or emission measurements;
- absence of filters (mechanical or coal) on equipment;
- absence of burners upstream of the stacks.

Risk management policy

The Group requires the level of risk on each site to be limited through the establishment and implementation of a monitoring plan for its regulated emissions and the keeping of an inventory of its atmospheric emissions. In addition to complying with local regulations, Valeo also implements the best available solutions on all sites. Each site must establish a system to ensure compliance with regulatory requirements on atmospheric emissions. This system requires each site to draw up an inventory of its emissions aimed at:

- listing the sources of atmospheric emissions, taking all of the site's processes and activities into consideration;
- listing facilities for the treatment of these emissions;
- describing emissions based on their origin (emissions from combustion plants or production processes);
- quantifying emissions in order to determine whether operating permits need to be obtained in accordance with applicable regulations.

Each Valeo site assesses, particularly whenever any production processes are changed, potential ways of reducing atmospheric emissions of pollutants at source, focusing primarily on processes that do not require the installation of treatment facilities.

Wherever possible, the Group provides standardized tools to be used by all Valeo sites to ensure that these indicators are calculated in a consistent manner.

Valeo monitors atmospheric emissions of volatile organic compounds (VOCs), nitrogen oxides (NOx), lead (Pb) and trichlorethylene (TCE) resulting from its activities. Emissions of sulfur oxides (SOx) are not monitored as equipment mainly uses natural gas, which does not emit sulfur oxides during combustion.

Measures taken to reduce the risk

To improve the monitoring of events liable to have an environmental impact, the Group rolled out an internal tool in 2019, allowing sites to issue alerts in real time when a spill occurs. Known as "Environmental Red Alert", the tool makes it possible to inform the highest level of the Group's organization depending on the seriousness of the incident, and to monitor and validate the resources devoted to limiting the consequences of the incident. Since 2020, the use of this tool has been extended to any notification of an event linked to a potential impact on the environment (regulatory non-compliance, notification of a complaint by a third party, leak resulting in an impact on atmospheric emissions, etc.).

Valeo sites are required to identify **any banned or locally regulated substances** used in the construction of their buildings and production equipment, or in the composition of their products. All such prohibited or controlled substances are listed in a Banned, Regulated and Declared Substances (BRDS) database established by the Group.

The Group **prohibits the use of ozone-depleting substances in its products and processes,** including refrigerants such as halons, HCFCs (hydrochlorofluorocarbons), CFCs (chlorofluorocarbons) and hydrofluorocarbons.

For several years, Valeo has taken a proactive approach to reducing emissions of ozone-depleting substances. Its commitments on the subject are set out in a dedicated directive in the Risk Management Manual. As mentioned previously, CFCs and halons are prohibited substances at Valeo. For HCFCs, the Group's objective is to stay ahead of the elimination deadlines set under the Montreal Protocol. To comply with this directive, the sites have taken action to service equipment containing refrigerants.

Hazardous substances

Valeo prevents the risk of hazardous substances being released by a specific policy and directive aimed at eliminating the use of substances posing a threat to the environment and health.

Because of the hazard they represent and their longstanding use in industrial processes on its sites, the Group is also working to reduce the consumption of heavy metals (lead, mercury, chromium VI, cadmium), chlorinated solvents and substances classified under European regulations as carcinogenic, mutagenic and reprotoxic (CMR)[28]. Some of these substances were still present in manufacturing processes in 2023, but Valeo is working with its stakeholders to find alternatives.

Volatile organic compounds

Valeo pays particular attention to monitoring atmospheric emissions related to its activity in respect of volatile organic compounds (VOCs), and is applying a process designed to reduce its use of VOCs via the implementation of substitute aqueous solutions (shift from paint containing an oil-based solvent to water-based paint), improving the efficiency of the processes implemented (robotization of a paint line, etc.), limiting and capturing emissions by geographically isolating operations.

Greenhouse gas emissions

Valeo sites use the following three types of energy for industrial and domestic purposes:

- direct energy in the form of primary energy sources (fuel oil, natural gas);
- indirect energy in the form of electricity, steam and compressed air;
- direct renewable (solar) energy generated on site, which currently provides only a minimal amount of energy.

The Group could be exposed to excessive energy consumption by plants, potentially resulting in a shortfall in competitiveness and an increase in greenhouse gas emissions, which could stem from:

- energy-intensive manufacturing processes;
- changes in regulations governing reductions in greenhouse gas emissions;
- obsolete equipment.

While energy consumption is not a material risk for Valeo, the Group is committed to reducing greenhouse gas emissions in order to move toward carbon neutrality by 2050. In 2023, Valeo remained very much dependent on the energy mix available in each host country. With that in mind, Valeo has opted to purchase low-carbon power, particularly in China, India, Mexico, Poland and the Czech Republic, and to launch self-generation programs based on solar panels.

Valeo has drafted a five-year plan to improve environmental performance in relation to energy management. This includes ISO 50001 certification objectives, which the Group relies on for its approach and the management of its initiatives.

The Group supports its sites by launching national initiatives such as the Lighting Plan, which aims to replace fluorescent and halogen lights with very low energy light-emitting diodes (LEDs), with a replacement rate of more than 85% in 2023. Since 2018, Valeo has been partnering with third-party experts to conduct energy performance audits and identify opportunities to reduce consumption. In 2021, the Group introduced monthly monitoring of energy consumption (gas, electricity) on its sites, consolidated by Business Group. Relevant data and variations are provided for review on a dedicated dashboard each month. New initiatives and best practices are shared quarterly as part of the review of the Group's Carbon Neutrality Contribution Plan.

[28] *CMR: chemical substances classified as carcinogenic, mutagenic, or reprotoxic.*

Initiatives for the management of atmospheric emissions and discharges

In 2022, the sites of the Powertrain Systems Business Group replaced their entire fleet of liquefied petroleum gas-powered forklifts, identified as containing CMRs, with emission-free electric-powered models.

In 2022, the Penang (Malaysia) site of the Comfort & Driving Assistance Systems Business Group finalized its solar panel project aimed at securing access to low-carbon electricity.

In 2023, the Group's sites renewed the following initiatives aimed at reducing their atmospheric emissions:

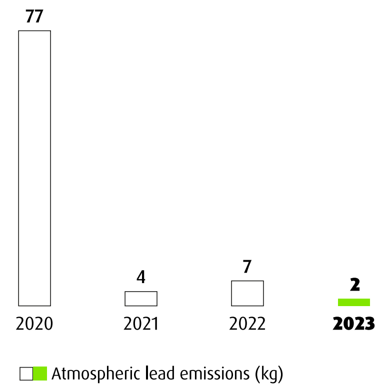
- installing activated carbon filtration systems for the recovery of VOCs;
- installing residual gas recovery and treatment systems on plastic injection molding machines;
- installing or replacing dry filters on varnishing systems.

In addition, among the progress being made across the Group's industrial footprint, in line with the recommendations of an OECD process, and in dialogue with an association of residents near the plant, the Skawina (Poland) site of the Thermal Systems Business Group undertook in 2023 to resolve or minimize the impact of odor pollution caused by the use of solvents in the industrial manufacturing process. Odor is an issue that the Group was keen to address, in accordance with the criteria for air quality and well-being defined by OECD standards. Note that the analyses certified from the outset that there was and is no risk to health.

2023 results and performance

Atmospheric discharges of heavy metals

LEAD



In 2023, atmospheric lead emissions were reduced by 99% compared with 2019, from 224 kg to 2 kg. This achievement stems in part from the closure of lead soldering facilities at the Powertrain Systems Business Group's Ebern (Germany) site and at the Comfort & Driving Assistance Systems Business Group's Penang (Malaysia) site. It also reflects work done by the Comfort & Driving Assistance Systems Business Group to install more efficient filtration systems to reduce its emissions.

Ozone-depleting substances

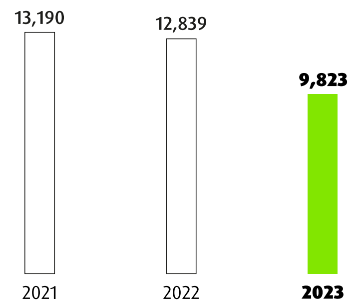
The Group is gradually replacing these substances with other less harmful products.

As from 2020, the Gyeongju site (Powertrain Systems Business Group, South Korea) stopped using Halon (R13B1) as a fire extinguishing agent, and the Bad Rodach site (Thermal Systems Business Group, Germany) reduced its use of HCFC (R134a) as a refrigerant in its test loops by replacing it with tetrafluoropropene, HFO-1234yf.

In November 2022, the Tsukuba-shi (Japan) site of the Comfort & Driving Assistance Systems Business Group eliminated its two CFC-based laboratory facilities as permitted by treatment channels.

In 2023, the Itako-shi (Japan) site of the Comfort & Driving Assistance Systems Business Group replaced HCFCs in its facilities with substances that are potentially less harmful to the ozone layer and have a lower impact on global warming.

QUANTITY OF OZONE-DEPLETING SUBSTANCES *(KG)* PRESENT IN EQUIPMENT AT VALEO SITES



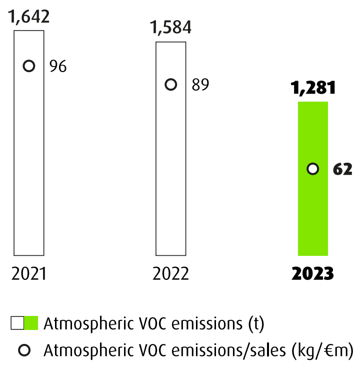
The chart above shows the quantity of ozone-depleting substances (in kg), which are used only in closed-loop equipment at Valeo sites (refrigerants or fire extinguishing gas).

The quantity of ozone-depleting substances was down 19% in 2023 compared with 2020, from 14,627 kg to 9,823 kg.

VOC

As part of its 2021-2025 plan to reduce atmospheric VOC emissions, Valeo aims to align all of its sites with the highest level of requirements currently in force in Europe. At the initiative of the Visibility Systems Business Group, Valeo fine-tuned its method for calculating VOC emissions and shared its best practices in respect of filtration systems.

ATMOSPHERIC EMISSIONS OF VOLATILE ORGANIC COMPOUNDS



In 2023, atmospheric VOC emissions were down 19% in absolute terms compared with 2022, and down 30% as a proportion of sales. The Visibility Systems Business Group remains the biggest emitter, accounting for 51% of the Group's total emissions.

Risk related to transportation and logistics

Description of the risk

Valeo's activities involve transportation and logistics throughout the value chain:

- inbound supplies of raw materials and parts, transfer of parts between sites;
- outbound deliveries to automaker-customer premises and dealer networks.

Transportation related to such flows, organized by Valeo, its suppliers or its customers, generates greenhouse gas emissions attributable to the use of non-renewable fuels.

Geopolitical and climatic events can disrupt international transportation. Tensions in supply chains increase risks to the integrity of transportation operators and inspection authorities.

Changes in the transportation environment

The reliability of containerized sea freight schedules has recovered from its sharp fall in 2020, but remains 20 points below historical levels.

Pressure on delivery deadlines has increased the risk of unvalidated alternative routes and modes. Tighter controls and penalties are placing severe constraints on carriers. In this context, the risk stems from the difficulty of controlling the various intermediaries involved in transportation services.

Binding systems are being put in place to reduce carriers' greenhouse gas emissions (IMO 2023 for maritime freight, taxes on road freight in Germany), but practical technical solutions for decarbonized transportation and the associated infrastructure will not be available on a large scale before 2030. Until then, the options will be limited to commercial offers of carbon-free fuels, under the mass balance model.

Moreover, the measurement of CO_2 equivalent (CO_2eq.) for the transportation activity over the entire scope depends on the level of maturity of all players in the supply chain. Although transportation-related emissions represent only a small proportion of Valeo's total upstream Scope 3 emissions, changes in the sourcing locations of internal and external components do have an impact on such emissions.

The risk stems from the difficulty of implementing and tracking the reduction of CO_2 equivalent emissions related to transportation and logistics, given the multitude of players in the supply chain and their contrasting levels of maturity on these issues at global level.

Risk management policy

By taking control of transportation, Valeo can identify more consolidation opportunities in the most distant countries of origin, thereby optimizing CO_2 equivalent emissions and improving risk management for transportation stakeholders.

The plan to consolidate transportation providers and share control expertise with key stakeholders provides for back-up controls on top of those already carried out by Valeo sites.

In 2023, the proportion of components previously handled by suppliers and now transported by Valeo increased by 3%.

The calculation of transportation-related emissions is now carried out at the level of projects, transportation purchases and supply source decisions.

The collection of data concerning the logistics of physical flows continues with the aim of facilitating the calculation of transportation-related emissions for all flows generated by Valeo's activities.

Valeo requires its main transportation providers to make a commitment to the methods and means of calculating their emissions, as well as to optimizing their offer in terms of energy efficiency.

Valeo is shifting its physical flows to transportation modes with lower emissions, limiting the use of air freight and continuing its efforts to optimize packaging in order to reduce the associated CO_2 equivalent emissions.

Valeo implements solutions offered by transportation providers using low-carbon fuel.

Measures taken to reduce the risk

As part of the Carbon Neutrality Contribution Plan, Valeo has implemented governance to ensure the monitoring of actions to reduce CO_2 equivalent emissions associated with transportation and logistics activities. A person is in charge of this monitoring at Group level, with back-ups in the regions.

The logistics function is also represented in the Group's Ethics and Compliance organization, and works with it to ensure that programs for managing the risk of corruption and compliance with economic sanctions provide broad coverage of the Group's logistics suppliers.

The application of the necessary controls when introducing new logistics suppliers is part of the decision-making processes for transportation purchases.

The Valeo 5000 standard includes requirements covering the reduction of CO_2 equivalent emissions from transportation and logistics activities from design to execution.

Logistics suppliers are assessed by means of the sustainable development questionnaire sent to them and their integration into the CDP Supply Chain program (see section 4.2.2 "Non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", page 232).

In particular, the requirement to use Valeo's transportation-related emissions calculation tools is integrated into the transportation specifications.

2023 results and performance

Valeo limits the use of air transportation as much as possible. However, it may still prove necessary as a means of avoiding disruption to series production due to logistics issues, to reduce project development time (transportation of samples or prototypes), in response to market demand or to deliver just-in-time technological products that are subject to capacity constraints in markets. In 2023, emissions related to air transportation directly managed by Valeo amounted to 73,000 tCO_2eq., a 35% reduction compared with 2022. These emissions are 59,000 tCO_2eq. for upstream Scope 3 and 14,000 tCO_2eq. for downstream Scope 3. The Group is continuing its efforts to limit and control the use of this mode of transportation, which is the most polluting, in favor of maritime and rail transportation when time permits.

Road transportation is the biggest source of CO_2 equivalent emissions from the Group's transportation activities, and Valeo is continuing its optimization efforts. Emissions related to this mode of transportation, directly managed by Valeo, amounted to 175,000 tCO_2eq., an increase of 4% compared with 2022. These emissions are 119,000 tCO_2eq. for upstream Scope 3 and 56,000 tCO_2eq. for downstream Scope 3. In 2023, Valeo continued to integrate multimodal road/train solutions in Europe and China, and continued to adapt transportation operations to the level of activity.

For maritime transportation, the Group continued its approach of pooling shipments between plants. In 2023, emissions related to maritime transportation directly managed by Valeo amounted to 37,000 tCO_2eq., a significant reduction compared with 2022, thanks to better separation between emissions linked to maritime transportation and those linked to pre- and post-haulage road flows. These emissions are 34,000 tCO_2eq. for upstream Scope 3 and 3,000 tCO_2eq. for downstream Scope 3. Contracts for the use of liquefied natural gas for maritime flows between China and Europe resulted in a reduction of 2,400 tCO_2eq. in 2023.

In compliance with sanctions related to transit restrictions, Valeo continued to consolidate rail flows from Europe to China and has stepped up the implementation of multimodal operations in Europe and, even more so, in China. Whenever possible, flows between seaports and plants are transported by rail. As rail transportation is not systematically identified in the reports of logistics providers, it is hard to assess the related emissions.

Since 2021, action plans to reduce CO_2 equivalent emissions from logistics activities have resulted in a structural reduction of 19,000 tCO_2eq. per year (13,000 more than in 2022). Identified reduction potential is 50,000 tCO_2eq. per year (41,000 tCO_2eq. more than in 2022). This result demonstrates the growing commitment of Valeo's teams to control and reduce transportation-related CO_2 emissions.

In 2023, 97 logistics suppliers were included in the Supplier Sustainability Assessment program, a significant increase in the number of suppliers assessed compared with previous years. 37% of Valeo's transportation expenditure goes to suppliers rated at the program's highest level. The number of suppliers able to report the calculation of transportation-related emissions for all flows generated by Valeo's activities has doubled compared with 2022, increasing the coverage of these reports from 42% to 63% of transportation expenditure.

Health and safety risk

Description of the risk

Employee health remained a priority for the Group in 2023. Since 2020, Valeo sites have acquired genuine maturity and autonomy in managing successive waves of a pandemic, as demonstrated with Covid-19.

Guaranteeing a safe work environment is the first way to improve the quality of working life of employees and to ensure their involvement in the Group's activities. To ensure the safety of its employees, Valeo monitors all accidents, including "near misses"[29]. The Group has defined a typology of events comprising six categories:

- **category 1:** severe accident (death, amputation, major trauma, disability);
- **category 2:** significant material damage (which could have caused serious injury) and major "near misses";
- **category 3:** accident with lost time, regardless of the severity (including occupational illnesses);
- **category 4:** accident without lost time, but which resulted in medical treatment off site (hospital or doctor);
- **category 5:** accident without lost time, but which resulted in medical treatment on site or did not require medical treatment;
- **category 6:** immaterial equipment damage, with no risk of injury (e.g., damage to equipment by collision, blow, etc.) and no risk of production being interrupted.

The safety of every person working on a site is essential, which is why the accidents of service providers and external visitors are also monitored, as are employee accidents. Valeo's demanding policy involves and empowers all of its employees through regular training and communication.

To strengthen its emphasis on preventing major accidents, the Group has adopted five golden safety rules on certain topics: protective equipment; energy Lock-Out Tag-Out operations; working at heights; vigilance at work; and traffic.

[29] *A "near miss" is an event that could have caused bodily injury.*

Risk management policy

To ensure that accident risks are kept under control, precise objectives per production area and per service are laid down, and policies are implemented to create a safe working environment conducive to the well-being of all.

To ensure an accident-free work environment for its employees, the Group has set itself, as part of its five-year plan, the goal of achieving a frequency rate (FR1)[30] of lost-time accidents of less than 1 by 2025. To achieve this objective, Valeo, through its Risk Management Manual, rolls out policies and directives on a range of topics (building and facility safety, employee health and safety, data security and the environment).

To promote safety, Valeo ensures that its sites are certified to an international standard and that its risk management policies are properly applied through an annual internal audit plan and external verification audits every three years. In 2023, 81% of the Group's sites were certified to the new international standard ISO 45001.

Ongoing improvement in on-site risk management is governed by the Quick Response to Quality Control (QRQC) methodology.

All employees are trained in this approach as soon as they arrive at Valeo, in particular through the mandatory training modules: "Plan, Do, Check, Act", "Safety induction" and "Safety first". The "Safety First" training program, created in 2015, aims to influence the behavior of employees at work, from operator to manager. At the end of 2023, 77,382 employees, i.e., 78% of the target population and including 11,574 people trained in 2023, had received "Safety First" training.

In 2022, the Group's Business Groups set up Safety Committees to monitor accidents and prioritize ways of reducing them. In each Business Group, the **Safety Committee** includes, at a minimum, the Business Group Industrial Director, the Business Group Health, Safety and Environment Director and the Business Group Human Resources Director.

The commitment of all employees is essential, which is why safety is an integral part of their objectives, particularly those of the Chief Executive Officer. Accident frequency rates (FR1) for the Group and in France are among the criteria used to determine his annual variable compensation.

Training dedicated to fire prevention

Following the fire that ravaged the plant in Ben Arous (Tunisia) in 2021, the Health, Safety and Environment team made a fire awareness and training course available to all employees. This Fire Prevention-Evacuation training combines theory and practice, giving people the keys to reacting properly when a fire breaks out. It also covers evacuation instructions, the use of fire extinguishers, and the consequences of moving around in a smoke-filled environment. Augmented reality glasses are also available and used to simulate different types of fire outbreaks.

Measures taken to reduce the risk

For the maintenance of machines that are a potential source of severe accidents, the Group has developed a directive, standard work instructions, a machine certification process and specific training on the Lock-Out Tag-Out process in order to strengthen the understanding of risks and its standards.

The aim is to ensure that the machines' power supplies are shut off and locked, and the power dissipated before any maintenance operation so that no power sources, including residual energy, can cause an accident. Locking also prevents third parties from restoring power to a machine inadvertently during these operations. The standards include a list of steps to follow in a specific order to safely shut off the machine.

To achieve greater professionalism among our maintenance technicians, particularly for Lock-Out Tag-Out operations, they have followed a specific training process since 2018. The process integrates the prevention of electrical risks and risks related to incorrect Lock-Out Tag-Out procedures. They also complete machine-specific Lock-Out Tag-Out drills. Technicians are only certified and authorized for Lock-Out Tag-Out operations after demonstrating compliance with the Group's standards during drills in real-life conditions.

Since 2020, the Group has also been running a three-day external machine safety training course to support the industrial, Health, Safety and Environment, and maintenance functions during the development, acceptance, installation and approval stages of new production lines.

In 2023, the Group released a new training module on chemical risks.

The Group has several ways of communicating with sites:

- circulation of a "Safety Newsletter" and release of "Safety Flashes" when an incident needs to be communicated to all sites, with the main points to be checked;
- a portal including the provision of a library sharing best practices in the form of videos, photos, audit schedules, questionnaires and flyers on prevention.

(30) *Calculation of FR1: number of lost-time accidents x 1,000,000/number of hours worked during the year. This indicator takes into account category 1 and 3 accidents. Occupational diseases are included in this indicator as category 3 accidents. Occupational diseases will therefore not be addressed outside this indicator. All Valeo employees, whatever their contract (temporary worker, service provider, trainee, VIE), are factored into the calculation of the number of accidents.*

A safety school for all employees: "Safety Dojo"

The Valeo integration process includes a two-stage introduction to the safety culture.

The first stage takes place in a training room known as the Safety Dojo. It is designed to develop and reinforce each employee's knowledge and skills in safety and ergonomics. It uses lighthearted exercises to teach people how to identify dangerous situations and the associated risks from various families of dangers, and to know how to apply the prevention and protection measures implemented at Valeo sites. In 2023, the Group had 174 Safety Dojos.

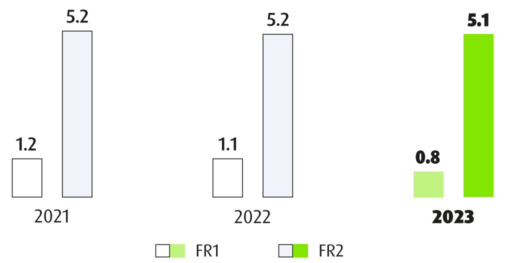
In addition to this initial Safety Dojo training, all employees take part in Safety First training to improve their awareness of safety-related issues and to understand how their personal state can reduce their alertness and influence their behavior at work.

In 2023, the Group worked on a digital version for R&D staff, and to cover remote working. It will be launched in 2024.

Results and performance

Three of the 20 key performance indicators reviewed periodically at all levels of the organization (Group, Business Group/Activity, countries, sites) relate to safety:

FREQUENCY RATE (FR1[31] AND FR2[32]) OF OCCUPATIONAL ACCIDENTS



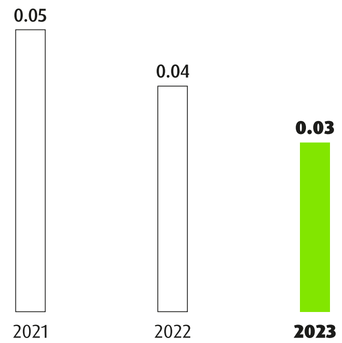
For the first time in the Group's history, the frequency rate 1 (FR1) was below 1, falling from 1.1 in 2022 to 0.8 in 2023. While the prevention, awareness and training policies implemented by the sites over the years enabled the Group to beat the target set for this year, Valeo remains vigilant. The performance must not be taken for granted, and there is always room for progress.

In 2023, Valeo sites continued to apply risk prevention tools such as risk hunting and regular audits on compliance with the five golden safety rules, in order to diagnose and raise awareness among all employees of the main accident-prone situations and those with a history of high severity rates.

Frequency rate 2 (FR2) was stable between 2022 and 2023. Since 2021, Valeo has chosen to include all accidents, with or without lost time, in its FR2 indicator. Accidents without lost time concern accidents either with treatment provided outside a hospital (category 4) or with treatment provided internally (category 5), i.e., "near misses", regardless of the severity and nature of the treatment provided on site.

The accidents covered by these indicators include all Valeo employees, regardless of their type of contract (permanent, fixed-term, apprenticeship, internship, VIE, temporary and services). With regard to service providers, while the number of occupational accidents is reported, their hours worked are excluded from the calculation. Consequently, the calculation method accentuates the frequency and severity rates. This choice stems from Valeo's decision to record the occupational accidents of all Valeo employees and service providers. The Group's improvement targets for accidents apply to everyone, regardless of contract type.

SEVERITY RATE (SR1[33]) OF OCCUPATIONAL ACCIDENTS



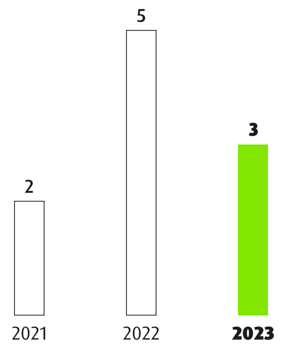
On average, less time is now lost following accidents, and the severity rate eased from 0.04 in 2022 to 0.03 in 2023.

(31) *Calculation of FR1: number of lost-time accidents x 1,000,000/number of hours worked during the year. This indicator takes into account category 1 and 3 accidents. Occupational diseases are included in this indicator as category 3 accidents. Occupational diseases are not addressed outside this indicator. All Valeo employees, whatever their contract (temporary worker, service provider, apprentice, trainee, VIE), are factored into the calculation of the number of accidents.*

(32) *Calculation of FR2: number of occupational accidents, with or without lost time x 1,000,000/number of hours worked during the year. This indicator was removed from the employee-related audit scope in 2019.*

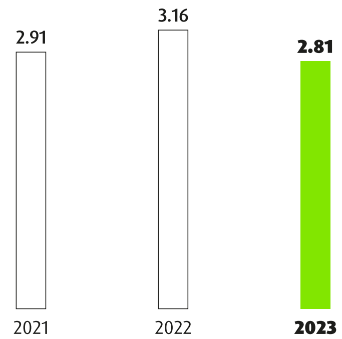
(33) *Severity rate calculation: number of calendar days lost during the year x 1,000/number of hours worked during the year.*

NUMBER OF CATEGORY 1 ACCIDENTS[34]



In 2023, there were three serious category 1 events, including a fatal accident involving a subcontractor and a heart attack unrelated to the victim's work. In both cases, an analysis involving the site, the relevant Business Group and the Health, Safety and Environment (HSE) Department was carried out to investigate the causes and to validate the measures needed to prevent a recurrence. The analyses were reviewed by the Human Resources Department and the Group's Chief Executive Officer so as to validate the measures to be adopted throughout the Group and to eradicate the types of accident in question.

ABSENTEEISM RATE[35]



In 2023, the absenteeism rate fell by a significant 11%, from 3.16 to 2.81. This improvement can be attributed to several factors, including better management of working conditions, improved health and well-being programs, and increased attention to occupational accident prevention. At the same time, the drop in occupational accidents also contributes to reducing absenteeism.

Risk related to attracting talent

Description of the risk

Attracting the best talent is a key challenge for Valeo in achieving its goals in a competitive environment that is undergoing profound transformation. The Group's success hinges on attracting skilled employees internationally in fast-growing markets and emerging countries, and in fields of advanced technology, such as greenhouse emissions reduction, electrification and intuitive driving.

Valeo bolsters its appeal by conveying an image and employer promise that are consistent with its corporate values and culture. Valeo regularly communicates on employment and career opportunities through various communication channels, including social networks. Having skilled teams ensures that Valeo can meet the expectations of its customers around the world, and add value in terms of innovation, total quality and competitive solutions and services.

Risk management policy

As part of the "One HR" comprehensive transformation project (see Chapter 1, section 1.5.9 "Human Resources Department", page 82), a recruitment organization in the form of Talent Acquisition Centers (TAC) has been in place since 2018 to generate recruitment synergies at national and regional level. The TACs back the organization up with strong and experienced recruitment teams. The TAC organization helps to reduce reliance on recruitment agencies and allows recruitment costs to be focused on actions with high value added. The TAC teams match the best candidates with the right positions in the shortest possible time, both internally and externally. They also work with the Communications Department to promote Valeo's employer brand locally, regionally and globally. Valeo had 20 TACs worldwide in 2023.

To improve the applicant experience, Valeo has also introduced the "3324" system into its recruitment process, conducting up to 3 interviews within 3 weeks and providing applicants with feedback within 24 hours.

To support the implementation of this new organization, Valeo has developed a comprehensive IT solution to manage recruitment. The main objective is to increase the efficiency of the recruitment process, reduce its cost and duration, improve quality and follow-up, and give better visibility to job opportunities available. While the number of permanent hires decreased this year, the number of manager and professional hires increased from 5,671 in 2022 to 5,789.

Measures taken to reduce the risk

Valeo's recruitment policy is based on a strong employer brand, which enhances the Group's visibility and its appeal for the talents of tomorrow. Managing relations with schools and creating strong and close partnerships are priorities for the Group, which is committed to ensuring that the proportion of under-25s hired exceeds 35% by 2025. In 2023, 51% of Valeo's plants maintained official relations with higher education institutions (universities, engineering schools, business schools, etc.).

The Group continues to welcome young people as part of their studies, particularly through apprenticeships and work-study programs. This ambition is especially evident in France, where work-study students and apprentices together accounted for 6.9% of the workforce as of December 31, 2023.

The TAC teams from different countries have created "Hiring4me", an e-learning module for managers, giving them the tools to create exemplary recruitment, free of any discrimination in hiring.

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(34) *Category 1 accidents: severe accidents (accidents resulting in amputation, disability, major trauma or the death of an employee).*

(35) *Calculation of the absenteeism rate: actual hours of absence expressed as a proportion of total possible working hours. Hours of absence taken into account are absences due to a workplace accident, illness, suspension of work, strikes, absences authorized other than statutory holidays, unauthorized absences. Possible working hours are equal to the number of days worked in the month x the daily working hours (excluding overtime) x month end registered headcount.*

In addition, #VERY VALEO, a recruitment campaign launched in 2022, has helped inspire new talent, and retain and motivate employees around the world. Illustrating Valeo's latest innovations and the skills the Group is seeking, the visual, customizable campaign has been made available to all employees, who can share it via their internal or external networks to promote the Group while at the same time expressing their loyalty.

Since 2023, Valeo has offered the Onboarding Digital Path, an onboarding program designed to help all new hires around the world to quickly find their feet and succeed. It enables all new Group employees to learn essential information about the Group as a whole – its organization, products, values and specific culture, as well as the "5 Axes".

"#REFERAFRIEND", or co-opting at Valeo

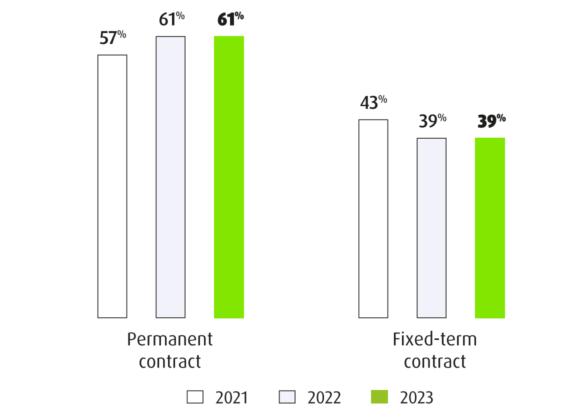
Thanks to the "#REFERAFRIEND" program, launched in 2019, 10% of Managers and Professionals were co-opted in 2023. Capitalizing on employee engagement, it allows Valeo job offers to be shared and applicants to be recommended. Experience shows that co-opting employees only put forward the people most capable of ensuring the responsibility attached to the vacant position. Co-opters receive a financial incentive.

"Dare. Care. Share," an employer promise

The "Dare. Care. Share" campaign, launched in 2022 and designed to attract new talent, gives jobseekers an opportunity to learn about the corporate culture by putting a spotlight on the Group's most unique roles and most passionate employees. Employees across the globe were selected to talk about their cutting-edge projects, what drives them and their day-to-day work, as a source of inspiration for potential applicants.

2023 results and performance

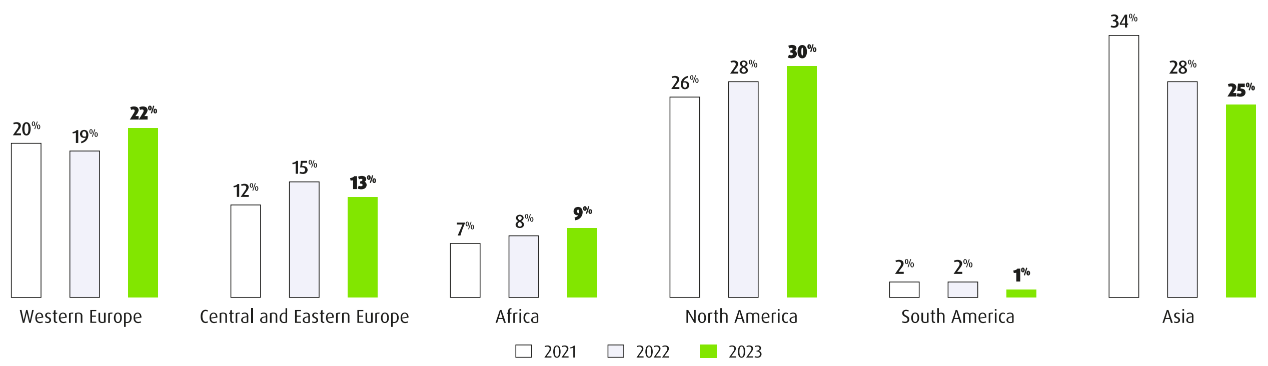
BREAKDOWN OF NEW HIRES BY TYPE OF CONTRACT



In 2023, Valeo hired 22,873 employees, all categories combined, 13,867 of whom on permanent contracts and 9,006 on fixed-term contracts, compared with 14,853 and 9,686 in 2022, respectively.

The total number of hires in 2023 was 7% lower than in 2022; the reduction affected both permanent and temporary hires.

BREAKDOWN OF NEW HIRES BY GEOGRAPHIC AREA



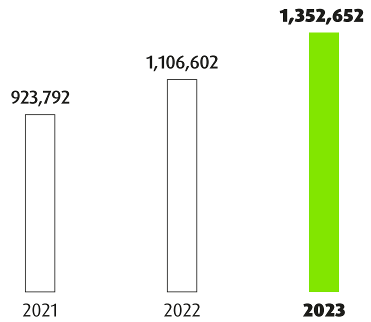
Geographically, hiring increased in Western Europe (up 2.9 points) and North America (up 2.2 points), and decreased in Asia (down 3.0 points), Central Europe (down 2.0 points), Africa (down 0.6 points), and South America (down 0.4 points) in 2023.

This year, the teams in charge worked to achieve recruitment-specific Corporate Social Responsibility (CSR) objectives, focusing on the recruitment of young people, women and R&D engineers. R&D engineers accounted for 19% of new hires in 2023.

Valeo continues to develop its presence on social networks, posting on LinkedIn, Facebook and Twitter, as well as on YouTube, Xing and WeChat in order to develop its employer brand and remain visible on the market.

In 2023, the number of LinkedIn followers continued to grow, reaching 1,352,652; a 22% increase on 2022. Greater numbers of employees are playing the role of ambassador in this area, with their number reaching more than 1,100 in 2023.

CHANGE IN THE NUMBER OF LINKEDIN FOLLOWERS



Risk related to developing and retaining talent

Description of the risk

The Group relies on its employees to support its growth and maintain relationships with its customers worldwide.

To this end, Valeo is committed to recognizing and valuing talent, while retaining talented employees thanks to an ambitious compensation, professional development, training and internal mobility policy. The objective of this policy is to empower each employee in their career and their skills to ensure their operational excellence.

Risk management policy

Developing and retaining talent is one of the Group's most critical challenges. At Group level, as well as at the country and site levels, the managers responsible for talent development, training, compensation and benefits work together to develop ambitious policies that meet employee demands and match the Group's strategy. Together they focus on four essential levers:

- training;
- skills development;
- compensation and benefits;
- development of the network of experts.

The objectives of Valeo's Human Resources Department for 2025 are as follows:

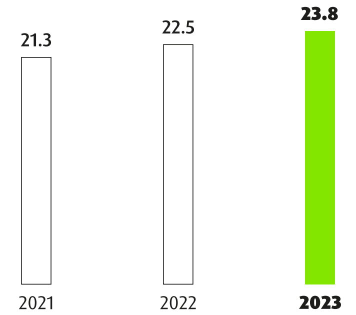
- stabilize the voluntary departure rate among Managers and Professionals at 7%;
- give 100% of employees training in at least one module each year.

Measures taken to reduce the risk

Training

As employee training is a tool for developing and retaining talent, Valeo is continuing its internal training efforts. In 2023, 97,686 employees (93% of the registered headcount) took at least one training course during the year.

AVERAGE HOURS OF TRAINING PER EMPLOYEE – REGISTERED HEADCOUNT



Development of distance learning

On average, each employee completed 23.8 hours of training during the year, an increase of 1.25 hours compared with 2022. The digitalization of its offer is allowing Valeo to make its training courses available to all employees. In 2023, 30.3% of training provided was in digital format (excluding distance learning). At the end of 2023, MyLearning, the Group's training platform, had 65,100 users. This year, operators and technicians together accounted for more than 39% of training hours completed.

Valeo also capitalizes on its talent, with a network of trainers comprising 4,297 employees. They are experts or certified professionals from all functions, and their purpose is to pass on their expertise.

BREAKDOWN OF HOURS OF TRAINING OF THE FIVE MOST POPULAR TRAINING COURSES IN 2023

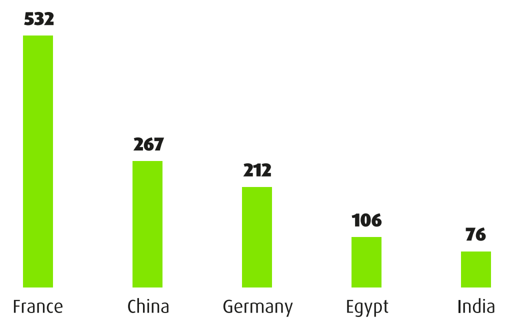
To reinforce the expertise of its employees, Valeo has set up in-house technical training. The Group offers continuous training for its technicians and engineers to encourage innovation at all levels. In 2023, 502,673 hours of "technical and scientific" training were provided.

As safety and ergonomics are essential levers of commitment and motivation among our employees, the Group has developed specific training modules to foster awareness of these issues. From induction and throughout their career, employees receive face-to-face and online training specifically dedicated to the identification, control and management of risks (e-learning modules detailing the HSE – Health, Safety and Environment directives). The volume of training hours devoted to safety increased to 334,114 in 2023, compared with 314,285 in 2022.

Training spearheaded by a large network of experts

Courses are run mainly through the Group's network of Experts. They are designed to provide advanced training on Valeo products, technologies and manufacturing processes. Experts play a vital role in the transmission of knowledge and skills at all levels of the organization. Each year, the Group identifies and appoints Experts to provide support for prospective new products and the development of industrial processes. In 2023, Valeo had 1,614 Experts of 58 different nationalities in 22 countries worldwide, breaking down as 1,180 product experts and 434 process experts.

TOP FIVE COUNTRIES WITH THE MOST EXPERTS IN 2023



France is home to 532 Valeo Experts, the largest number of Experts across the Group and representing 33% of the total. Five countries, namely France, India, China, Germany, and Egypt, account for 73.9% of Experts.

Talent development

To foster talent development and internal mobility, Valeo strives constantly to provide its employees with the right environment and tools to enable them to be actors in their own career paths.

The Group used the Job Grading system to reinforce the existing arrangement combining Individual Development Plans and career interviews. The new system has enabled the Group to:

- update the catalog of jobs and the list of skills expected for each of them;
- develop training courses by network and by function to enable all employees to self-train on the skills they wish to acquire for the next steps in their career;
- help employees wishing to construct internal mobility for all positions existing within its organization. The "Career Path" intranet application, which features Job Mapping for each network, gives all employees access to a range of existing roles, future positions and job descriptions. The goal is to empower each employee in his or her own career development.

A succession and development plan is drawn up each year to identify the next stages in the career path of all Managers and Professionals. It is implemented by each Group entity via a committee responsible for selecting internal candidates for vacant positions. In addition, all Managers and Professionals have a qualitative discussion on their career development with their manager or the human resources team during their annual appraisal.

A program to promote mobility within the Group

Further career days were held in most of the Group's countries in 2023. Their purpose is to promote geographical and functional mobility by introducing employees to our sites, our job roles and our gateways. This very active internal mobility policy allows the Group's employees to develop throughout their career by working in different functions in other networks or sites.

To ensure a match between identified career paths and vacant positions, a monthly meeting designed to review talent and competences, known as the "Collective People Review", is arranged by sites and networks at each level of the organization. This meeting thus promotes geographic and functional mobility.

Furthermore, each year, Valeo offers international career opportunities in the form of assignments of less than one year or expatriation to ensure the transfer of competences to new locations, the strengthening of certain essential skills to support the growth of Valeo's activities internationally, and the individual development of the employees concerned.

This dynamic policy and these tools allow Valeo to create an internal talent pool to fill vacant positions. As a result, a total of 18.24% of Managers and Professionals benefited from career development opportunities in 2023 (up from 13.2% in 2022). The average length of service of Valeo Managers and Professionals in each position is 6.9 years. Valeo also facilitated the expatriation of 251 employees to more than 16 countries in 2023.

In addition to the specific actions taken among Managers and Professionals, the Group strives to promote career development among non-managers, both operators and technicians, and supervisors. In 2021, a specialists' path accessible to non-managers (mainly in the Research and Development, Industrial and Quality networks) was developed in France in the same spirit as the Expert approach. The 130 specialists appointed continued their work in 2023.

Grow Together mentoring program

The Grow Together internal mentoring program dates back to 2019. It allows senior members of the company – the mentors – to spend time with selected people – the mentees – to share their experiences, insights and knowledge.

The key objectives are to:

- accelerate talent development;
- reinforce Valeo's values;
- promote intergenerational cooperation;
- improve communication, team spirit and social intelligence;
- prepare the leaders of tomorrow.

In 2023, 577 employees from 22 countries took part in the mentoring program, breaking down as 291 mentees and 286 mentors. Women made up 38% of participants.

Overall compensation and benefits

Valeo is committed to offering competitive compensation and benefits that attract, engage and retain talent.

To ensure that its positioning is appropriate, Valeo conducts regular competitiveness analyses of salaries in the major markets where it competes for job applicants (mainly automotive and high-tech).

Compensation policies are developed based on a broad range of reliable sources including market practices from specialist compensation consulting firms, as well as central bank and government agency forecasts.

Each year, the country Human Resources Directors propose wage increases and benefits based on inflation, projected average increases in the market by category, the unemployment rate and sales. The Group validates and sets budget directives in each country, depending on their specific situation. This approach enables the Group to offer appropriate packages for each employee in all countries.

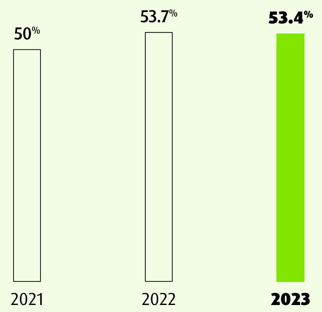
In 2020, Valeo redefined its Job Grading System, aligned with external market practices and ensuring internal recruitment and development based on objective criteria. The system is consistent with market practices and the organizational structure in place to ensure the fairness and competitiveness of salaries for each position.

2023 employee share ownership initiatives

Valeo aims to acknowledge and value the commitment of its employees by allowing them to become owners of the Group under preferential conditions.

In 2016, Valeo introduced a share subscription offering reserved for employees, known as "Shares4U". An eighth employee shareholding campaign took place in 2023. Through such offers, Valeo's management team sought to acknowledge the personal involvement of employees and give them a greater share in the rewards of the Group's performance. In 2023, 93,358 Group employees were eligible in 21 of the countries where Valeo operates. At the end of the subscription period, which began on September 18 and ended on October 6, 2023, 1,131,560 new shares were subscribed at a price of 14.24 euros each. Employees received a discount of 20% on the reference share price. At December 31, 2023, around 53.4% of employees were Valeo shareholders thanks to the share ownership policy implemented in 2010 and reinforced by the Shares4U offerings (see Chapter 6, section 6.4.5 "Employee share ownership", page 433).

PERCENTAGE OF EMPLOYEE SHAREHOLDERS AT VALEO



PAYROLL COSTS AND PERSONNEL EXPENSES

(in millions of euros)	2021	2022	2023	Change (2023/2022)
Payroll costs excluding social security contributions and temporary staff (A)	2,713	3,213	3,570	+11%
Social security contributions (B)	626	702	762	+9%
Pension costs under defined benefit plans (C)	63	54	64	+19%
Pension expenses under defined contribution plans (D)	134	167	182	+9%
Total payroll costs (excluding temporary staff) (E)	3,536	4,023	4,357	+8%
Contribution rate ((B+D)/A)	28%	27%	26%	-0.61 pts

(in millions of euros)	2021	2022	2023	Change (2023/2022)
Personnel expenses including social security contributions (including temporary employees)	3,779	4,058	4,724	+16.4%
As a % of sales	23.0%	21.9%	23.6%	+1.7%

BREAKDOWN OF PAYROLL BY GEOGRAPHIC AREA IN 2023

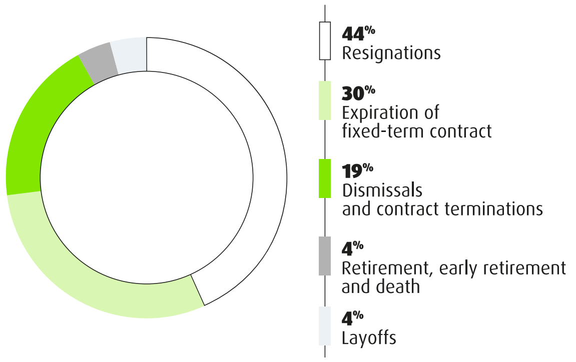
(in millions of euros)	France	Europe (excl. France)	Outside Europe
Payroll costs excluding social security contributions and temporary staff (F)	776	1,352	1,441
Social security contributions (G)	274	259	229
Total payroll costs (excluding pension costs) (H)	1,050	1,611	1,671
Contribution rate (G/F)	35%	19%	16%

Total personnel costs (including temporary staff) were up 11% compared with 2022. The increase is partly attributable to the increase in the total headcount.

Social security contributions (excluding pensions) increased by 9% in 2023 vs. 2022, in line with the change in the payroll excluding temporary staff including capitalized personnel expenses.
It is important to note that those paid in France represented around 36% of total social security contributions paid across the Group as a whole.

2023 results and performance

BREAKDOWN OF TURNOVER BY CAUSE IN 2023

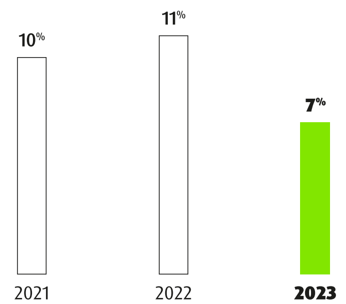


In 2023, 19,660 employees left the Group, compared with 24,439 in 2022. Resignations are the biggest cause of turnover (44%), followed by the end of fixed-term contracts, as well as non-economic dismissals and agreed terminations (30% and 19% respectively).

Operators account for 62% of resignations. The turnover rate for direct labor is increasing, notably due to the tight situations prevailing in certain local job markets in North America and Eastern Europe.

Faced with this risk, Valeo is implementing action plans adapted to local issues in respect of hiring and retaining operators, especially in areas in full employment. They include recruiting a workforce near the plants, favoring permanent contracts over temporary contracts while preserving a certain flexibility, revising the hourly organization of the teams and ensuring the integration of new employees. The Group's pay, training and career development policy is key to attracting and retaining blue-collar staff.

VOLUNTARY TURNOVER OF MANAGERS AND PROFESSIONALS[36]



[36] *The calculation of the voluntary turnover rate for Managers and Professionals takes into account resignations during the year.*

In 2023, the turnover rate for Managers and Professionals in the Group was 7.23%, a significant decrease of 32% compared with 2022. This drop in employee turnover can be attributed to the adaptation to the job market and the reduction in turnover throughout the Group. The main reasons for resignation, other than personal reasons, are organization (17.4%, vs. 14.8% in 2022) and career development (15.9%, vs. 20.8% in 2022):

- employees aged 30 to 44 have the highest turnover rates: 8.3%;
- the turnover rate was lowest in Brazil (4.5%), China (4.8%) and the Czech Republic (5.4%);
- the highest rates were in Tunisia, Morocco, Thailand, Belgium and Romania, where specific measures (compensation, career development, promotion of diversity, etc.) have been taken to bring them down significantly.

Valeo monitors the voluntary turnover rate of Managers and Professionals and that of the direct workforce on a monthly basis to ensure its operational excellence and the retention of its talents. The turnover rate, i.e., the number of resignations as a percentage of the average headcount[37], fell from 11.1% in 2022 to 7.8% in 2023. The economic context is the main cause of this 3.4 point decrease. Market trends, particularly in certain areas such as R&D, are behind the drop in turnover.

Since the beginning of 2023, Valeo has included the voluntary turnover rate for the entire Group structure in its "5 Axes" monitoring indicators, tracking monthly voluntary turnover rates for managers and professionals, and for technicians. In 2023, 6.29% of Group employees resigned.

Risk related to lack of diversity

Description of the risk

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

Risk management policy

Firmly believing in the importance of diversity in non-financial and financial results, the Group decided in 2018 to incorporate the criterion of diversity into the compensation of its Chief Executive Officer. Since 2021, the gender equity index[38] has in turn been integrated into the calculation of the variable compensation not only of the Chief Executive Officer, but of all Group managers. The aim of this approach is to send a strong signal to the teams to encourage them to continue their actions in favor of diversity. In 2023, the Group also created the position of Group Diversity, Equity and Inclusion Director to promote diversity policies throughout the Group and ensure the achievement of objectives in this area.

The Group's goal is to promote diversity everywhere. To ensure that the definition of diversity, its scope and the practical initiatives stemming from it are taken into account at all plants, a Human Resources "Valuing Diversity" policy applying to all employees is shared with the entire Human Resources network and is accessible to everyone on the intranet.

To ensure greater diversity across the Group, Valeo has set targets for each of the four themes to be achieved by 2025:

- **Gender:**
  - reach 90 points globally on the gender equity index;
- **Disability:**
  - increase the number of employees with disabilities to 2.5% of the headcount;
- **Cultural:**
  - increase the proportion of plants run by a local director, bringing it above 80%,
  - continue to reduce the proportion of expatriates among total Managers and Professionals to less than 0.75%,
  - reduce the share of French expatriates in the total proportion of the Group's workforce to less than 55%;
- **Generational:**
  - ensure that the proportion of hires of people under 25 years of age is greater than 35%.

Measures taken to reduce the risk

Gender

Actively in favor of gender equality and the promotion of this facet of diversity, the entire Group achieved the following in 2023:

- 82% of the Group's plants implemented at least one initiative in favor of gender equality: organization of seminars and conferences, organization of photo exhibitions or sports tournaments, etc.;
- particularly attentive to the quality of life at work, 72% of the plants have introduced specific measures for pregnant women: adjustments to workstations or working hours, etc.;
- aware that women are less represented than men in its industry, Valeo continues its partnership with association *Elles Bougent* and had 100 sponsors in 2023.

The Group also brought its employees together for key events during the year. On March 8, to mark 2023 International Women's Day, the 100 Valeo Women Interviews series was launched to celebrate Valeo's centennial. 100 female employees shared their messages of courage in interviews. On March 7, the Powertrain Systems Business Group hosted Living Gender Diversity @PTS, a special event broadcast to PTS employees worldwide. Three PTS women representing different networks and countries had the opportunity to share their experiences and thoughts on gender diversity, while Romain Bruniaux, Business Group Vice President Industry, and Alexandre Dubois, Business Group Vice President Human Resources, spoke about the importance of gender diversity within the Group.

[37] The average headcount is the sum of the Group's total headcount in each quarter divided by four.
[38] See financial glossary, page 291.

Disability

To develop the approach launched in France in other countries, a Group approach known as the Disability Management Approach was drafted and implemented in 2021. It is a policy designed to respect the customs of each country in which Valeo operates. To this end, Valeo relies on the United Nations definition (Convention on the Rights of People with Disabilities), plus the concept of the working environment. The Group considers that an employee with a disability is one whose interaction with his/her work environment is undermined by his/her disability or impairment. Valeo is implementing an organization aimed at inclusiveness for all employees. From now on, and based on the existing French model, a duo of disability liaison officers is present on each site. Composed of an employee from Human Resources and a volunteer employee, they have an advisory role for employees identified as workers with disabilities, and oversee their needs.

In 2023, Valeo held various training and awareness-raising sessions on disability, open to all employees. Led by the site's disability liaison officer, the sessions gave participants insight into the various types of disability, regulations and internal policies.

Culture

In 2023, Valeo continued to promote cultural and social diversity as a real performance driver:

- 72% of the plants implemented at least one initiative in favor of cultural diversity: celebration of the World Day for Cultural Diversity, introduction of pairs formed by employees from different countries, organization of meals from different countries on site, etc.;
- to attract talented young people from diverse backgrounds, Valeo has launched the Insertion Process. Currently piloted in France, it aims to integrate a greater number of young people from priority neighborhoods in urban policy[39], especially for school work experience or work-study programs for college students.

Generational

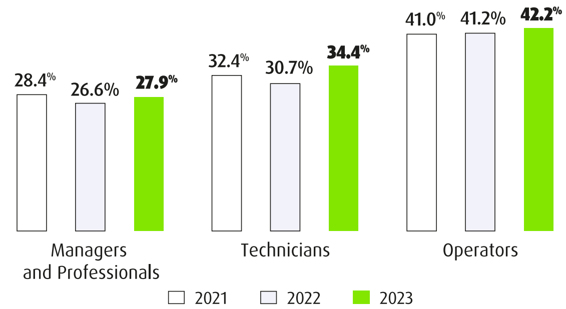
The Group takes care to create an environment in which four generations can work together as the retirement age increases and members of generation Z arrive on the labor market. This generational diversity is a factor of human enrichment for the Group, but it questions the perception of Valeo's management model by each generation. In 2023, Valeo implemented a number of measures in favor of generational diversity:

- 57% of the plants implemented at least one action in favor of generational diversity, especially to mark generational diversity day: activities, workshops, open days for high schools;
- extension of the policy of selective partnerships with higher education institutions at the international level, to promote diversity within teams. These initiatives in favor of youth employment and the integration of young people in the workplace allowed the Group to welcome 2,193 interns, 2,220 apprentices and trainees, and 244 *Volontariat International en Entreprise* (VIE) program applicants.

2023 results and performance

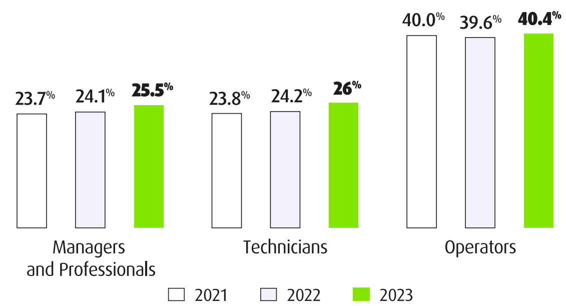
Gender

PERCENTAGE OF WOMEN AMONG NEW HIRES



In 2023, women represented 37.1% of new hires, an increase of 1.6 points from 35.5% in 2022.

PROPORTION OF WOMEN PER SOCIO-PROFESSIONAL CATEGORY – REGISTERED HEADCOUNT



The percentage of women among all Valeo employees is 33.1%. The percentage of women Managers and Professionals is 25.5% and 17% in R&D; Valeo is committed to promoting and developing female talent. The proportion of women in the executive population increased by 3.07 percentage points, rising from 14.90% to 17.97% between 2022 and 2023. At the same time, the Group increased the percentage of female operators by 1.2 points between 2022 and 2023 through its determination to ensure the promotion of diversity throughout the Group.

(39) *Priority neighborhoods in urban policy are characterized by a significant economic and social development gap with the other parts of the cities in which they are located.*

Valeo is committed to gender equality[1]

A pioneer in this approach, in March 2019 Valeo decided to extend the gender equity index (mandatory in France) to all countries where it operates. Based on five indicators, the index measures the weighted gaps in pay, pay rises and promotions, as well as the percentage of women in the ten highest paid positions. To improve the continuous monitoring of this index in the various countries, the Group has developed an automated tool for calculating outcomes at all levels (site, country, Business Group).

In 2023, the Group obtained an average score of 88.9/100, an increase of 1 percentage point year on year[2]. The lowest score was 74, and the highest was 93. Thanks to action plans implemented in each country, Valeo has made progress on most criteria, and has achieved its 2020 objective of ensuring that all women returning from maternity leave receive a pay rise. In a longer-term perspective, Valeo's priorities include increasing the proportion of women earning the highest salaries.

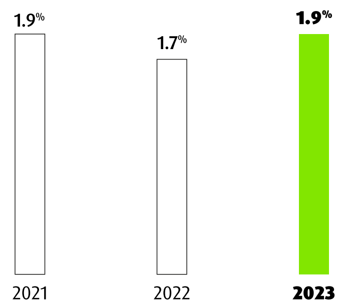
Valeo has set itself the Group objective of achieving an average score of 89/100 by 2024 and 90/100 in 2025.

In addition to this index, Valeo has decided to measure the percentage of women on the management committees of its operating entities. The Group has prepared a Gender Diversity by Design program with the ambitious goal of having 32% women within the Group's various management committees in 2030. In 2023, the rate was 23.6%.

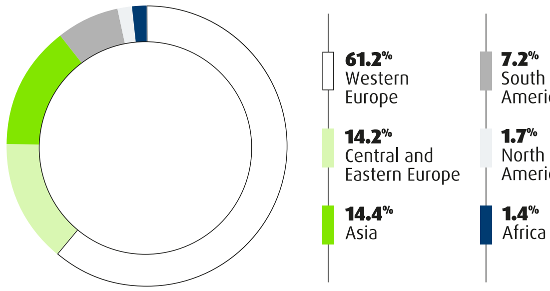
(1) See financial glossary, page 291.
(2) The data consolidation methodology at Group level changed between 2020 and 2021. Since 2021, the Group has been using the weighted consolidation method based on the number of employees taken into account in the calculation of the index by country.

Disability

PROPORTION OF EMPLOYEES WITH DISABILITIES WORLDWIDE (DIRECT EMPLOYMENT)



In 2023, Valeo employed 1,927 people with disabilities across the Group, or 1.9% of the total headcount, an increase of 9% compared with 2022. This increase testifies to the Group's commitment to its diversity, equity and inclusion policies, and demonstrates its ongoing commitment to an inclusive workforce. 35% of employees with disabilities are women. 75% are based in Europe and 14.4% in Asia.



HandiTech Trophy

In 2023, for the seventh year in a row, Valeo took part in the HandiTech Trophy. All French employees had a chance to vote in six project categories: Mobility, Health, Digital, Education and Caregivers, Employment and Sport.

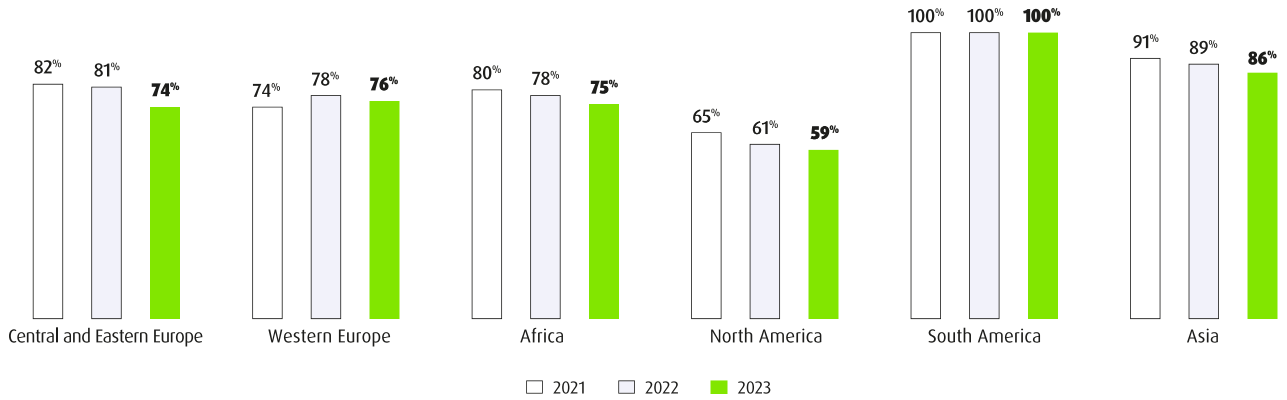
Culture

In 2023, Valeo had 251 expatriates in its ranks, compared with 208 in 2022. Most of this increase (60%) is due to the inclusion of Ichikoh expatriates (26 in number, mainly in Thailand, Indonesia and Japan), with the remainder dispersed widely throughout the Group. The Group still wishes to allow local managers to access key management positions. The countries hosting the largest number of expatriates are France (31 expatriates), the United States (31), Japan (31), Germany (27) and Thailand (26).

The proportion of expatriates in the total number of Managers and Professionals was stable compared with previous years (0.7% in 2022 and 0.6% in 2023). French expatriates accounted for 42% of total Valeo expatriates in 2023. Expatriates working in Research and Development account for 22% of the Group's expatriates.

The Group included employees of 141 different nationalities in 2023. The ten most widely represented nationalities within the Group are Chinese (15.4%), Mexican (13.4%), French (11.1%), Polish (6.9%), German (6.8%), Indian (6.5%), Spanish (3.8%), Egyptian (3.6%), Czech (3.35%) and Japanese (3.1%).

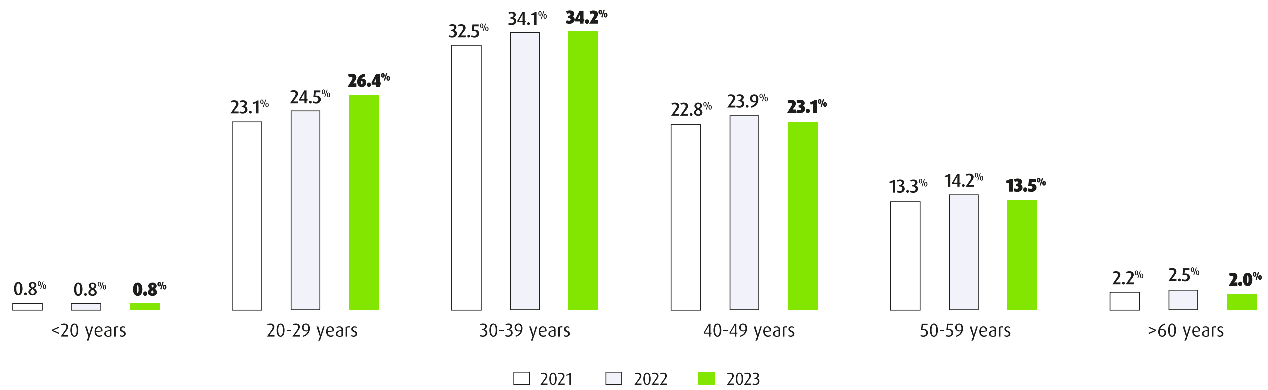
BREAKDOWN OF SITES RUN BY LOCAL DIRECTORS



In 2023, the proportion of plants run by a local director fell to 77%, from 81% in 2022, due to the disposal of the Mirror business and the reassignment of some experienced directors to sites in difficulty, resulting in a slight decrease in the overall proportion.

Generational

BREAKDOWN OF REGISTERED HEADCOUNT BY AGE GROUP



At December 31, 2023, Valeo had a total of 16,140 employees aged over 50, i.e., 15.5% of the registered headcount, down 1 percentage point compared with 2022. There were 28,346 employees under the age of 30, representing 27.2% of the total workforce, up 2 percentage points on the previous year.

- In 2023, Valeo recruited 7,414 employees under the age of 25, representing 31.9% of new hires.
- The average age of the registered headcount was 38 in December 2023.

Valeo Diversity Week

Each year, the Group organizes a Diversity Week to highlight the importance of diversity and to encourage all employees to take up the challenge of inclusion. In this spirit, the Group launched a new diversity and inclusion training module in 2023 to promote the creation of a working environment where everyone feels valued.

All sites around the world actively participate, organizing a variety of events to promote diversity in the workplace. In 2023, around 60 sites worldwide held location-specific Diversity Week events. For example, the Taicang and Wuxi sites organized activities on visual impairment. Employees took part in a range of activities in the dark to gain a better understanding of the difficulties faced by blind people in their daily lives.

Risk of individual corruption

Description of the risk

The fight against corruption is intensifying and becoming more widespread. Most countries now have extremely stringent regulations sanctioning corruption and the absence of a compliance mechanism or program.

In view of its operations in countries with endemic corruption and the attendant various risks of civil sanctions, and the impact of potential corrupt practices on its reputation, operations, financial position and profitability, Valeo is active in the fight against influence peddling and corruption, whether active or passive, private or public.

Risk management policy

Valeo's anti-bribery program, which reflects its commitments and values, is designed to enable the Group to protect its employees, preserve its integrity and avoid risks relating to individual corruption.

The program, which is backed by the governing body and management teams, steered by the Ethics and Compliance Office, sets out prohibited practices and defines the conditions and prerequisites applicable to certain business relationships or cooperation arrangements. Its main components are:

- Valeo's Code of Business Ethics;
- the Business Partners Code of Conduct;
- corruption risk mapping;
- the commitment of the governing body;
- the policy governing gifts, invitations and donations;
- the conflict of interest management policy;
- the business partner Due Diligence policy;
- the selection policy for agents and intermediaries;
- a multilingual, secure and confidential (or even anonymous) whistleblowing line accessible to employees and third parties; and
- a policy of generic and specific training.

It is complemented by a set of instructions and decision-making tools designed to prevent corrupt behavior and practices.

Its implementation and effectiveness are subject to internal controls and multiple audits.

It is regularly updated in a spirit of continuous improvement, awareness-raising, training and prevention.

The program is rolled out globally by the Ethics and Compliance Office, with the support of Compliance Champions, who are experienced executives known and acknowledged by their peers and their teams. Drawing on their detailed knowledge of the specificities of their network, country, business group or department, they help relay the entire program to their teams, and guide employees on these challenges, thereby contributing actively to its implementation at all levels of the organization.

Measures taken to reduce the risk

As part of the program presented above, Valeo:

- has a Code of Business Ethics formally prohibiting all forms of corruption;
- maintains an up-to-date corruption risk map that allows it to adjust its policies and areas of vigilance as needed;
- has a comprehensive anti-corruption program including policies, decision-making support tools and manuals for its staff and directors;
- also has a management program for risks posed by certain third parties, consisting of:
  - a policy for assessing and selecting third parties and agents,
  - the Business Partners Code of Conduct,
  - specific mandatory training for certain third parties;
- organization of annual training campaigns, illustrated by numerous examples and practical cases, for employees exposed to risks of corruption in the course of their duties;
- requires induction training in its Code of Business Ethics and Compliance for newcomers;
- regularly reaffirms its commitment to fighting corruption in its internal communications;
- benefits from an active prevention system:
  - an alert system open to all Valeo employees and stakeholders (liaison officers, an outsourced whistleblowing hotline, an investigation team, etc.),
  - an Alerts Committee that processes alerts and determines the necessary action plans and/or sanctions,
  - regular internal controls,
  - targeted internal audits.

Results and performance

Circulation of the Code of Business Ethics

In 2023, 99.5% of new employees signed a declaration acknowledging receipt of a copy of the Code of Business Ethics. This initiative is aimed at ensuring that all employees joining the Group are informed and have fully grasped the principles of integrity and respect for the regulations applicable to all (fight against corruption, etc.).

The Code comes with a mandatory training module, the results of which are presented below.

Anti-corruption training

To ensure an understanding of internal and external anti-corruption policies, tools and behaviors, Valeo has developed compulsory e-learning modules for newcomers (people hired during the year), in particular Valeo's managers and professionals.

In 2023:

- 86% of new employees followed and passed the Induction to Compliance Program module;
- 99.75% of the target population attended annual anti-corruption training.

Supplier sustainability practices risk

Description of the risk

Broad change in supplier chains, the emergence of new forms of indirect subcontracting and the desire to control risks of disruption in the supply chain by taking into account a wider range of risk factors have prompted Valeo to formalize, over recent years, a demanding policy in terms of sustainable development with regard to its suppliers.

In light of this reality, Valeo has begun implementing a policy to monitor its suppliers in the following key areas: governance, human rights, the environment, health and safety and supplier relations. The Group has drawn up questionnaires on these key areas, which have become control points for Valeo.

Since the launch of Valeo's Carbon Neutrality Contribution Plan, the understanding of environmental risk among Valeo's suppliers has been strengthened, mainly via the supplier practices assessment tool, which now includes evaluation points relating to suppliers' carbon maturity for Scopes 1, 2 and 3 (see below).

Risk management policy

Structure of the Purchasing function at Valeo, and supplier relations

As a tier-one automotive supplier[40], Valeo is at the heart of the automotive industry supply chain. It is an order-giver to tier-two and lower-tier suppliers and a supplier of technologies and systems to automakers.

Its activity is compliant with standards and laws in force, while also meeting the sustainable development, ethics and compliance standards that the Group has set itself. In dealing with its suppliers, the Group places priority on:

- quality;
- industrial location;
- competitiveness.

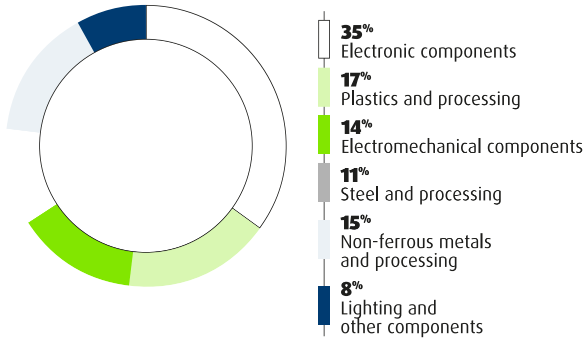
Valeo's purchasing policy is built on three directives:

- quality and service, which aims to ensure optimal products, process and service quality;
- competitiveness, one of the key constraints in the automotive sector;
- innovation and advanced technology to support Valeo's strategic choices.

The Group's Purchasing Department has two major priorities:

- **a Commodity/Segment priority,** focusing on the specific purchasing strategy for commodities. Its global approach allows for a consistent supplier selection policy, run through business allocation committees. The seven commodities, divided into segments, are:
  - steel and processing,
  - plastics and processing,
  - non-ferrous metals and processing,
  - electromechanical components,
  - electronic components and systems,
  - lighting and other components,
  - indirect purchasing of products, equipment and services used in the design of Valeo products or in manufacturing processes;

BREAKDOWN OF PURCHASES BY COMMODITY IN 2023



- **an Operation and Projects priority,** focused on project release using optimally cost-effective parts and systems, on the achievement of technically efficient productivity, and on re-sourcing for competitive performance, with particular regard to the productivity it has to grant customers during the product life cycle.

Sustainable development requirements

The keys to achieving sustainability in purchasing policy involve:

- facilitating an understanding of the risks of a breakdown in the supply chain by taking into account a wider range of risk factors, known as sustainability factors (integrating the governance, social, environmental and fundamental rights dimensions, etc.);
- boosting suppliers' competitiveness by guiding them toward continuous improvement practices in terms of optimizing logistics and environmental costs, reducing energy costs, etc.;
- putting down deep roots in local ecosystems, applying a purchasing location policy at a regional level.

As part of Valeo's Carbon Neutrality Contribution Plan, the competitiveness of suppliers is being strengthened by paying greater attention to their ability to manage their overall carbon impact (sourcing, transformation, transport, end-of-life) and to set greenhouse gas emissions reduction targets for their own operations and those of their suppliers.

On January 10, 2012, Valeo also signed the Charter of Intercompany Relations, now known as the Responsible Supplier Relationships Charter. The aim is to build balanced long-term relationships between large corporations and their suppliers, with the parties acknowledging and respecting each other's rights and obligations. The charter requires that each signatory appoint a supplier representative to act as an internal mediator to facilitate the settlement of any disputes with suppliers and to help develop healthy long-term relationships. The internal mediator was appointed on March 13, 2012 and is still in place.

[40] The tier corresponds to the automotive supplier's position relative to the automakers. Thus a tier-one supplier delivers directly to the automaker and a tier-two supplier delivers to the tier-one automotive supplier.

Integration of suppliers into the Valeo panel

Supplier selection and award meetings chaired by the global segment buyers are held to screen all proposals from suppliers based on a number of objective and rigorous award criteria.

The criteria for selecting suppliers and awarding bids/contracts include:

- economic factors;
- financial risks;
- logistics;
- corporate governance;
- environmental factors;
- social factors (respect for fundamental rights, environmental protection, employee health and safety, and quality).

Over 90% of the mandatory items in the supplier qualification questionnaire relate to non-economic criteria. For instance, **sustainable development criteria are given a weighting of close to 20% in the supplier's final score,** and any failure to meet these criteria automatically disqualifies suppliers from being included in Valeo's supplier base. In 2020, these requirements were reinforced by the inclusion of criteria relating to suppliers' carbon performance and the establishment of objectives for reducing their carbon trajectory over ten years, in line with Valeo's objectives. These requirements are circulated and assessed annually within the Valeo supplier panel (the response rate to the annual assessment of suppliers' sustainable development practices in the last two years exceeded 75%, see "Results and performance" in this section).

Before any supply agreement is awarded, suppliers must undergo the following qualification process:

- each supplier is required to complete a detailed questionnaire to enable Valeo to identify potential risks and to determine the overall level of risk. Based on these evaluations, Valeo checks the main requirements, highlights potential weaknesses and decides whether it needs to examine certain issues further during a visit to the supplier's plant. If so, an audit team composed of Group buyers, quality specialists and engineers is selected and sent to the site to verify the information given by the supplier. Following the site visit, the team decides whether or not the supplier can be included on the supplier panel, possibly following the implementation of an improvement plan jointly agreed with the supplier;
- when Valeo receives an order from a customer, the components and systems required are requested from a selection of suppliers belonging to the Valeo Panel described above. The specific requirements of the tender are recorded in the Valeo Requirements File (S-VRF). Once received, bids are reviewed by a selection and award committee, which selects one or more suppliers, which are then officially appointed. A Supplier Quality Engineer from the project team monitors the development and industrialization of components and guides the supplier through final component qualification. If necessary, Valeo's laboratories perform interim design reviews, run tests and take any special measures required. In any event, Valeo always performs an on-site audit.

To be included in the supplier panel, suppliers must meet Valeo's ethics, integrity and sustainable development requirements. In 2015, these requirements were brought together under the Business Partners Code of Conduct. This document incorporates all the fundamental principles of the UN Global Compact, the Valeo Code of Business Ethics and a set of fundamental rights including the freedom of association, the elimination of forced labor, the fight against corruption and workplace health and safety. Any supplier that fails to respect these rules of conduct is liable to receive sanctions, ranging from temporary suspension from new Valeo projects to definitive exclusion from the supplier base. No sanctions of this type were imposed in 2023.

To anticipate changes in the French legal framework, and on the basis of feedback from its suppliers on certain evaluation criteria, the Valeo Business Partners Code of Conduct specifies the Group's requirements in terms of fundamental rights (minimum working age, prohibition of forced labor, respect for freedom of association, etc.), workplace health and safety and respect for the environment. In addition to Valeo's suppliers' obligation to comply with the Valeo Business Partners Code of Conduct, the Group has included a section related to these topics in the sustainable development practices questionnaire it sends each year to a representative sample of its suppliers.

Valeo's supplier base breaks down into several categories based on the supplier's performance level in a given product family. In the event of critical performance or non-compliance with Valeo requirements, a supplier can be placed on "probation" for one year and be required to implement an action plan. If the probation period is not successful, the supplier may be excluded from the supplier base.

New suppliers are also placed on probation for at least two years. During this period, the number of projects assigned remains under strict supervision to protect the supplier against the risk of becoming overly dependent on Valeo.

With this system, Valeo aims to better control its supply chain while building trusting relationships with its suppliers through cooperation on remedial action or improvement programs that are aimed at preventing or limiting operating risks.

Support for decarbonization of the supplier chain

Since 2020 and the adoption of the "CAP 50" Carbon Neutrality Contribution Plan, significant work has been dedicated to supporting suppliers impacting upstream Scope 3. The Group has continued work initiated in 2020 to assess its suppliers' carbon sources, based on the following raw materials or components:

- aluminum;
- steel;
- plastic resins;
- electronic components.

With that in mind, the Sustainable Development and External Affairs, Research and Development and Purchasing departments have implemented support for suppliers to ensure that they can all effectively contribute to the objective of reducing upstream Scope 3 emissions by 15% by 2030 (from 9.1 $MtCO_2$ to 7.7 $MtCO_2$ by 2030). This support draws on work in the following four key areas:

EMISSIONS SOURCES	Define a greenhouse gas emissions target for suppliers in line with Valeo Group targets
AUDIT	Support suppliers in implementing their action plan
SPECIFICATIONS	Promote low-emission materials in product design
INNOVATION	Limit the greenhouse gas impact in product design

In 2022, Valeo also established a partnership with the Carbon Disclosure Project (CDP), using the CDP Supply Chain assessment to measure its suppliers' carbon performance. This program targets suppliers representing 80% of Valeo's purchases, and was renewed in 2023.

Measures taken to reduce the risk

Assessment of suppliers' sustainable development practices

As part of the Group's policy of supporting its suppliers along the entire supply chain, the Sustainable Development and External Affairs, Purchasing and Quality departments evaluate the sustainable development practices of suppliers based on a self-assessment questionnaire. It covers a representative sample of suppliers representing 85% of the value of the Group's production purchases in 2023.

In 2023, Valeo strengthened the scope of this assessment by introducing 10 questionnaires designed, distributed, collected and analyzed with the help of an independent third-party, a major player in the sector. Depending on the results of the assessment, an audit campaign is then carried out on identified suppliers. Audits have been performed in Europe, Asia (China, Japan, India, Thailand) and North America (United States, Mexico), giving suppliers a new dimension of support in their sustainable development approach. In-depth audits have also been conducted in specific sectors (electronics) or regions such as India (see box below).

The variety of the suppliers audited (by commodity, segment, company size, etc.) enabled Valeo to grasp the diversity of sustainable development practices, to learn lessons and to take the necessary corrective actions in the event of failings or inadequacy in respect of the Group's sustainable development standards.

For example, Valeo was able to step in to correct the sustainability situation of a supplier whose audits had identified shortcomings on human resources matters. This work was assessed and validated by Valeo's automaker customer and resulted in a corrective plan spread out over more than six months.

This example served to define a more efficient way of conducting audits, even in the absence of a "physical" audit.

In an effort to constantly improve its approach to supporting suppliers, Valeo also developed specific training courses for suppliers in 2023 to improve their knowledge of sustainable development issues, in particular greenhouse gas reduction. These training courses were first rolled out in India, and will be extended to other regions around the world in the future.

This methodology has been endorsed by Valeo's customers and acknowledged by non-financial rating agencies.

Assessment of critical suppliers' sustainable development practices

Keen to conduct targeted and specific audit campaigns with purchasing segments or areas identified as critical or at risk, Valeo set the ball rolling with an audit campaign for electronics suppliers in 2016. Between 2016 and 2018, suppliers representing nearly 30% of purchases of electronic components and systems were audited (semiconductor industry, manufacturers of electronic parts, embedded systems, etc.).

In 2022, a second specific campaign was focused on suppliers in India and the Southeast Asian countries. The Indian campaign during the year had three key stages:

- selection of suppliers based on specific criteria (segment, quality, etc.) and a universe of local risks in India (human rights, working conditions, etc.);
- training program in sustainable development and Valeo's requirements in this area;
- two-phase supplier assessment campaign: a self-assessment questionnaire on sustainable development, followed a few weeks later by a dedicated on-site audit.

In the four years since the launch of the assessment and audit program in Southeast Asia, Valeo has audited and visited 69 suppliers representing 80% of purchasing volumes in India.

Suppliers selected include both large and small companies, and all types of commodities and businesses, from pressing to magnets and precision components.

Different locations in India have been covered, including Tamil Nadu, Maharashtra, Telangana, Rajasthan, Uttar Pradesh and Delhi.

To give an example of audit granularity, those carried out in 2022 covered companies whose sales with Valeo ranged from a few thousand to several millions of euros.

The aim is to spread the culture of environmental, social and societal sustainability among these suppliers. The exercise was accompanied by methodology for verifying data and face-to-face audits on a broad range of aspects including the environment, health and safety, site energy consumption, human rights, ethics in business relationships, workers' employment conditions, diversity and understanding Valeo's technological roadmaps. The audits highlighted:

- an absence of alarming situations or risks in respect of human rights, health and safety, or environmental damage;
- but a need for follow-up actions to bring suppliers to the highest levels of qualification under the Valeo sustainable development standards.

Over the years, the focus has had to be placed on the environmental dimension. But 2023 saw attention turn significantly to awareness on decarbonization so as to provide suppliers with the skills they need to reduce their carbon footprint in line with the SBTi recommendations.

In 2023, Valeo also launched a circular economy proof of concept in selected plants in India, which will serve as models for the entire supply chain.

More attention will be paid to the broader Southeast Asian countries to closely monitor the level of sustainability. This will be enhanced through educational training of the Valeo teams and by further audit campaigns.

Support for suppliers in the transformation of their industrial facilities

Faced with the diversity of its supplier chains, which include countless small suppliers, Valeo sees the gradual digitalization of production management processes as a vector of transparency and performance, including on carbon and energy issues.

To support this ambition, Valeo has participated in various initiatives to digitalize supplier chains.

At the request of the European Commission, Valeo has agreed to take part in the Digital Twins program, a digital mentoring program for selected suppliers. The aim is to select a number of the Group's strategic suppliers that are doing well on commercial aspects, but still need to upgrade their digitalization on several points. Through specialist monitoring, Valeo will then help them optimize their logistics sequences, improve their carbon footprint, and successfully sequence industrial tasks through progressive automation.

The program will contribute to the digitalization and modernization of the industrial fabric of lower-tier equipment manufacturers.

2023 results and performance

Results of assessments of suppliers' sustainable development practices in 2023

As in previous years, Valeo continued its in-depth assessment of its suppliers' work in the field of sustainable development, based on its annual self-assessment questionnaire on sustainable development choices, with a representative sample of suppliers covering 85% of the Group's production purchases. The survey had a response rate of 64%, down from 67% in 2022 due to the extension of its scope. One of the factors that explained this response rate was closer monitoring of the level of supplier maturity relating to the greenhouse gas emissions reduction criteria included in the survey and considered in contract award reviews.

For example, the assessment found that:

- over 70% of suppliers calculate and report their carbon footprint;
- over 70% of suppliers have a resource and waste management program;
- over 90% of suppliers have a written labor law policy covering at least one of the following topics: child labor, wages and benefits, discrimination, working hours, freedom of association and collective bargaining, and occupational health and safety.

With this type of questionnaire, Valeo hopes to transmit its CSR experience to its suppliers by communicating quality and responsibility requirements, which are important aspects in risk management, and to set an example to encourage its suppliers to apply the same principles throughout the supply chain.

Conflict minerals

In 2013, Valeo's Purchasing Department aligned its sourcing processes with the American Dodd-Frank Wall Street Reform and Consumer Protection Act of July 21, 2010 on conflict minerals (title XV) in a joint effort to end the financing of violent conflict in the Democratic Republic of the Congo (DRC) and neighboring countries, which is financed in part by mining and the mineral trade. Valeo requires all its suppliers to comply with the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.

In addition, a specific initiative introduced in conjunction with the Research and Development Department allows the Group to better identify potential sources of conflict minerals. Thus, in 2022, 90% of the suppliers identified using this initiative provided the Group with a certified report on conflict minerals using the Conflict Mineral Reporting Template (CMRT) developed by the Conflict-Free Sourcing Initiative (CFSI).

Since then, the comprehensive CFSI initiative has been expanded to form the Responsible Minerals Initiative (RMI). The actors in the value chain are integrated into the prevention and audit actions of this initiative, notably through the pooling of due diligence procedures and the results of audits. Valeo is contributing to this initiative through a company specialized in monitoring and evaluating practices in terms of conflict minerals.

Diversity programs applied to North American suppliers

Minority diversity programs in North America (United States and Canada) have added Women's Business Enterprises (WBE), Minority Business Enterprises (MBE), Veteran Business Enterprises (VBE), LGBT Business Enterprises (LGBTBE) and Disability-Owned Business Enterprises (DOBE) to the evaluation criteria for US and Canadian suppliers. Criteria for the integration of women, minority and veteran business enterprises apply to supplier qualification, selection and award processes held during meetings reviewing entities located in North America.

In 2023, the Valeo North America legal entity placed orders totaling more than 175 million dollars with suppliers classified as integrating women (WBE), minorities (MBE) and veterans (VBE), up 23% compared with 2022. This amount represents nearly 70% of the long-term objective in terms of the Valeo Group's supplier diversity strategy for the United States.

Purchasing location based on consumption area

The Group generally favors a location strategy compatible with the demands of economic competitiveness, and one that contributes to local economic integration. This strategy applies across all of the regions in which Valeo operates.

It allows the Group to:

- reduce transportation-related CO_2 emissions;
- support local employment by developing skills;
- meet the expectations of local stakeholders (customers, local and national governments) that increasingly encourage local integration.

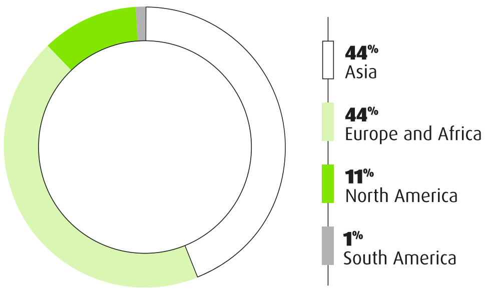
Furthermore, the policy of reducing the risks related to currency fluctuations has also led Valeo to favor local suppliers that comply with its supplier selection criteria.

The supply chain is based on the following principles:

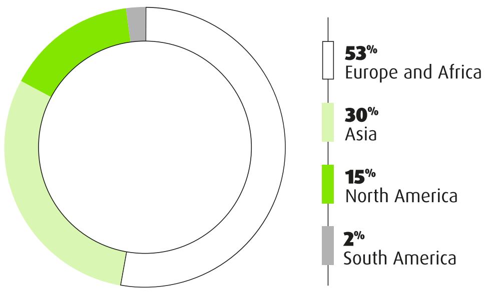
- symmetry between the areas of origin and consumption of purchases, reflecting the broad reach of Valeo's supply chain, in the Group's industrial footprint;
- balance between the main purchasing families, reflecting the breadth of Valeo's product portfolio.

The geographical breakdown of purchases by area of consumption and area of origin is accordingly virtually symmetrical.

BREAKDOWN OF DIRECT PURCHASES BY GEOGRAPHIC AREA OF ORIGIN IN 2023

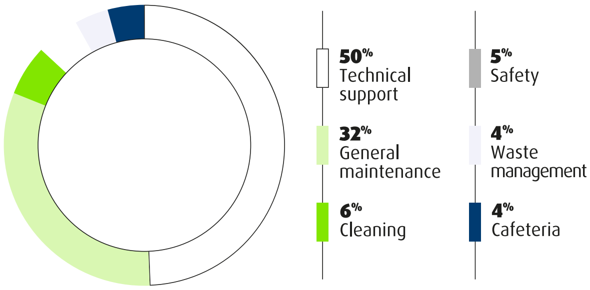


BREAKDOWN OF DIRECT PURCHASES BY GEOGRAPHIC AREA OF CONSUMPTION IN 2023



For historical reasons, the Europe-Africa region remains the leading geographic area of consumption (53%). As a direct result of the Group's growth strategy in emerging countries, Asia now ranks second in terms of consumption (30%). In 2023, these two regions ranked equally among Valeo's sourcing regions (44%)

TOTAL SUBCONTRACTING EXPENDITURE BY CATEGORY IN 2023



Valeo engages subcontractors to perform specific services at its many sites. As a result, the Group ensures that its subsidiaries comply with the provisions of national labor law and ILO conventions in their dealings with subcontractors, requiring them to sign and accept the provisions of the Valeo Business Partners Code of Conduct, and in particular the articles concerning employees' fundamental rights.

Subcontracting represented 445 million euros in purchases in 2023. Technical support services are significant, and account for 49.9% of this expenditure due to the IT services provided by outside companies (hardware, networks, services, computer applications). General maintenance costs represent 31.8% due to the industrial nature of Valeo's activities.

The use of subcontracting is also an important tool for the purchasing location in line with the geography of the Group's operations.

Risk related to fundamental rights

Description of the risk

Valeo is committed to supporting and respecting internationally recognized human rights, notably as set out in the International Bill of Rights and the International Labour Organization Conventions.

Many of Valeo's established policies and procedures contribute to this commitment and form the basis of the Group's human rights policy (see our policy, actions and outcomes described below). Valeo aims to prevent adverse impacts on human rights stemming directly from its global operations, its products, services or its business relationships. Among other aspects, the policy sets out the Group's expectations of its suppliers.

Regulations are changing and the demands of stakeholders (customers, NGOs, civil society) in terms of respect for fundamental rights are mounting.

A breach of fundamental rights in Valeo's operations or its value chain could result in legal and/or financial penalties in addition to causing reputational damage to the Group.

Risk management policy

Valeo has participated in the UN Global Compact since 2004. The Group also aims to comply with the International Labour Organization (ILO) conventions on fundamental principles and rights at work:

- elimination of discrimination in employment and occupation (Conventions 100 and 111);
- prohibition of child labor (Conventions 138 and 182);
- elimination of forced and compulsory labor (Conventions 29 and 105);
- occupational safety and health (Convention 155);
- respect for weekly rest periods (Conventions 14 and 106);
- freedom of association and collective bargaining (Conventions 87 and 98);
- protection of workers' representatives and union members (Convention 135);
- equal rights and opportunities for workers with family responsibilities (Convention 156);
- safety in the use of chemicals at work (Convention 170).

Professional, individual and collective integrity is a key value of the Group. Wishing to ensure that it is embodied by all employees in all their exchanges (internally and externally), Valeo published its Code of Business Ethics in 2005. The document is regularly updated. It combines the Valeo Values, the "5 Axes" and the Valeo Compliance Programs.

Ethics is a central value in Valeo's culture and is defined as follows:

- support for the Group's commitment to promoting fundamental rights and sustainable development;
- compliance with ethical and legal business and management practices;
- flawless professional conduct; and
- respect for individuals.

Respect by employees for these ethical principles is essential for the accomplishment of the Group's objectives. For that reason, each employee's performance is assessed annually based on his/her respect for Valeo's Values, including ethics.

Valeo has introduced a number of internal procedures to ensure that the commitments made by the Group are rigorously respected and that its policy on promoting and respecting fundamental rights is properly applied. In 2020, the Group conducted an in-depth review of the contents of six Human Resources procedures and policies on respecting and promoting fundamental rights including:

- prevention of harassment and discrimination;
- fight against child labor;
- fight against forced labor;
- promotion of social dialogue.

These procedures apply to all of the Group's employees. Each of them sets out Valeo's approach and commitments, specifies the roles of the various stakeholders and determines the follow-up methods implemented by the Group, which are based on specific, quantifiable and auditable criteria.

Valeo believes that employee progress is inseparable from financial performance. As employee trust is essential to its business and development, Valeo has undertaken to respect fundamental rights, and promotes open communication between employers and unions.

It further believes that the unions are a key extension of management for explaining, discussing and adjusting the Company's action plans. The involvement of all employees through social dialogue is a guarantee of success for all the policies undertaken by Valeo.

In 1999, Valeo concluded an agreement to set up a European Works Council. It was renegotiated and renewed when the Group adopted its new status of European company in March 2021. The European Company Works Council provides a forum for exchanging points of view and establishing dialogue between management and the 16 employee representatives from each European country in which Valeo has more than 150 employees. A nine-member committee meets quarterly at a European site.

Measures taken to reduce the risk

The Code of Business Ethics is regularly updated to take into account regulatory and legislative developments and/or to adapt it to the Group's risk maps.

Inappropriate behavior or breaches of the provisions of the Code of Business Ethics or Human Resources procedures are grounds for disciplinary action, including dismissal.

To promote and ensure respect for fundamental rights, Valeo's goal is to ensure that all of its employees have received the Code of Business Ethics and signed the relevant statements, and that they have received training on its content.

In addition, the training program for new hires includes a module devoted to the Code of Business Ethics so as to share Valeo's fundamental values and principles with new employees on their arrival.

In January 2014, Valeo opened an anonymous multilingual whistleblowing system available free of charge to all employees, intended solely for anti-corruption and antitrust issues. Subsequently, at the end of 2017, in line with the Sapin II law and the law on the duty of care, it was expanded and extended. Since then, the system has enabled whistleblowers inside and outside the Group to issue alerts under the Whistleblowing Policy, relating to:

- suspected or proven acts of bribery or influence peddling, anti-competitive practices, export control and economic sanctions, and data protection regulations, such as:
  - a crime or offense,
  - a serious and manifest violation of an international commitment duly ratified or approved by France, of a unilateral act of an international organization taken on the basis of such an undertaking, or of legal or regulatory provisions,
  - a threat or serious harm to the public interest;
- risks or serious violations of human rights and fundamental freedoms, personal health and safety and the environment.

It also covers proven or suspected violations of the Valeo Code of Business Ethics, the Valeo Business Partners Code of Conduct or any Valeo Compliance Program.

A whistleblower is understood to be a Valeo employee, supplier or subcontractor, an external or casual employee, or a third party authorized by a law or regulation.

Lastly, the whistleblowing system was updated in January 2021, in anticipation of the transposition into French law of the European Directive of October 23, 2019 on the protection of persons who report breaches of Union law. Following the publication of Decree No. 2022-1284 of October 3, 2022 on the procedures for collecting and processing whistleblower alerts and establishing the list of external authorities instituted by Law No. 2022-401 of March 21, 2022 aimed at improving the protection of whistleblowers, the Whistleblowing Policy was once again reviewed and clarified. The updated Whistleblowing Policy was circulated and explained to the countries in 2023 and will be implemented in 2024.

A specific procedure for the prevention of harassment and discrimination provides for the initiation of an investigation as soon as the facts, proven or not, are reported.

The protection of personal data is a global issue and is an integral part of Valeo's policy of respecting fundamental rights. The Data Protection Program is based on the Valeo Data Protection Principles (VDPPs), applicable worldwide, and specific principles that take local regulations into account. The program was rolled out through a global communication and awareness campaign in 2020.

2023 results and performance

To ensure that Valeo employees all understand the Group's principles of integrity and regulatory compliance, they systematically receive the Code of Business Ethics when joining the Group. They are required to sign a declaration acknowledging receipt of it and pledging to uphold it. In 2023, the Code of Ethics was replaced by the Code of Business Ethics. The change was accompanied by a major communication campaign to inform all employees. Over 99% of the employees present formally acknowledged receipt.

To ensure the proper application of its policies on child labor, the Group's Internal Audit Department carries out a specific procedure to assess whether the risks associated with the hiring of employees under the legal working age have been addressed and mitigated by Valeo's rules and overall policies. In 2023, 31 sites were audited.

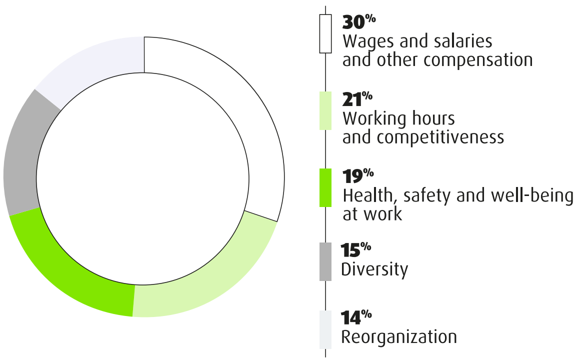
Following the changes initiated in 2022, social dialogue focused on optimizing the Group's organization in 2023. Examples include plans to reorganize the Amiens and Bad Neustadt sites.

The European Company Works Council represented 40.4% of the Group's registered headcount in 2023, or 40,713 employees. Each country sets up specific bodies in line with local laws and regulations.

In 2023, 60% of Valeo plants had formal bodies representing employees and unions. This representation at different levels of the organization has allowed Valeo to develop an active bargaining policy with the unions. Valeo must continue promoting high-quality labor relations that provide a platform for exchanging points of view, fostering mutual understanding and finding well-balanced solutions that are in the interests of all stakeholders. In 2023, 94.2% of the Group's registered headcount worked in accordance with the working organization and salary condition rules provided for in collective bargaining agreements.

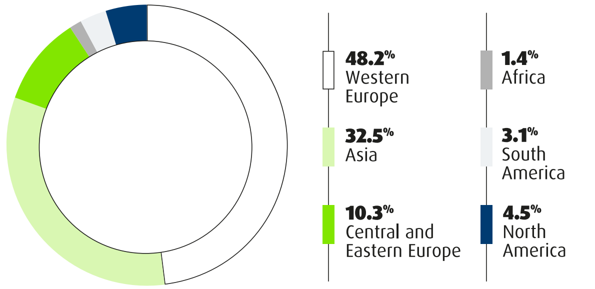
In 2023, more than 709 collective agreements were in force locally and nationally at Valeo's various sites worldwide. The topics covered by these agreements are as follows:

BREAKDOWN OF AGREEMENTS IN FORCE BY CATEGORY IN 2023



In 2023, the main topics covered were wages and other compensation (30%), working hours and site competitiveness (21%), health, safety and quality of life at work (19%).

BREAKDOWN OF AGREEMENTS SIGNED BY GEOGRAPHIC AREA IN 2023



The vast majority (81%) of agreements were signed in Western Europe and Asia. The high proportion of agreements signed in Asia demonstrates the Group's determination to promote this type of dialogue with labor organizations worldwide.

A Corporate Social Responsibility (CSR) agreement was signed on July 10, 2012 and renewed on November 4, 2016 between the Group's Management and labor organizations. The purpose of this global agreement is to ensure that an appropriate labor framework is in place to accompany the Group's international expansion, in line with its principles of responsibility, Code of Business Ethics and sustainable development policy. The agreement also seeks to promote labor and environmental practices that go beyond legal and regulatory obligations. The procedures and principles defined in the agreement are being phased in by the subsidiaries at the various national and local levels. This agreement is intended to be a determined reflection of the commitment to universal principles for all of the Group's companies, as well as being pragmatic, by respecting cultural, social and economic differences in the implementation of the principles. In 2023, the CSR Report provided for in the agreement was presented and discussed at a meeting of the European Company Works Council. Negotiations to revise the relevant agreement have begun, and were continuing in early 2024. Reduced working time arrangements (APLD, ERTE, etc.) have been extended to sites where appropriate.

4.2.3 Risks and opportunities related to climate change (TCFD)

Valeo presents the following summary of its governance, analysis, risk management and indicator monitoring activities related to the fight against climate change, and is compliant with the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD)[41].

Climate change: Valeo's resilient business model and risk management system

In the face of climate change, its impacts on human and economic activity, and high levels of local pollution, councils and national governments are tightening their environmental regulations. Against this backdrop, and faced with the quickening pace of social and technological change, these factors have prompted profound technological renewal and change in business models across the automotive sector. In response to this transformation and as an industrial and technological player in the electric mobility market, Valeo has established a business model and risk management system that are consistent with the long-term objectives of progressive carbon neutrality for the mobility and transportation sector. Its business model and risk management are also in line with international methodology guidelines for addressing climate change risks[42], in particular the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The use of this framework for the publication of financial and non-financial information is expected to increase in the coming years, in line with changes in the TCFD recommendations[43]. In 2022, Valeo published its first climate report, which sets out its current understanding of the risks and opportunities related to climate change, in line with the recommendations of the TCFD. It is available on the Group's website (https://www.valeo.com/en/corporate-documents/). A cross-reference table is also included in this Universal Registration Document (see section 4.7.2 "Cross-reference with national and international guidelines", page 284).

(41) The TCFD is an international working group bringing together experts from major business sectors, banks and rating agencies, which has proposed a methodological framework for reporting risks and opportunities related to climate change. It was established at the initiative of the Financial Stability Board, see financial glossary, page 291.
(42) In particular, the CDP questionnaire on climate change, assessing the transparency and sustainable development performance of enterprises, organizations and other bodies, which has developed one of the leading methodologies for monitoring risks and opportunities related to climate change.
(43) The TCFD regularly updates the use of its initial guidelines (https://www.fsb-tcfd.org/recommendations/).

1. **Governance:** an integral part of its governance, General Management and the Board of Directors are responsible for the Group's strategic positioning and risk management. Risk strategy and assessment is reviewed by the Governance, Appointments & Corporate Social Responsibility Committee. In 2021, Valeo began incorporating CO_2 emissions reduction and sustainable development criteria into its process for determining the variable compensation of more than 1,500 senior executives.
2. **Strategy:** anticipating the transformations in the automotive sector, Valeo has built a strategy in step with the gradual electrification of mobility, which incorporates transition risks and opportunities. Valeo has also adapted its production facilities to meet the requirements of reducing its carbon footprint (transition risks) and in response to the impacts of climate change (physical risks):
   - Valeo's strategic decision to contribute to the transition to sustainable mobility has resulted in the progressive creation of a comprehensive technological portfolio of electrification solutions for all types of vehicles – from small urban vehicles to trucks, buses and other large vehicles. This choice, validated by automaker customers, is consistent with environmental regulations for vehicles worldwide (see section 4.2.2 "Risk of non-achievement of Valeo's Carbon Neutrality Contribution Plan commitments", page 200). In 2023, products that directly or indirectly contribute to reducing greenhouse gas emissions accounted for 60% of Valeo's original equipment sales.
   - The potential impacts of climate change are taken into account in the management of risks relating to industrial operations and processes.
   - Valeo's strategic choices and the diversity of its technological offer make its business model resilient to the varying pace of transition to low-carbon mobility. Valeo estimates that the automotive and new mobility markets will represent an addressable market accounting for more than 50% of its traditional scope.
3. **Risk Management:** linked to the impacts of climate change, risk management is based on an analysis of financial, operational strategic and non-financial risks, which are reviewed and reassessed regularly. The internal risk management actions and tools are described annually (see Chapter 2, "Risks and Risk Management", page 83; Chapter 4, "Non-financial Information Statement", page 185), and reviewed and validated by the Risks Committee and the appropriate committee of the Board of Directors. In 2021, Valeo conducted its first ever detailed analysis of the risks and opportunities (physical and transition) related to the impacts of climate change. The work was presented to the Group's Risks Committee and resulted in requests for more in-depth analysis. The process was reviewed and expanded in 2022 and 2023. To improve the management of these risks and opportunities, Valeo has called on an external consultant to analyze the assessment of the physical impacts of climate change. This analysis is consistent with TCFD recommendations on physical risk assessment. It is based on two IPCC global warming scenarios, RCP2-4.5 and RCP5-8.5, respectively optimistic and pessimistic. Physical risks are assessed on the basis of historical and current climate data, with 2030 and 2050 as horizons for each scenario. This assessment formed an initial analysis presented to the Risks Committee at the end of 2022. 2023 was devoted to furthering it, and to conducting an initial study of the adaptation measures required. A number of actions have been carried out at a pilot site.
4. **Objectives and Metrics:** the indicators for risk management, business model resilience (mainly the proportion of sales derived from products contributing to the reduction of greenhouse gas emissions) and greenhouse gas emissions are presented annually (see section 4.5, "Non-financial performance objectives and indicators", page 274). In 2021, Valeo presented a Carbon Neutrality Contribution Plan for 2050, covering its entire value chain (including its suppliers, operational activities and products). Annual objectives and monitoring of their achievement were established in 2020, with indicators to be published each year from 2021 (see section 4.1.3 "Valeo's Carbon Neutrality Contribution Plan for 2050", page 193). The methodology tools for modeling greenhouse gas emissions linked to the use of products have been reviewed as part of Valeo's Carbon Neutrality Contribution Plan. The methodology is presented in the Universal Registration Document (see section 4.2.2 "Greenhouse gas emissions related to the use of Valeo products (Scope 3)", page 201).

4.3 Sustainable development policies and commitments AFR

This section describes Valeo's sustainable development plan for 2025, as well as Valeo's policies and commitments for each of its sustainable development axes: innovation, environmental eco-efficiency, employees and commitment to corporate citizenship[44].

4.3.1 Valeo's 2025 sustainable development plan

Following a review of the actions and outcomes of the 2016-2020 five-year plan, Valeo has set sustainable development objectives for 2025, in line with its innovation, environmental eco-efficiency and commitment to labor and corporate citizenship axes. As 2020 was not a year of normal business for the Group due to the Covid-19 pandemic, Valeo has chosen to use 2019 as the baseline year.

The objectives, which reflect the Group's priorities, have been formalized in a collaborative approach in partnership with the departments concerned and in line with the results of the materiality analysis. Measuring progress involves identifying a major challenge for each theme, and evaluating the achievement of the associated targets through one or more key performance indicators. The 2025 environmental targets are aligned with Valeo's Carbon Neutrality Contribution Plan, detailed in section 4.1.3 "Valeo's Carbon Neutrality Contribution Plan for 2050". The following performance chart sets out the Group's main objectives and key performance indicators.

[44] *These policies and commitments are not part of the non-financial information statement, but are presented in the interests of transparency and continuity of information.*

AXES	CHALLENGES	KEY INDICATORS	2019 RESULTS(1)	2023 RESULTS	2025 OBJECTIVES	REFERENCE SECTIONS
INNOVATION	Carbon Neutrality Contribution Plan and Low-Carbon Mobility Solutions	Greenhouse gas emissions across the value chain (Scopes 1, 2 and 3) – Indicator validated by SBTi *(in $MtCO_2eq.$)*	49.6	45.2	45.3	4.2.2, page 201
		Share of products contributing to the reduction of greenhouse gas emissions (as a % of sales)	57%	60%	>50%	4.3.2.1, page 243
ENVIRONMENTAL ECO-EFFICIENCY	Energy and carbon efficiency of production	Direct (Scope 1) and indirect (Scope 2) emissions as a proportion of sales *(in $tCO_2eq./€m$)* and change vs 2019 *(in %)*	57.6	31.8	40.0	4.2.2, page 205
				-45%	-31%	
		Energy consumption as a proportion of sales *(MWh/€m)* and change vs. 2019 *(in %)*	142	133	134	4.3.3.2, page 250
				-6%	-6%	
		ISO 50001 energy management certification *(in % of sites)*	18%	52%	40%	4.3.3, page 247
	Discharges and waste	Production of hazardous and non-hazardous waste as a proportion of sales *(in t/€m)* and change vs. 2019 *(in %)*	16.4	12.7	15.0	4.2.2, page 211
				-23%	-9%	
	Water	Water consumption as a proportion of sales (cu.m/€m) and change vs. 2019 *(in %)*	197	148	185	4.2.2, page 214
				-25%	-6%	
EMPLOYEES	Health and safety	Accident frequency rate 1 (FR1): number of accidents with lost time per million hours worked	1.9	0.8	<1(5)	4.2.2, page 218
	Promoting diversity	Gender equity index(2)	82.0	88.9	90	4.2.2, page 227
	Skills	Number of hours of technical training (in thousands of hours)	1,772	5,026	3,000	4.2.2, page 223
	Quality of life at work	Rate of compliance with the "My well-being" Involvement of Personnel roadmap(3)	61%	53%	64%	4.3.4.2, page 258
COMMITMENT TO CORPORATE CITIZENSHIP	Purchasing and sustainable development	Share of production purchases for which the suppliers' sustainable development practices were assessed during the year *(in % of total purchases)*(4)	80%	85%	82%	4.2.2, page 232
	Local integration	Organization of initiatives and events by the Valeo sites with educational and vocational training institutions (in % of sites)	68%	73%	85%	4.3.5, page 262
	Local communities	Share of sites participating in the "One Plant, One Initiative" program	50%	64%	100%	4.3.5, page 263

(1) 2019 is the baseline year under the new 2020-2025 plan.
(2) See financial glossary, page 291.
(3) The 2025 target of a 75% rate of achievement for the "Building a well-being environment" roadmap, launched in 2018, was reached at the beginning of 2023. In January 2023, the Involvement of Personnel axis was renamed "Employee Engagement", and the "My well-being" roadmap was incorporated into the new axis, with a target rate of achievement of 64% by 2025. For a more detailed description of this transition, see section 4.3.4.2. It should also be noted that the 2019 result mentioned is that of the "Building a well-being environment" roadmap, which was calculated using a different methodology than the "My well-being" roadmap, and is therefore not comparable.
(4) In application of the Sustainability-Linked Bond (SLB) principles, which highlight as a second criterion the extent to which Valeo's suppliers adhere to its sustainable development principles, the Group has undertaken to increase the percentage of the smallest suppliers assessed from 2021. The assessment target of 82% of purchase volumes by 2025, set in 2019, was actually achieved in 2021, pointing to rapid progress in the granularity of the hundreds of smaller suppliers to be assessed. This is exactly the type of progress expected in the value chain, where the Group must now capitalize on deeper awareness of sustainability principles among SMEs. Constant work is done within the strict perimeters of large groups.
(5) The continuous improvement of FR1 since 2020 has encouraged the Group to adjust its 2025 target from <1.7 to <1.

4.3.2 Technology policies and commitments

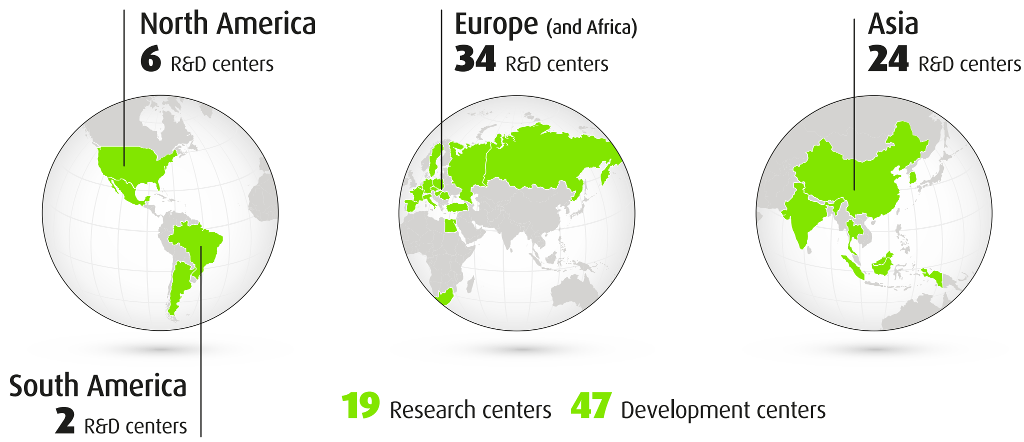
HIGHLIGHTS

- 11.8% of Valeo's sales are invested in Research & Development (gross expenditure)
- In 2023, 60% of Valeo's original equipment sales were derived from products that directly or indirectly contribute to reducing greenhouse gas emissions and 45% from products contributing to safer mobility
- Valeo has an extensive patent portfolio. In 2023, the Group had 33,417 patents, of which 1,666 were filed for new inventions during the year
- Valeo is a key partner in its ecosystem, through industrial partnerships, participation in joint projects and involvement in scientific research

4.3.2.1 Research and Development policy for safer, low-carbon mobility

A global Research and Development organization based on a platform structure and a global network of expertise and skills

GLOBAL RESEARCH AND DEVELOPMENT MAPPING IN 2023



Valeo's R&D is functionally and operationally structured around 19 research centers (fundamental research and advanced engineering) and 47 development centers (customer project launch teams). This organization is supported by the Group's significant gross Research and Development expenditure of 2.6 billion euros in 2023, representing 11.8% of its sales.

Its research centers include Valeo.ai, an artificial intelligence center opened by Valeo in Paris in 2017, which combines academic research and support for AI projects managed by operations.

To be closer to new mobility technology players, Valeo also has dedicated research centers including the San Mateo site in California, which opened in 2016, and the Beijing center, which opened in 2021.

In 2023, Valeo's Research and Development teams managed a combined total of 2,680 projects, compared with 2,976 in 2022, a direct result of the global health crisis, the slowdown in activity on certain projects, as well as the constantly increasing average size of projects.

In addition to this functional organization, Valeo has structured its product organization into 81 technological platforms. They increase the pace of product development through the reuse of various standard technological building blocks, including both hardware and software. These solutions promote the reuse of these building blocks for better efficiency, robustness and cost optimization. The result is that a single product can take several forms for multiple uses. The aim is to be able to serve several customers with the same platform, based on a high level of standardization – up to 85% for certain technologies and up to 100% for certain platforms.

The 81 "platforms" break down as follows:

- 21 relate to powertrain systems (electric motors, inverters, charging systems, actuators, complete powertrains, transmission systems);
- 22 relate to thermal systems (exchangers, compressors, heaters, battery coolers, fans, actuators, air conditioning and thermal management systems);
- 13 relate to visibility systems (lighting modules, electronic controllers, wiper systems and sensor cleaning systems);
- 25 relate to driving assistance (ADAS) and interior experience systems (cameras, radars, ultrasonic systems, LiDAR systems, interior detection systems, human-machine interfaces and the various software functions allowing the different degrees of assisted to autonomous driving).

These technological platforms provide Valeo with a competitive edge by imposing high barriers to entry, and allow the Group to sharply increase its average content per vehicle and deepen its resilience in a rapidly changing environment.

Lastly, at the global level, Valeo relies on a large network of researchers, engineers and technicians working in Research and Development, representing 19,376 people worldwide at the end of 2023, a significant proportion of whom are located in France (3,395).

Its global reach also builds on its own network of Experts, which has three levels: Expert, Senior Expert and Master Expert. It has a total of 1,614 Experts (products and production processes), an increase of 93% compared with the 835 registered when the network was created in 2014. It issues them with "research warrants" for periods of three years. They are tasked with defining best practices that will be incorporated into design standards and explaining them to newcomers. They are a driving force within the teams, and are expected to spread their expertise throughout the network (see section 4.2.2 of this chapter, "Sustainable development challenges and non-financial risks", paragraph "Risk related to developing and retaining talent", pages 223 to 227).

Solutions for safer, low-carbon mobility

Mobility is undergoing profound change due to the combined impact of measures to combat climate change, the rise of connectivity and digitalization, and new generational aspirations.

In its Move Up strategic plan, Valeo confirms its focus on cleaner, safer and smarter mobility through work in four main areas:

Electrification for all. In 2022, Valeo finalized its full acquisition of the former Valeo Siemens eAutomotive joint venture to create the independent world leader in electric powertrains working synergistically with its own low voltage activities (12V and 48V). Development has started on smart heat pumps to improve comfort and efficiency.

A cooperation contract has been signed with TotalEnergies for a highly innovative battery cooling system for electric vehicles. Cooperation with Renault has also been announced, with the aim of developing the new generation of electric motors not using rare earth elements. Lastly, a cooperation agreement has been signed with the CEA in the field of high-power semiconductors.

At the same time, in light mobility, more than 20 customer contracts have been signed for Valeo Cyclee™, the automatic electric bicycle assistance system. Cooperation is now underway with Atul and Honda in India to produce electric rickshaws fitted with Valeo engines and Honda exchangeable batteries.

Acceleration of ADAS. In 2022, Valeo celebrated the production of more than 100 million parking cameras and 10 million front cameras for level 2 ADAS.

Valeo's technological leadership in the development of driving assistance systems was illustrated by the announcement of a project to develop BMW's new generation of automated parking systems as well as by orders for high-performance control units, sensors and driving assistance software for the automaker's new "Neue Klasse" platform.

Similarly, Mercedes obtained approval for the first level 3 autonomous car thanks to Valeo's LiDAR, technology that the Group is the only automotive supplier in the world to produce in large volumes. Honda even recognized Valeo with a Supplier Award for the same technology.

Lastly, Stellantis was the first automaker to order the third generation LiDAR – which it presented at the Paris Motor Show *(Mondial de l'Auto)* – for its upcoming platforms.

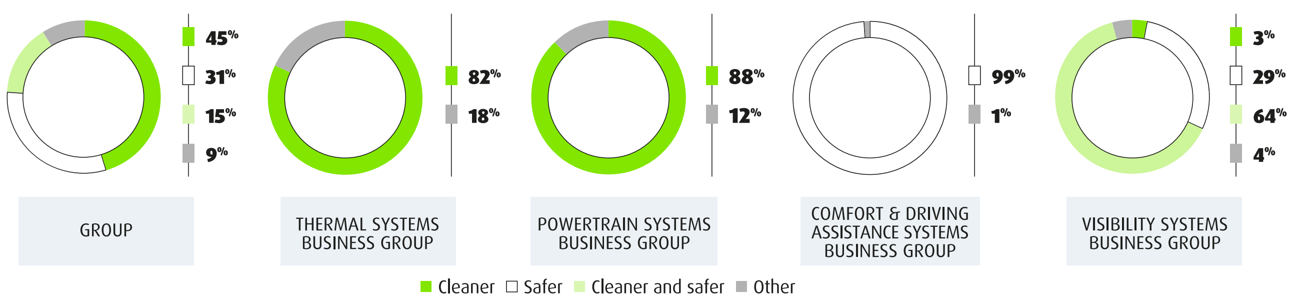
Lighting everywhere. In addition to developing the latest generations of smart lighting systems, such as MatrixBeam™ and Monolithic™, Valeo has helped revolutionize vehicle exterior design by signing two agreements with Ningbo Swell and SRG for the production of illuminated front grilles and panels. As electric vehicles need less front grille surface area, front panels are becoming a differentiating factor for car brands, and signature front lighting can play a key role by adding a touch of modernity and quality.

Interior experience. Vehicle driving has been greatly simplified by ADAS functions, opening the door to new travel experiences. Valeo has developed a comprehensive range of head-up display systems and presence, attention and drowsiness detectors. It has also taken a significant step in the field of interior lighting by signing a partnership with Motherson.

Value creation focused on greenhouse gas emissions reduction and safer mobility

Valeo has long specialized in designing systems that help reduce greenhouse gas emissions. In 2023, products that directly or indirectly contribute to reducing greenhouse gas emissions accordingly accounted for more than 60% of Valeo's original equipment sales[45]. Products contributing to safer mobility accounted for 45% of sales (see below for details by Business Group).

GREENER AND SAFER MOBILITY IS CENTRAL TO VALEO'S STRATEGY



[45] *Including Valeo Siemens eAutomotive.*

It is generally estimated that:

- one in every three vehicles worldwide is equipped with a Valeo electric machine;
- nearly five in every ten vehicles produced worldwide in 2023 will be fitted with Valeo's mild hybrid electrical systems (up to 48V);
- two out of three vehicles equipped with high-voltage electrical systems launched by European automakers between 2019 and 2022 will be equipped with Valeo solutions;
- one in four vehicles produced worldwide is fitted with a Valeo ADAS.

More details on the contribution of Valeo's products to the threefold revolution can be found in Chapter 1, section 1.4 "Operational organization", paragraphs "Comfort & Driving Assistance Systems", pages 54 to 57; "Powertrain Systems", pages 58 to 61; "Thermal Systems", pages 62 to 65; and "Visibility Systems", pages 66 to 69.

4.3.2.2 Technological commitments

A comprehensive and partnership-based approach to Research, Innovation and Development (R&I&D)

The research, innovation and development policy serves to make the Group's strategic choices a reality. It draws on the various drivers presented below, which contribute to a partnership-based and open R&I&D policy matching Valeo's technological ambitions.

Significant intellectual property activity

Innovation is central to Research and Development activities; it results in major orders and a growing patent portfolio. In 2023, the Group had 33,417 patents, of which 1,666 were filed for new inventions during the year.

Valeo's place among major players in innovation is reflected in prestigious awards such as the CES innovation Award for its UV Air Purifier system, the Pace Award for its Pendulum Dual Mass Flywheel Gen. 2, and the Honda Supplier Award for the level 3 LiDAR.

Strategic industrial partnerships

Valeo has been involved in a research partnership on driving assistance and autonomous vehicles with **Safran** since 2013. It is ongoing, and the joint research programs focus on the interfaces between people, the machine and its environment and automation.

This industrial-scale research approach has also been developed in recent years by Valeo's various acquisitions, including **Peiker** in the field of telematics and connectivity, **Spheros,** a leader in thermal systems for buses, **FTE automotive,** a leader in the production of actuators, and **Valeo-Kapec,** a world leader in torque converters for automatic and continuously variable transmissions.

On July 4, 2022, Valeo completed a major acquisition with the integration of 100% of **Valeo Siemens eAutomotive** within its Powertrain Systems Business Group, thereby creating an electric mobility champion. With the integration, Valeo brings on board a recognized technological and industrial leader with approximately 4,000 employees, including more than 1,600 engineers and 7 plants in 4 countries (China, Germany, Hungary and Poland), as well as cutting-edge R&D (laboratories, test benches, simulation tools) and production capacities.

In 2023, Valeo formalized several **important strategic partnerships:**

- Valeo and BMW entered into a strategic cooperation to co-develop the next-generation Level 4 automated parking experience;
- Renault Group and Valeo signed a partnership for the development of software-defined vehicles;
- Mobileye and Valeo launched a partnership for world-class imaging radars;
- Valeo and Qualcomm deepened their strategic collaboration to support small mobility (two-wheelers and three-wheelers) in India.

The open innovation for business strategy[46] and links with start-ups

Valeo innovates to anticipate trends, customer requirements and the specific characteristics emerging as markets fragment, while seeking to factor in local societal aspirations. To that end, the Group is rolling out its "open innovation for business" approach drawn from exchanges between the Valeo community and external ecosystems, across the various Business Groups, regions, functions and networks.

Innovation is encouraged and nurtured in dedicated cross-functional structures including the CarLabs, which combine design thinking, agile methodology and the Blue Ocean Strategy.

The creation in 2017 of Valeo.ai, the world's first center devoted to artificial intelligence and deep learning for automotive applications, has fostered exchanges with PhD students, academics and companies.

Based in Paris, Valeo.ai is a key industry player and contributes to the ongoing transformation of transportation and mobility models.

Partners including investment funds (Cathay Innovation, Cartech, Iris Capital, Maniv, Trucks VC) extend Valeo's global footprint, particularly among startups in America, Europe, Asia and Israel.

Valeo participates in numerous events such as the Consumer Electronics Show in Las Vegas, inviting start-up partners to present joint projects on its stand.

Each year, Valeo's networks and functions set out the themes on which a search for partners is desirable or necessary. More than 2,500 startups in the various ecosystems are looked at each year. The teams talk with potential partners, test concepts, build roadmaps and bring the selected startups in on projects. The partners that are selected particularly value Valeo's expertise, industrial excellence and close affinity with customers. Two recent examples of successful cooperation between Valeo and start-ups are Velco, for electric bike connectivity, and Zutacore, for data centers.

Partnerships with startups allow us to take ideas out of the research stage, transform them into new and innovative products, bring them into series production and place them on the market. Partnerships can take the form of cooperation, equity investment or even integration into the Group.

[46] *See sustainable development glossary, page 291.*

Academic partnerships

Valeo nurtures close ties with an extensive scientific and academic community, i.e., through its strategic partnerships with recognized players in France such as Inria (French National Institute for Research in Computer Science and Control), Télécom ParisTech, Mines ParisTech, CEA (the French Alternative Energies and Atomic Energy Commission), and *École Polytechnique,* and more widely throughout the world through partnerships with the Fraunhofer Society institutes in Germany, Shanghai Jiao Tong University in China and the University of Madras in India.

In 2022, Valeo and the CNRS (France's National Center for Scientific Research) signed an initial framework agreement covering cooperation in shared research programs over five years. Joint research work will focus on sustainable design, artificial intelligence, smart systems, cybersecurity, data science, inclusive cities, the software defined vehicle and new energies.

Valeo attaches growing importance to collaborative research. The different systems that make up a vehicle today are expanding into new scientific and technological domains, and new fields must be taken into consideration.

Collaborative research involves academic and scientific cooperation, primarily in the form of:

- supervision and funding of doctoral theses;
- bilateral projects;
- government-funded, multi-partner, collaborative projects;
- university chairs.

Many of these scientific alliances (with universities, engineering schools or research bodies) are in Europe (primarily in France and Germany) and the United States. They are also emerging in other regions where Valeo has set up new local Research and Development centers (most recently in India, China, Egypt and Mexico).

Funding of doctoral theses

The Group is funding more than 50 doctoral theses in areas such as new materials and technologies, new calculation and simulation tools and methods, new system architectures and component optimization.

Support for and creation of academic chairs

Partnerships formed through academic chairs aim to promote research and innovation activities with high value creation potential. For Valeo, they offer the opportunity to deepen research and innovation activity close to academic centers, offering them subjects and areas of thinking focused on strategic areas for the industry.

Valeo has partnered with universities and public research bodies to create the following research and teaching units:

- an industrial teaching chair on embedded lighting systems (ELS), known as the ELS Chair, which brings together the following schools and partners including ESTACA (Graduate School of Aeronautical and Automotive Technology), Institut d'Optique Graduate School, Strate School of Design, Renault, PSA Peugeot Citroën and Automotive Lighting Rear Lamps. This chair aimed to develop expertise and skills in the field of indoor and outdoor lighting applied to transportation. The chair, under which students recruited by Valeo were able to follow training programs, has now ended;
- two chairs, one on big data and artificial intelligence and the other on connected vehicles and cybersecurity, have been established by Valeo and other technology partners with the Télécom ParisTech engineering school. The second of these chairs focuses on cybersecurity challenges in terms of the operational safety of vehicles, data protection and flows, and user identification technologies in vehicles. It also aims to address the legal and social aspects of the management of personal data and to ensure their security;
- a joint laboratory with Télécom ParisTech University was established in 2022 to use artificial intelligence in the analysis of acoustic noises. Examples of applications include the detection of emergency vehicle sirens by an autonomous vehicle in urban traffic and the analysis of electric motor noises to identify the need for preventive maintenance.

In the past, Valeo has taken part in and/or funded chairs in embedded systems, smart lighting and the Internet of Things, with laboratories in schools including ESTACA, ESCP and Mines Paris Tech.

Collaborative projects

Valeo participates in collaborative research programs in the automotive industry in the various countries and regions where it operates. The participation is now an integral part of Valeo's innovation and partnerships strategy.

At the European level, Valeo has been participating in European framework programs for many years, notably the eighth European Framework Programme (H2020) and the ninth Framework Programme (Horizon Europe). In addition to participation in these general programs, Valeo has also been involved for many years in specific programs for electrification (2Zero), autonomous and connected vehicles (CCAM), and electronics and software (Chips JU since December 2023). Within these programs, Valeo has piloted pan-European projects including the CPS4EU project, which brought together more than 50 European partners over three years (2019-2023) to develop cross-industry building blocks for cyber-physical systems. More recently, Valeo has made a major contribution to the European Software-Defined Vehicle (SDV) initiative within the European FEDERATE project (started in 2023), which aims to federate the software community.

At the national level, Valeo is involved in a number of foundational initiatives for the automotive sector, based on its industrial and research footprints.

In France, Valeo has been a major player in the French Automotive Support Plan (CORAM) since its creation in 2020. This program has supported Valeo's ambition for the development of the latest generations of 48V electric motors (in 2020), the development of a smart cockpit for autonomous vehicles (*Sérénité* project), the development and industrial-scale production of an electric motor reducer for electric assisted bicycles (EABs) in 2021, and thermal management for electric vehicles (2022-2023). In 2023, in France, Valeo was one of the beneficiaries of the electronics IPCEI, with a major power electronics project. This project is entirely in line with Valeo's strategy of building comprehensive power electronics capability and forming a research ecosystem in France and across Europe.

Similar projects are underway in other European countries, including Germany, where Valeo is taking part in foundational programs for the automotive industry (VDA Leitinitiative), the Czech Republic, Ireland and Spain. Internationally, Valeo is involved in projects in Japan, China, India and the United States.

Governance of institutional collaborative research organizations

European Road Transport Research Advisory Council (ERTRAC)

ERTRAC, the official technological platform of the European Commission dedicated to collaborative research in the automotive industry, is responsible for directing and coordinating land transportation research policy (excluding railroads) with EU bodies. Valeo is its Co-Chair, alongside German automaker BMW.

With its industry-led governance, ERTRAC's main goal is to guide actors in land transportation to sustainable, environmentally friendly and connected solutions building on research roadmaps endorsed by all stakeholders. This requires interaction between industrial players, providers of technological solutions, and representatives of society or institutions.

ERTRAC is built around public and private bodies (national governments and city associations working for mobility, the environment and consumers), the relevant European Commission directorates, industry (automakers, suppliers), and public and private research bodies. The diversity and quality of the partners involved are what drive the value of the expertise provided by ERTRAC, particularly through the regular publication of medium-term technology roadmaps on various topics relating to automotive mobility. In 2021 and 2022, the ERTRAC platform continued to prepare advice and guidance for the European Commission for the definition of new partnerships under the Horizon Europe Framework Programme dedicated to mobility. Valeo contributed actively to the following partnerships: 2ZERO, which addresses low-carbon mobility issues; CCAM, the European program dedicated to research on connected and autonomous mobility; and BEPA, the battery ecosystem research initiative.

INSIDE

Valeo has joined INSIDE (formerly Artemis-IA), an association dedicated to collaborative research into onboard and intelligent systems, bringing together industry players in these areas from a wide range of disciplines (aerospace, railways, defense, automotive, food, health and pharmaceuticals, microelectronics, etc.). Valeo was keen to take part in the governance of INSIDE as the Group wishes to promote collaborative European research projects in the fields of electronics and embedded systems. Electrification, driving range, connectivity and digital advances relating to mobility are the common core of research represented by cyber-physical and embedded components and systems.

INSIDE is one of three associations (alongside EPoSS and AENEAS) taking part in the governance of the Chips JU (Electronic Components and Systems for European Leadership Joint Undertaking), bringing together the European Commission and member states and industrial players along the entire electronics value chain.

The Group is considered by the Commission's services as a co-manager of these programs dedicated to collaborative research.

Research institutes

Valeo is involved in the governance of cooperative structures of which the Group is an active member, such as Vedecom's Institute for Energy Transition in France, which covers several of the Group's strategic areas.

In France, Valeo is also a member of SystemX, a French Institute for Technological Research (IRT). The two institutions have launched several projects involving Valeo, in the fields of vehicle electrification (reducing greenhouse gas emissions) and automated driving.

Valeo helped formulate proposals covering research issues related to low-carbon, connected and progressively autonomous transportation.

4.3.3 Environmental policies and commitments

HIGHLIGHTS

Certifications:

- ISO 14001: 146 production sites (94%) and 9 Research and Development sites;
- ISO 45001: 125 production sites (81%) and 9 Research and Development sites;
- ISO 50001: 80 production sites (52%) and 4 Research and Development sites.

CapEx:

23.4 million euros for environmental protection

Training:

In 2023, the HSE network provided 96,366 hours of environmental training across all sites, compared with 103,418 hours in 2022.

4.3.3.1 Environmental policy

For more than 30 years, Valeo has demonstrated its commitment to limiting the impact of its activities on the environment. The Group sets out its commitments in its Environmental Charter, drawn up by the Health, Safety and Environment (HSE) Department. These commitments also appear, as follows, in the Valeo Sustainable Development Charter:

- ensure the compliance of its activities with applicable laws and international agreements;
- deploy the ISO 14001 environmental management system at all sites;
- improve the environmental performance of its processes;
- eliminate the use of substances that are hazardous to the environment or health;
- improve energy performance in line with ISO 50001;
- optimize the transportation of people and goods in order to reduce greenhouse gas emissions;
- limit the use of natural resources and promote the use of renewable resources and energy;
- increase purchases of low-carbon electricity;
- protect biodiversity;
- develop a circular economy approach.

Industrial mapping of Valeo sites

In 2023, Valeo had 175 plants and 18 distribution centers, 155 of which are included in the Valeo Group's key performance indicator reporting (see section 4.7.1 "Sustainable development reporting methodology", page 282).

Between 2022 and 2023, the reporting scope changed from 156 to 155 plants:

- in the Powertrain Systems Business Group, the Togliatti site (Russia) was removed from the reporting scope following the discontinuation of its activities;
- in the Visibility Systems Business Group, the Foshan 5, Wuxi 2 (China) and Fujioka 1 (Japan) sites have been removed from the reporting scope following the sale of mirror production activities by Ichikoh, and the Foshan 2 site is now reported separately, having been consolidated with the Foshan 1 (China) site until 2022;
- in the Thermal Systems Business Group, the Togliatti (Russia) site has been removed from the reporting scope, and three production sites in the United States (Bessemer, Highland Park 2 and Smyrna) have been included.

Mapping of the Group's 155 plants

	Number of sites	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Valeo Service
Manufacturing	155	21	44	45	38	7
Assembly	132	21	36	40	34	1
Processing	92	13	28	25	25	1
Injection molding	72	13	12	18	29	0
Heat treatment (ovens, furnaces)	89	15	25	25	23	1
Painting/varnishing	53	11	11	5	26	0
Welding	78	9	29	20	20	0
Use of evaporating oils (VOC-emitting*)	23	3	6	11	3	0
Degreasing (surface cleaning)	63	7	17	19	20	0
Surface treatment (altering the surface properties of a part)	49	6	11	10	22	0

* *See sustainable development glossary, page 291.*

Organization of the Health, Safety and Environment (HSE) network

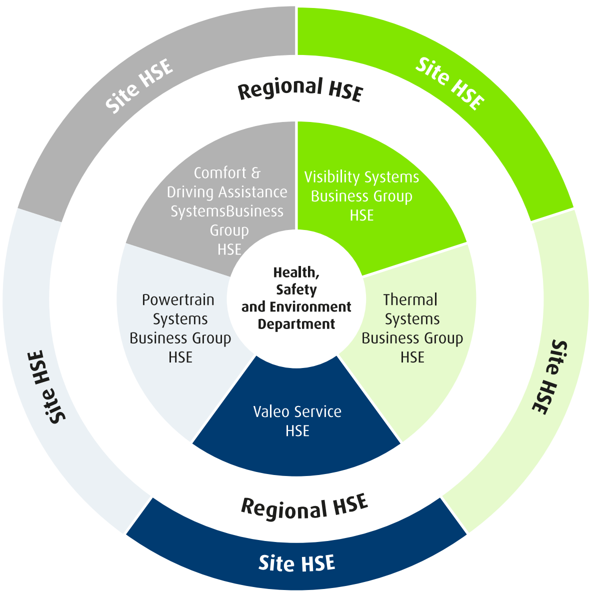
The **Health, Safety and Environment (HSE)** Department develops policies for the health and safety of people. Its policies also cover environmental aspects as well as the security and safety of buildings and facilities, drawing on standards and tools to carry out its work. The rollout of these standards and tools is in turn based on **an organization broken down by Business Groups, regions and sites:** around 400 people are therefore responsible for meeting the commitments of the Group's environmental policy and achieving its goals, and are also involved in the daily management of the Group's HSE challenges.

In 2022, the **HSE** Department was made part of the Group's Human Resources Department.

In the Business Groups, the **HSE managers** report to the Industrial Department and work closely with the Human Resources Department. Their aim is to spread Group standards and best practices between the sites of their respective Business Group and to promote the implementation of operational directives and investment requests in order to reduce the environmental footprint.

The organization of the network has been continuously strengthened, year after year, with the appointment of **HSE managers** in several **regions.** They each supervise a maximum of 15 sites to allow them to effectively relay messages and to provide regular expertise and operational assistance to help provide better control of Group standards and tools.

With the onset of Covid-19 in 2020, Valeo set up a **Health Committee** in each country, which includes an **HSE coordinator.** The Health Committees oversaw the rollout of Valeo's Reinforced Health Protocol and cross-audits at national level during the Covid-19 pandemic, and it has been decided to maintain the HSE coordinator position, and continue to share best practices and training on work ergonomics.



Lastly, the **Site HSE manager** is tasked with implementing Group standards in respect of workplace health and safety, environmental aspects, and the security and safety of buildings and facilities. HSE managers lead and coordinate existing management systems and train staff on compliance with internal and external requirements.

Demanding risk-control standards

The Risk Management Manual contains all of Valeo's standards (known as operational directives) with respect to the environment, workplace health and safety, and the safety and security of facilities.

The Risk Management Manual includes a specific chapter on crisis prevention and emergency response plans. Several years ago, Valeo established the **Valeo Emergency and Recovery Management** (VERM) system to assist in the design and implementation of emergency response, crisis management and business recovery plans. It defines standard crisis scenarios related to industrial events such as fire, explosion, or accidental pollution, and also allows each site to add and address more specific scenarios such as earthquake, flood, or pandemic and virus contamination.

Each site is then required to implement procedures, response sheets or lists of contacts to use in the event of a crisis, for each phase from triggering the alert to business recovery, including intervention and securing people and the site.

In 2020, it proved particularly useful in preparing all of our sites for the management of Covid-19 infections.

Evaluation and certification processes

Valeo has implemented a comprehensive global audit program, including external compliance and certification audits, as well as self-evaluations and cross-site verification audits performed by site HSE managers.

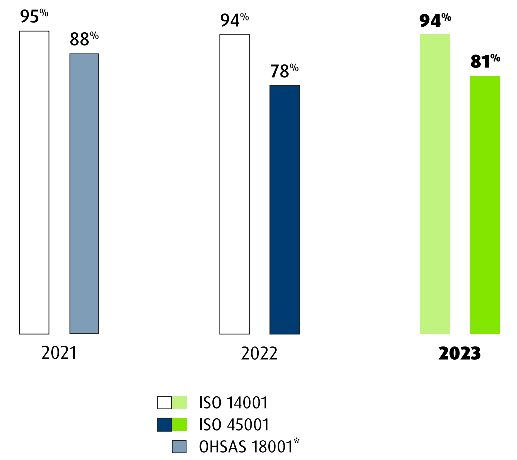
Certification to international standards

For more than 20 years, the Group has been committed to certifying its Health, Safety and Environment management systems in order to reduce its environmental impact and improve health and safety conditions for its employees. The current practice is to obtain certification for individual sites. It is nevertheless possible to obtain a single certification for several sites when they are interdependent.

Three international standards are used as benchmarks:

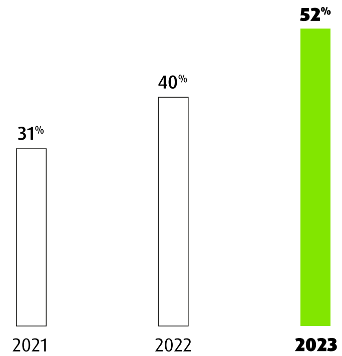
- ISO 14001, to define requirements associated with the guidelines for the implementation of an environmental management system;
- ISO 45001, published in 2018, to provide a framework for Occupational Health and Safety (OHS) management;
- ISO 50001, to complete the certification process of the Group's sites by validating their management and commitment to energy efficiency.

PERCENTAGE OF PLANTS CERTIFIED ISO 14001 AND ISO 45001



* *In 2021, British standard OHSAS 18001 was replaced by new international standard ISO 45001.*

PERCENTAGE OF PLANTS CERTIFIED ISO 50001



As part of the Carbon Neutrality Contribution Plan, the Valeo Group has adopted ISO 50001 certification to formalize the strong commitment of its sites to carbon neutrality in implementing organizational and technical resources to reduce their energy consumption in a sustainable manner.

With 52% of its sites certified, the Group has confirmed its determination to work on managing energy consumption in accordance with the ISO 50001 energy management standard.

External audits worldwide

At the initiative of the HSE Department, the Group's sites are regularly audited by external consultants to ensure compliance with and proper implementation of the Risk Management Manual. With the same frequency, the Group also determines themes to be systematically audited in each campaign in order to measure their implementation and reinforce their control.

Each site, audited every three years on average, is assigned a score based on objective criteria.

Environmental audits give rise to a detailed report on the basis of the findings and a three-level recommendation grading:

- **priority level 1** is a major breach of directives liable to have a major impact on the environment or the activity (shutdown);
- **priority level 2** is a breach liable to cause environmental pollution;
- **priority level 3** is minor non-compliance with Group guidelines or incorrect frequency in the running of prevention activities.

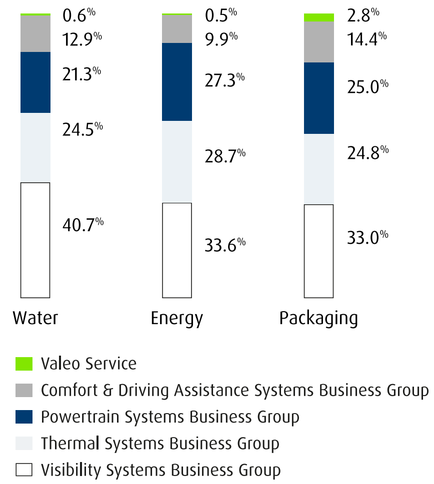
The action plans of all sites are reported to the HSE Department and monitored by the Business Group HSE managers via a system known as the HSE Action Plan. This database provides a fast and reliable way of consolidating audit results, and makes it possible to monitor progress on the associated action plans. The indicators are updated each month and reported to the Business Group HSE managers during monthly meetings. Every month, with steering from the Insurance network and HSE, and with the participation of the Purchasing network and the technical representative of our Insurance companies, all industrial projects (construction of new plants, extensions, etc.) are reviewed to determine the resources needed in view of environmental, safety and security concerns. Through its Logistics Committee, the Group also regularly reviews the reduction of risks related to traffic and equipment used to move goods (stackers, forklifts, pallet trucks, etc.).

Self-diagnostic tool

The sites can carry out a self-assessment of their compliance with the Group's directives using the Roadmap Manager self-diagnostic tool. Since 2018, the Group has sought to verify the match between the results of external audits and those of self-assessments. Using sampling techniques, the auditors examine the accuracy of the site's self-diagnostic. The first results show that self-assessments are nearly 90% compliant.

The Group's main consumption items and emissions by type of activity

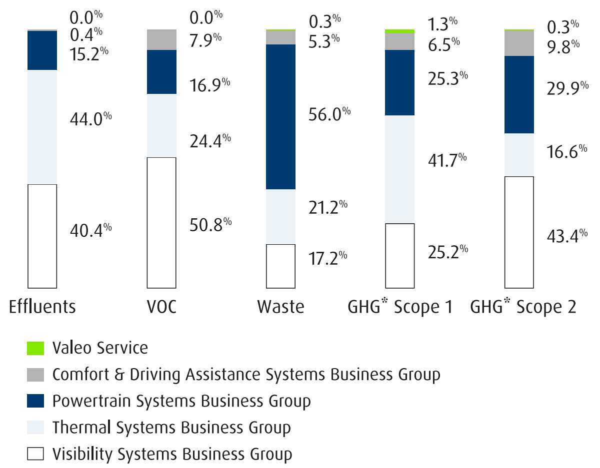
BREAKDOWN OF RESOURCE CONSUMPTION



The chart above shows that the Visibility Systems Business Group remained the biggest consumer of resources (water, energy, packaging) in 2023.

The Group, under the impetus of the Sustainable Development Department and the Health, Safety and Environment (HSE) Department, has drawn up a **five-year plan for 2025** (see section 4.5 "Non-financial performance objectives and indicators", page 274), bearing in particular on water consumption reduction targets in view of global warming and the risk of water scarcity and shortages in areas prone to significant water stress. Each of the Group's Business Groups is autonomous as regards the human and material resources devoted to the work needed to achieve the objectives set out in the five-year plan. Each quarter, the Group organizes a steering committee meeting with all Business Groups, and an online conference to share best practices with all sites.

BREAKDOWN OF EMISSIONS, DISCHARGES AND WASTE



See sustainable development glossary

The chart above shows that in 2023 the Visibility Systems Business Group remains the biggest producer of atmospheric emissions, volatile organic compounds (VOCs) and indirect greenhouse gas emissions. The Thermal Systems Business Group is becoming the main producer of effluents and largest source of direct greenhouse gas emissions due to its industrial processes, and the Powertrain Systems Business Group is the biggest producer of waste in the Group.

Environmental expenditure and investment

Operating expenses relating to the environment amounted to 25.5 million euros in 2023. They include structural costs as well as costs for analyses, operation of effluent treatment plants, waste treatment and environmental studies. In addition to these expenses, 0.7 million euros was spent to clean up active sites.

In 2023, Valeo invested 23.4 million euros in environmental protection at its active sites. This includes the cost of installing air treatment systems, fitting retention tanks for better management of hazardous materials and creating waste storage areas, plus investments in water treatment and recycling, etc.

Stronger communication

The Group uses various channels for internal communications and employee training on environmental issues, including:

- the HSE and industrial portals, which circulate a wide variety of thematic articles, share best practices and offer more dynamic content;
- online training via e-learning to provide a summary of the main requirements of each environmental directive. The modules include a questionnaire to check the participants' understanding;
- information for site employees on environmental procedures and respect for the environment, particularly as part of the onboarding of new arrivals;
- awareness-raising for all site staff on measures aimed at controlling environmental risks and impacts through ISO 14001 and ISO 50001 management systems;
- information for employees through newsletters and dedicated displays, and at operational team briefings;
- dedicated events such as "Sustainable Development Week", featuring local initiatives;
- HSE tools developed and made available by the Group;
- training and support materials inherent to these tools;
- the creation of a "DOJO" environment training room addressing such issues as reducing water and energy consumption, and waste collection, sorting and recovery.

4.3.3.2 Environmental commitments

Energy consumption

Challenges

Energy is essential to human life, economic development and industry. Reducing energy consumption is a global challenge with the following objectives:

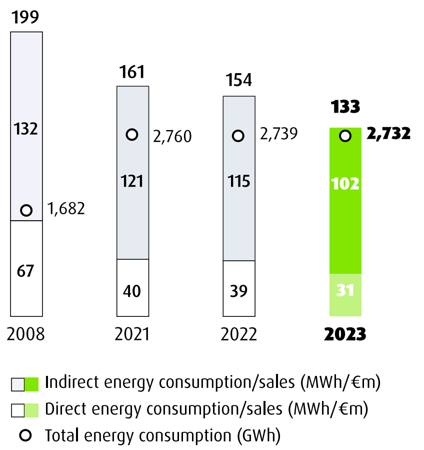
- managing fossil energy as a limited and shared resource for all needs;
- reducing the impact on the climate of greenhouse gas emissions generated directly or indirectly through the consumption of fossil fuels;
- controlling the financial impact of rising oil, gas and electricity prices, and inflation in general.

Valeo improves its energy performance and efficiency in line with ISO 50001:

- by carrying out energy audits;
- by monitoring consumption reduction work through monthly site committee meetings, quarterly Business Group committee meetings and quarterly Group committee meetings;
- by closely monitoring the consumption of these processes by means of dedicated meters;
- by making sure not to leave unused machines running;
- by sharing a matrix of cross-cutting actions and best practices across all sites;
- by optimizing consumption through the consideration of energy saving aspects when purchasing new, less energy-intensive equipment;
- by optimizing energy consumption through the installation of LED lighting;
- by regularly detecting compressed air leaks;
- by reducing temperatures in buildings by subjecting heating and air conditioning to a frugality plan;
- by reducing and replacing energy-intensive processes, or those running on gas that emits more greenhouse gases, with cleaner processes.

Performance

ENERGY CONSUMPTION



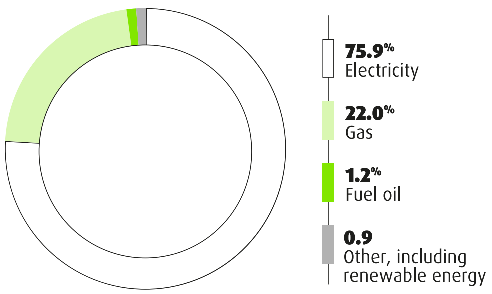
Total energy consumption was 2,732 GWh, down 0.3% in absolute terms compared with 2022.

Total energy consumption as a proportion of sales was down 13% compared with 2022 and is now down 33% since 2008.

The Group's indirect energy consumption (electricity) was 102 MWh per million euros of sales, a decline of 12% compared with 2022, and down 23% since 2008.

The Group's direct energy consumption (gas, fuel oil) was 31 MWh per million euros of sales, a decline of 18% compared with 2022, and down 53% since 2008.

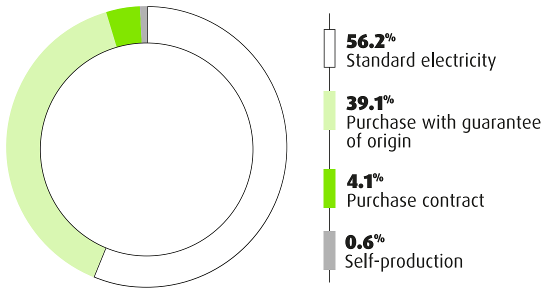
BREAKDOWN OF ENERGY SOURCES IN 2023



Electricity represents three-quarters of the Group's consumption. The "gas" share includes all types of gas, including natural gas, propane, butane and liquefied petroleum gas (LPG). It was reduced from 23.4% to 22.0% between 2022 and 2023.

Under the Carbon Neutrality Contribution Plan, Valeo is increasing its consumption of low-carbon energy, primarily in the form of low-carbon electricity, and is prioritizing the installation of new industrial electrical equipment that can run on this cleaner energy.

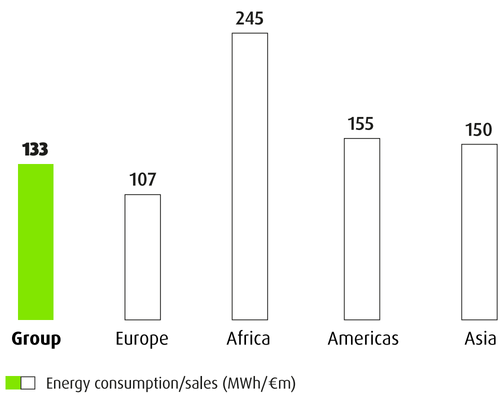
ORIGIN OF ELECTRICITY IN 2023



In 2023, the overall share of low-carbon electricity was 43.8%, derived from three sources:

- purchases with guarantees of origin;
- long-term contracts for the supply of low-carbon energy from solar or wind farms;
- more recently, the installation of solar panels for self-production.

REGIONAL BREAKDOWN OF ENERGY CONSUMPTION AS A PROPORTION OF SALES IN 2023 (IN MWH/€M)



The energy-efficiency commitments and committees now in place on Valeo sites as part of the Carbon Neutrality Contribution Plan have given the Group momentum to achieve energy performance in line with its 2025 objective of 140 MWh per million euros of sales. Energy performance is lower at sites in Africa, the Americas and Asia than in Europe, and the ratio of energy consumption to sales at these sites remains above the 2025 target.

Biodiversity

Challenges

The 155 sites in the reporting scope occupy a total area of approximately 892 hectares, with seven sites located in areas with protected biodiversity. 43% of the overall surface is used for buildings. The rest is used for traffic and green spaces.

Almost all of the sites occupied by Valeo, i.e., nearly 85% of its operating plants, are located in urban areas or areas zoned for industrial use, and the remaining 15% are located near agricultural or natural areas. In any event, its activities are not liable to significantly alter biotopes (no extraction or spraying, for instance).

To more accurately understand its potential impacts, the Group conducts an annual biodiversity inventory at plants located in or near (within 10 km) protected areas using the database made available by the Key Biodiversity Areas Programme. Seven such sites were identified in 2023: two in South America, two in Africa, two in Asia and one in Europe.

Approach

Prior to the acquisition or leasing of land or buildings, a study is conducted to identify and list protected areas and species.

As part of their ISO 14001 environmental management system and in accordance with Group directives, Valeo's sites implement **preventive measures** including the precise identification of significant direct impacts on biodiversity. A study is conducted across sites through environmental analysis.

The "Biodiversity" Directive lays down guidelines to regulate practices in terms of biodiversity conservation during selection, construction and closure of plants. For site operation, initiatives are promoted to encourage adoption across all of our sites:

- recovery and reuse of food waste to make compost and supply neighboring farms;
- elimination of the use of phytosanitary products;
- tightened audit of the storage of chemical products;
- reduction in the consumption and discharge of heavy metals (e.g., lead; see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil" of this chapter, pages 208 to 212).

To better prevent potential impacts on biodiversity, Valeo decided to extend the monitoring of metal discharges in effluents to copper, zinc, nickel and manganese from 2022. A plan to reduce these metal discharges at the relevant sites is being implemented by adopting changes to treatment plant processes validated by automakers and required by local authorities.

Achievements during the year

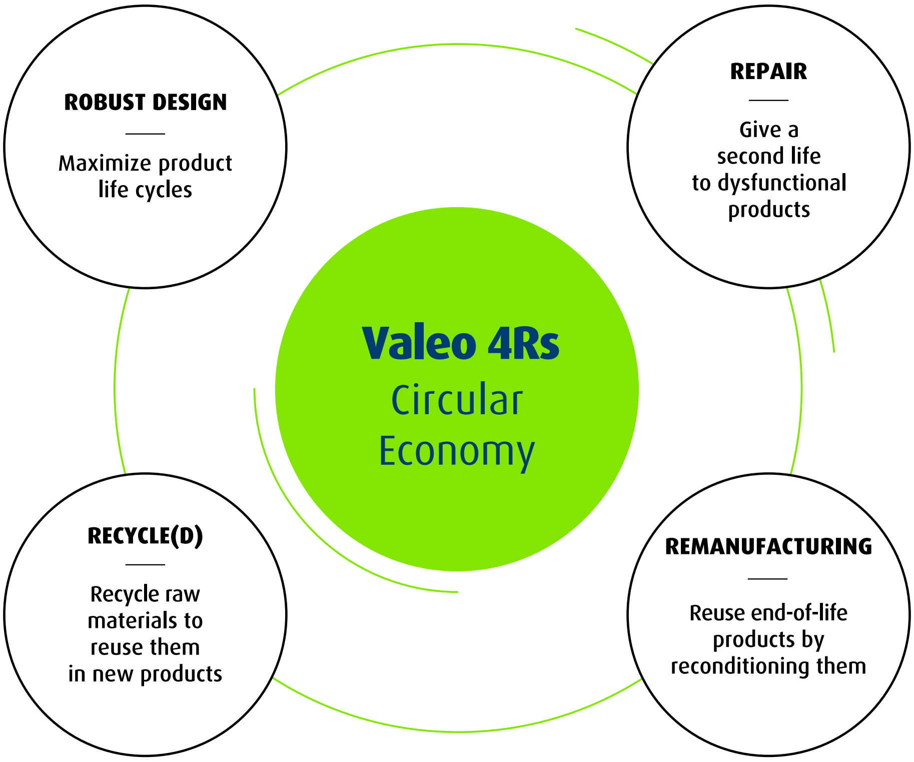
In 2023, 16 sites formalized their commitment to biodiversity through the following initiatives:

- greening and tree planting at the Chennai (India), Erlangen and Muehlhausen (Germany) and San Luis Potosi (Mexico) sites of the Powertrain Systems Business Group, the Itatiba (Brazil), Tangier (Morocco) and Zebrak (Czech Republic) sites of the Thermal Systems Business Group, and the Chrzanow (Poland) site of the Visibility Systems Business Group;
- restoration of wildlife areas at the Muehlhausen (Germany) site of the Powertrain Systems Business Group, the Bad Rodach (Germany) and Itatiba (Brazil) sites of the Thermal Systems Business Group, the Skawina (Poland) and Saint Clément (France) sites of the Visibility Systems Business Group, and the Redditch (UK) site of the Valeo Service Business Group;
- introduction of eco-pastures at the Mondeville (France) site and beehives on the Sainte Florine (France) site of the Powertrain Systems Business Group;
- organization of cleanups of surrounding natural areas at the Chennai (India), Tangier (Morocco) and Turku (Finland) sites of the Thermal Systems Business Group, and the Issoire (France) site of the Visibility Systems Business Group;
- development of a shrub nursery for planting for the staff of the San Luis Potosi (Mexico) site of the Powertrain Systems Business Group;
- organization of late mowing at the Sainte Florine (France) and Ebern (Germany) sites of the Powertrain Systems Business Group;
- an awareness-raising campaign at the Puebla (Mexico) site of the Powertrain Systems Business Group.

In line with the Group's 2023 strategy:

- 9 sites have stopped using plant protection products and 6 sites have developed plans to phase out their use in favor of more environmentally friendly approaches or the use of certified organic products;
- 17 sites have implemented food waste recovery systems to recycle food waste:
  - either in composting facilities, such as the Amiens, Étaples-sur-Mer and Sainte-Florine (France), Campinas (Brazil), Chennai (India), Erlangen (Germany) and Skawina (Poland) sites of the Thermal Systems Business Group, and the Tuam (Ireland) site of the Comfort and Driving Assistance Business Group, or
  - in anaerobic digestion processes, such as the Friedrichsdorf and Wemding (Germany) sites of the Comfort & Driving Assistance Systems Business Group, the Ebern and Erlangen (Germany) sites of the Powertrain Systems Business Group, and the Humpolec (Czech Republic) site of the Thermal Systems Business Group, or
  - to be fed directly to animals or fish on livestock farms, such as the Chennai (India) site of the Powertrain Systems Business Group, and Chonburi (Thailand) site of the Comfort & Driving Assistance Systems Business Group.

Circular economy



Challenges

Valeo's activities entail the consumption of protected resources such as water and raw materials. They also generate a significant amount of waste, most of which results from the use of metals or the consumption of packaging.

Always in keeping with local regulations, the Group is committed to a circular economy approach aimed at reducing the consumption of natural resources stemming from its growth and its waste-related environmental impact, and at building a more eco-friendly and economically viable development model.

The **4Rs** approach – **Robust Design, Remanufacturing, Repair, Recycle(d)** – and its four principles perfectly sum up the Group's commitment to circularizing its operations and value chain.

The challenges are highly varied, and involve:

- finding dismantling solutions (dismantling without damage, thereby allowing reuse), and separating the different materials assembled together through a process that transforms the nature of the waste and optimizes recycling;
- developing partnerships with local communities and businesses;
- validating with all stakeholders the quality of repaired and recycled products, reusing them and giving them a new life cycle.

In 2022, the Innovation and Strategy Department appointed a Circular Economy Director to intensify the Group's actions.

Approach

The Group has made a commitment to the circular economy in the following areas:

- prevention and management of waste (food, domestic and industrial);
- short-circuit recovery of food waste from catering services through composting, anaerobic digestion, or on farms;
- centralized collection of damaged or obsolete assembled products to recover and reuse the noble or precious metals used to make them;
- recycling of waste related to the production process (see section 4.2 "Sustainable development challenges and non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 208 to 212);
- reuse of packaging materials (see paragraph "Packaging" in this section, page 255);
- sustainable use of resources, with policies and action plans covering:
  - water consumption and water supply through on-site treatment (see section 4.2 "Valeo's sustainable development challenges and non-financial risks", paragraph "Risk related to water management", pages 212 to 214),
  - consumption of raw materials and more efficient use thereof (see section 4.2 "Sustainable development challenges and non-financial risks", paragraph "Risk of non-achievement of Carbon Neutrality Contribution Plan commitments", pages 200 to 208),
  - energy consumption and increased energy efficiency, energy sufficiency and the use of renewable energies (see paragraph "Energy consumption" in this section, page 250).

In line with its strategy to minimize its impact on the environment, Valeo and its partners locally study the collection, repair and recovery of products, such as the starter-alternator remanufacturing program (see section 4.2 "Sustainable development challenges and non-financial risks", paragraph "Examples of recyclability of two Valeo products", page 203).

Quarterly webinars are organized by the Circular Economy Director together with the Group's Health, Safety and Environment (HSE) Director and Industrial Director, in order to share and promote best practices in the main areas of action, such as reduction of consumption of critical resources (e.g., water), reduction of liquid waste, recycling, dismantling, sorting, repair and reuse and optimization of waste management to improve recycling or reuse rates.

Achievements during the year

The Valeo Service Business Group launched Canopy, an eco-designed product featuring a rubber blade made from more than 80% natural, renewable or recycled materials such as cane sugar, vegetable oils or carbon black from recycled tires. Canopy is manufactured with an increased proportion of recycled materials: up to 15% recycled steel in the metal structures and up to 50% recycled plastic in the end clips.

The Presov (Slovakia), San Luis Potosi (Mexico), Ebern (Germany) and Chennai (India) sites of the Powertrain Systems Business Group, and the Humpolec (Czech Republic) and Chongchun (China) sites of the Thermal Systems Business Group have installed new wastewater treatment plants, including filtration, evaporators and reverse osmosis, to eliminate several hundred metric tons of liquid waste per year.

Several Valeo sites have reiterated to employees the notion of circular economy with the organized collection of small electrical and electronic devices, such as telephones, computers and media players, in order to give them a second life or recover the precious metals contained inside them.

As a player in the aftermarket through Valeo Service, and with its presence in emerging countries, the Group aims to market products at the best price and with respect for the environment, while maintaining a multi-product, multi-region and multi-channel strategy.

The specific features of these products position Valeo as a key player in mobility access in markets characterized by a high proportion of second-hand vehicles, predominantly emerging regions (parts of Southeast Asia, Africa, etc.). More generally, the aftermarket in these regions is creating economic opportunities for various automotive-related businesses.

The existence of replacement products has a substantial impact on the safety of vehicle users, since they offer an economically viable alternative to repaired, rebuilt or reworked parts, often in traditional or semi-industrial settings, which are often not subject to any form of harmonized or standardized quality control. The remanufacturing market is currently dominated by European players.

Valeo has an annual remanufacturing capacity of approximately 1 million units. Valeo remanufactured parts are marketed under more than 8,000 product references in our European portfolio.

Valeo, a participant in the remanufacturing market[1]

Circular Electronics Laboratory in Nevers

Established in 2022, this laboratory focuses on a unique remanufacturing approach to product development, testing and rapid, high-quality product delivery.

Stellantis and Valeo celebrated their strategic cooperation in the circular economy this year with the launch of the first remanufactured camera, mounted on windshields by Valeo in the Circular Electronics Laboratory.

Stellantis and Valeo successfully launched the first remanufactured video camera within one year, saving up to 99% of natural resources compared with new cameras. This camera, the first of its kind from Valeo, offers the same two-year warranty and the same performance as new parts. A qualified workforce with the necessary skills is essential for such projects.

This innovation dovetails with Stellantis's vision and makes it the first automaker to offer remanufactured cameras, a pioneering reference for a whole new range of ADAS (Advanced Driving Assistance Systems) solutions from its REMAN European SUSTAINera range.

Valeo was quickly applauded by Frost & Sullivan for its reduction in resource consumption, its support for greener mobility and its circular economy strategy.

Avijit Ghosh, director of consulting at Frost & Sullivan, said: "Valeo is one of the first to recognize the urgency of offering sustainable circular economy initiatives in the mobility space, and its remanufacturing production scale is within the global top three. The company leads the industry based on its strategy's four fundamental tenets, the 4Rs – robust design, remanufacturing, repair, and recycle."

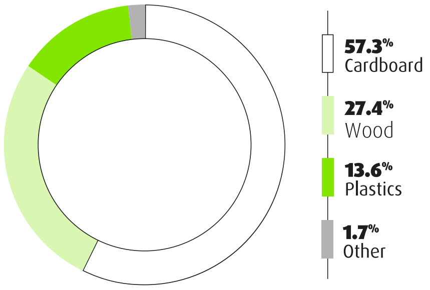
[1] The definition of remanufactured products is common to the entire industry (ACEA, APRA, CLEPA, FIRM, VDA): "A remanufactured part fulfills a function which is at least equivalent compared to the original part. It is restored from an existing part (core), using standardized industrial processes in line with specific technical specifications. A remanufactured part is given the same warranty as a new part, and it clearly identifies the part as a remanufactured part and the remanufacturer."

Packaging

Challenges

Packaging is essential for product handling. It is required for transporting, storing and protecting products and, in the case of aftermarket products, selling them. For these various purposes, Valeo uses many different kinds of packaging materials, mainly cardboard, wood, plastics and metal. Cardboard and wood together account for more than 85% of packaging materials used.

BREAKDOWN OF PACKAGING MATERIALS CONSUMPTION IN 2023



Approach

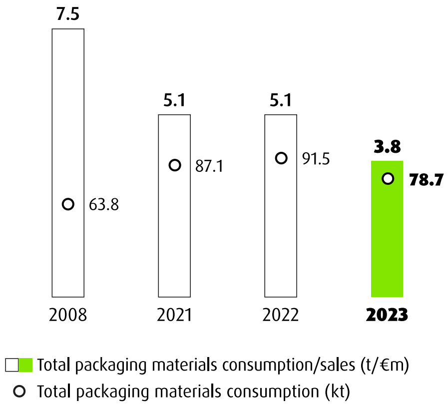
For several years, Valeo has worked to reduce its consumption of packaging materials in two main ways:

- using reusable containers or pallets, made from either cardboard, wood or plastic;
- improving the fill rate of the packages containing the products.

This work is being conducted in partnership with Valeo's suppliers and customers.

Performance

PACKAGING MATERIALS CONSUMPTION



Between 2022 and 2023, packaging consumption fell by 14% in absolute terms, and total consumption of packaging material was down 25% as a proportion of sales.

To reduce its environmental footprint, Valeo also pays particular attention to the use of recycled materials and the internal reuse of packaging. In 2023, 2,515 metric tons of packaging materials were recovered and used internally. Since 2008, total packaging consumption as a proportion of sales has fallen by 49%.

Achievements during the year

In general, Valeo sites are working on replacing disposable packaging with reusable packaging so as to reduce their use of packaging materials. This policy can be adopted both for customer packaging and packaging for the storage of semi-finished products.

In 2023, the Breuilpont (France) and Strykow (Poland) sites of the Valeo Service Business Group respectively reused 698 and 899 metric tons of wood in their internal shipments, in the form of pallets from their suppliers. This accounted for nearly 80% of their pallet consumption.

The Valeo Service Business Group sites also reuse cardboard boxes to cushion their packages during order preparation, and undamaged pallet box covers.

4.3.4 Employee-related policies and commitments

HIGHLIGHTS

- the accident frequency rate (FR1) was 0.8, compared with 1.1 in 2022;
- the voluntary departure rate for Managers and Professionals was 7.2%, compared with 10.7% in 2022;
- the gender equity index[1] was 88.9 points, compared with 87.9 points in 2022;
- the proportion of women within the Group was 33.1%, compared with 31.8% in 2022;
- 502,673 hours of technical and scientific training were provided at all sites, compared with 418,586 hours in 2022.
- Valeo's overall engagement score was 7.1 on a scale of 10;
- the proportion of employee shareholders at Valeo was 53.4%, compared with 53.7% in 2022.

(1) See non-financial glossary, page 291.

4.3.4.1 The Group's employee policy

This year, the Group's employee policy focused on optimizing the organization, following developments that started in 2022. The Human Resources Department and the Health, Safety and Environment (HSE) Department are committed to meeting the Group's two priorities, namely protecting the health of all employees and ensuring business continuity.

Ensuring our employees' health and safety remains our priority. Since 2020, the Group has applied a strict and demanding health protocol. This protocol was adjusted with each wave of the pandemic, and allows sites to ensure maximum protection recognized by all employees in the event of a new pandemic.

The Human Resources Department's priorities are shown in the materiality matrix (see section 4.2 of this chapter "Sustainable development challenges and non-financial risks", page 196). They form the foundations of the Group's actions in respect of:

- safety and working conditions;
- attracting and retaining talent;
- promoting diversity, equity and inclusion;
- respecting and promoting fundamental rights;
- promoting physical, sports and cultural activities.

In this context, the Group fosters the bond between the nation and the armed forces and supports engagement in the reserves.

Based on these priorities, the Group has identified five main risks:

- health and safety (see section 4.2.2 "Valeo's non-financial risks", paragraph "Health and safety risk", page 218);
- attracting talent (see section 4.2.2 "Valeo's non-financial risks", paragraph "Risk related to attracting talent", page 221);
- developing and retaining talent (see section 4.2.2 "Valeo's non-financial risks", paragraph "Risk related to developing and retaining talent", page 223);
- lack of diversity (see section 4.2.2 "Valeo's non-financial risks", paragraph "Risk related to attracting talent", page 227);
- respecting and promoting fundamental rights (see section 4.2.2 "Valeo's non-financial risks", paragraph "Risk related to respecting fundamental rights", page 237);

and two forms of engagement:

- quality of life at work (see section 4.3.4.2 "Employee-related commitments", paragraph "Quality of life at work", page 258);
- promoting physical, sporting and cultural activities (see section 4.3.4.2 of this chapter, "Employee-related commitments", paragraph "Quality of life at work", page 258).

Change in Valeo's headcount

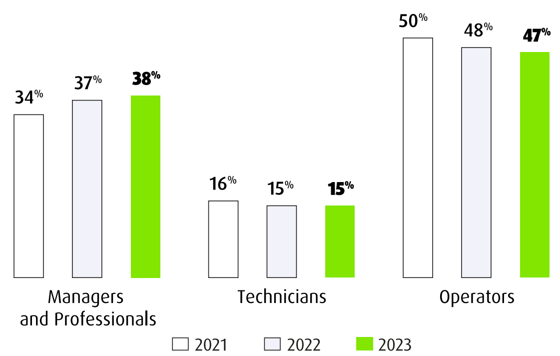
CHANGE IN THE TOTAL HEADCOUNT OVER THREE YEARS

Headcount at December 31	2021	2022	2023	Change (2023/2022)
Managers and Professionals	31,581	35,909	38,671	+7.7%
Technicians(1)	15,217	15,173	14,799	-2.5%
Operators	47,371	47,073	47,270	+0.4%
Registered headcount(2)	94,169	98,155	100,739	+2.6%
Temporary staff	9,131	11,745	12,008	+2.2%
TOTAL HEADCOUNT(4)	**103,300**	**109,900**	**112,747**	**+2.6%**
of which:				
• Permanent staff	82,433	85,659	87,601	+2.3%
• Non-permanent staff (fixed-term and temporary)	20,867	24,241	25,146	+3.7%
Average headcount(3)	**104,500**	**107,250**	**112,275**	**+4.7%**

(1) *As of 2022, employees on internships,* Volontariat International en Entreprise *(VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are no longer counted as technicians.*
(2) *The registered headcount corresponds to permanent and fixed-term employees.*
(3) *The average headcount is the sum of the Group's total headcount in each quarter divided by four.*
(4) *Change in the workforce takes into account the integration of Valeo Siemens eAutomotive into the Powertrain Systems activity in July 2022. The joint venture's entire workforce was consolidated into Valeo's headcount from that date.*

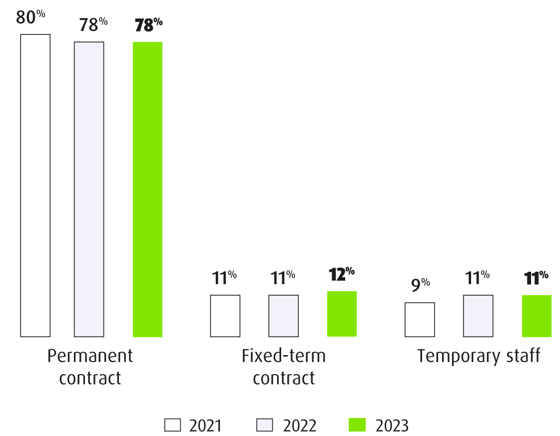
At December 31, 2023, Valeo had 112,747 employees, an increase of 3% compared with 2022. This growth accompanied significant efforts on research and development, and a positive order intake trend. Another noteworthy aspect of this trend is the reduction in the turnover rate of Managers and Professionals compared with the previous year, illustrating increased stability within the Group.

BREAKDOWN OF REGISTERED HEADCOUNT BY SOCIO-PROFESSIONAL CATEGORY



One of Valeo's major challenges since 2021 has been to continue its efforts to variabilize the workforce in the wake of the global pandemic and disruption in the supply of semiconductors. The respective share of Managers, Professionals and Operators was up, while that of Technicians was down. This trend reflects the tensions observed in the job market within this population.

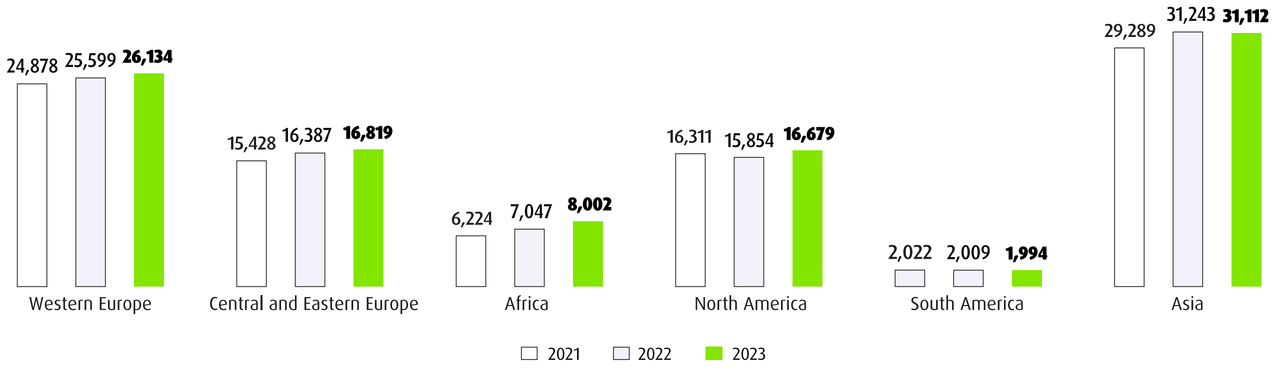
BREAKDOWN OF REGISTERED HEADCOUNT BY CONTRACT TYPE



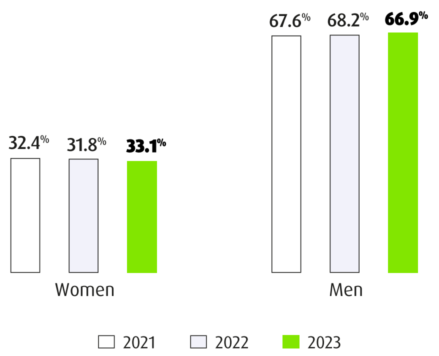
The automotive market is cyclical, and considerable flexibility is required to constantly adapt production capacity to fluctuating demand from customers around the world. That is why Valeo employed interim staff (fixed-term and temporary contracts) representing 22% of its total workforce in December 2023, stable compared with 2022. The proportion of permanent contracts in the total headcount was unchanged compared with 2022. The number of employees on permanent contracts nevertheless increased by 2% in absolute terms in 2023 compared with 2022.

As shown in the chart below, registered headcounts increased in most of the Group's geographies in 2023 compared with 2022. The largest percentage increases were in Africa (14%) and North America (5%). In South America, the headcount fell by 1%.

BREAKDOWN OF REGISTERED HEADCOUNT BY GEOGRAPHIC AREA



BREAKDOWN OF REGISTERED HEADCOUNT BY GENDER



The proportion of women within the Group increased by 1.2 percentage points between 2022 and 2023. The increase was attributable to Valeo's objective of increasing diversity both in recruitment and development (see section 4.2.2 of this chapter, "Valeo's non-financial risks", paragraph, "Risk related to lack of diversity", page 227 to 230).

Strategy and organization

Human resources are central to Valeo's strategy, to support its positioning as a technological leader and its profitable growth.

Attracting and developing talent in an empowering environment based on strong values is a means of rising to the various current and future challenges.

In addition, the Human Resources Department defines and implements Corporate Social Responsibility and diversity objectives within a framework of quality social dialogue that strikes the best balance between financial requirements and employee satisfaction.

The Human Resources strategy is based on a comprehensive approach, taking into account specific cultural, economic and market conditions.

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

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

This "three pillars" model continues to be rolled out at each level of the organization: in the Group Human Resources Department, in each Business Group, in each country and in the Product Groups and Product Lines.

A second phase in the transformation of the Human Resources organization has been launched to establish "Valeo Employee Services" (VES), which centralizes and optimizes all personnel administration tasks for a single country, in particular those relating to recruitment, pay and training. The transformation also involves digitalizing processes. 21 VES centers were rolled out within the Group in 2021, which continued to develop their activities in 2023.

4.3.4.2 Employee-related commitments

Quality of life at work

Challenges

Quality of life at work is an integral part of Valeo's Human Resources strategy to attract, develop and retain talent. The Group works to continuously improve the quality of life at work for its employees by guaranteeing:

- an accident-free work environment by offering ergonomic workstations and preventing psychosocial risks;
- a balance between professional and personal life by promoting the right to disconnect and facilitating working from home;
- actions to promote physical and sporting activities;
- recognition and support in their work;
- prevention of harassment and discrimination;
- autonomy.

Approach

Operational excellence specific to Valeo's culture is based on the "5 Axes" system. The system is designed to achieve total customer satisfaction, with the goal of becoming a preferred partner. Each of the "5 Axes" is subdivided into several work processes, and translated into roadmaps. A roadmap is made up of key objectives and a predefined list of actions to ensure its application as well as a series of questions allowing the manager and auditor to evaluate its proper rollout.

Employee engagement is the first pillar of operational excellence at Valeo. Aware of the need to formalize its quality of life at work policy, Valeo rolled out a Human Resources procedure entitled "Building a well-being environment" in 2018. The purpose of this procedure is to define the quality of life at work, the means of improving it and the tools needed. It is then implemented on each site by a multidisciplinary Quality of Life at Work Committee comprising the site manager, employee representatives, members of the HR network, the Health, Safety and Environment network and members of the site's medical team. This Committee is tasked with defining the site's "Quality of life at work" policy in accordance with its challenges and ensuring communication with employees. The target set in 2018 of an achievement rate of more than 75% by 2025 for the "Building a well-being environment" roadmap was achieved in 2023.

In 2023, the Involvement of Personnel axis was renamed "Employee Engagement" to align it more closely with the Group's expectations. The move to Employee Engagement has brought important aspects of the employee experience, such as the "My well-being" roadmap, into sharper focus. This roadmap highlights Valeo's determination to contribute to comprehensive performance by creating an engaging work environment, and comprises four requirements: training managers and employees, creating and reinforcing a positive work environment, leveraging resources to improve work-life balance, and promoting initiatives related to physical and mental well-being. The Group is aiming for an achievement rate above 64% for the "My Well-Being" roadmap by 2025.

In addition, in line with the transformation of the Employee Engagement axis, the Group conducted a new Pulse engagement survey in 2023, adopting the most modern survey techniques to collect employee opinions so as to assess their level of Group engagement and propose consistent areas of improvement, in line with employee expectations.

Valeo uses two distinct processes to monitor its Quality of Life at Work policy and evaluate actions implemented locally, including:

- annual labor-related CSR reporting;
- the "My well-being" roadmap, with a target achievement rate of 64% by 2025.

2023 performance

In 2023, Valeo continued its actions in terms of quality of life at work:

- working from home has become an option for eligible employees: 54.8% of Managers and Professionals worked from home in 2023, compared with 62% of the eligible population in 2022;
- 91% of plants implemented at least one action to promote quality of life at work;
- 13,643 employees attended training/awareness-raising on quality of life at work;
- 40% of sites have set up a fund to assist employees experiencing financial hardship;
- 75% of plants promote physical and sporting activities, and 58% help finance them.

Achievements during the year

In 2023, the Group continued to allow its employees whose position permits to work from home. More than 21,000 employees worked from home during the year, compared with approximately 20,000 in 2022. Valeo aims to offer the conditions for a good work-life balance, and firmly believes that promoting work-from-home arrangements is a solution that resonates with the aspirations of its employees. The widespread adoption of work-from-home arrangements will also allow the Group to reach its goal of carbon neutrality by 2050.

Launch of an annual global engagement and satisfaction survey

In 2021, Valeo launched a global engagement and satisfaction survey for its technician, manager and professional employee categories. This initiative was driven by the desire to better understand the needs and perceptions of employees, particularly in a context marked by the pandemic. Aware of the importance of maintaining ongoing dialogue with its teams, Valeo has decided to entrench this practice by conducting an annual survey. These surveys are a fundamental pillar of employee engagement and participation in the company's strategic objectives.

For the 2023 Pulse engagement survey, Valeo introduced a new evaluation method that incorporates an innovative tool to more accurately assess the level of employee engagement. It also takes into account crucial aspects such as diversity and inclusion, health and well-being at work, and transformation and change.

The results of the 2023 edition yielded an overall engagement score of 7.1 on a scale of 10 for Valeo, with scores of 6.4 for office-based staff and 7.1 for operators. The data provide a solid basis for the development of targeted action plans within each Business Group, country and site, with the aim of further improving the company's performance in 2024.

4.3.5 Social policies and commitments

HIGHLIGHTS

- 85% of the amount of production purchases is subject to an annual assessment of sustainable development choices. 67% of suppliers surveyed responded to the assessment.
- Valeo supports education and training, with more than half of its sites engaged in partnerships ranging from primary schools through to higher education institutions.
- With a view to establishing a lasting relationship with their local communities, Valeo sites and their employees are committed to solidarity actions in local regions. In 2023, actions of this nature took place on nearly 64.6% of sites throughout the Group.

4.3.5.1 The Group's social policy

Valeo's social policy is structured around two key challenges:

- sustainable development requirements with regard to suppliers;
- a commitment to ecosystems and local populations.

For supplier development requirements, see section 4.2.2 "Non-financial risks", paragraph "Risk related to suppliers' sustainable development practices".

4.3.5.2 A proactive commitment to local communities

Challenges

Consistent with its size and worldwide scope, Valeo takes a firm stance on responsibility and commitment in its relationships with its many and varied stakeholders.

Valeo's sites contribute to the economic and social fabric of the regions where the Group operates. Its sites have multiple impacts: they are consumers, employers, local economic agents, and actors in the development of human capital, and participate in creating and enhancing the appeal of businesses through transfers of competences.

Valeo has a policy of encouraging its sites to take responsibility and to support local initiatives around the world. To achieve this, Valeo has set the following two guidelines for each site:

- commit to building local ecosystems by:
  - forming partnerships with the world of education and local training,
  - participating in the structuring and existence of local research ecosystems;
- promote initiatives in favor of and alongside local populations.

Each site organizes local plant initiatives (as part of the "One Plant, One Initiative" approach), which reflect locally identified needs and are consistent with their capacities. With the assistance of the Human Resources departments and Research and Development managers, the site managers decide on actions that can be carried out to help the local population and employees. The Group offers avenues for thought, backed by examples of best practice circulated internally and evaluated through questionnaires.

At the end of each year, Valeo takes stock of the actions undertaken at its sites. The most effective and useful initiatives are showcased via internal and external communication channels to encourage other sites to support the same sort of actions. For example, articles from the ValeOnline Newscenter, emailed to Group employees, discuss some of the outstanding site initiatives. Valeo also highlights local plant engagement in publications, such as the Management Report, by explaining and developing the purpose and results of their initiatives.

The quality of the initiatives implemented at Valeo's sites is a major factor in Valeo's corporate citizenship endeavor. The table below lists the main initiatives undertaken in 2023.

MAIN CORPORATE CITIZENSHIP INITIATIVES AT VALEO SITES

Commitment	Partners	Focus of the initiatives
Action with local communities	• Local populations • Local governments • Local schools (primary/secondary) • Higher education and research organizations	• Support for local economic fabric and development • Partnerships with the world of education and local training • Partnerships with the local research ecosystem
Action with local populations	• Local populations	• Dialogue with local stakeholders • Solidarity initiatives through donations to local populations

Approach and achievements during the year

Valeo, a partner in academic research in social fields, in addition to research for the development of its technological mobility solutions

EHESS France-Japan Foundation

In 2014, the EHESS Social Sciences University set up the Advanced French-Japanese Studies Center in Paris, which runs programs inviting Japanese research scientists and specialists from Japan to Paris.

Valeo created and finances the center's "innovative technologies for sustainable transport" chair. The chair's aim is to support exchanges between universities in France and Japan, including visits to France by Japanese academics in the fields of technology companies for an aging society, robotics and human-machine interfaces for connected and automated mobility solutions.

The funding of this chair and its interaction with interested stakeholders are essential to provide a substantial volume of scientific production (publications of papers and doctoral theses), but also to coordinate and lead the program's international team and intensify scientific links between France, Europe and Japan (Japan Science and Technology Agency, JST, University of Tokyo) and Asia (Seoul National University, South Korea). Also in 2021, Valeo's Sustainable Development department took part in two online workshops on autonomy and the challenges of electrification with Japanese academics under the aegis of the JST and the French-Japanese Cultural Institute (Villa Kujoyama in Kyoto). With the research teams of the France-Japan Foundation, Valeo has also contributed to the design of programs for the coming years. The two areas selected are global cities, and health and innovation, both of which are a major focus of Valeo's innovations.

For the 2021-2022 academic year, Valeo will continue to support the development of scientific policy at the *École des hautes études en sciences sociales* (EHESS), a renowned French doctoral school, through its involvement in the EHESS France-Japan Foundation.

Valeo also maintains special relationships with Japanese economic communities as part of the Franco-Japanese business club that Jacques Aschenbroich, former Chairman and Chief Executive Officer of Valeo, has co-chaired since 2013.

IFRI (French Institute of International Relations)

Since 2021, Valeo has accepted the invitation of the IFRI (French Institute of International Relations) to join the think tank dedicated to the geopolitics of technology, which includes a series of technology groups with ambitions and projections on global issues. The aim here is to develop a research focus on technologies informed by international relations, and to promote interaction with other similar think tanks in Germany, the United States, China and Japan. Financial contributions from companies will fuel the production of papers and studies by the IFRI on such subjects as data management policies in different major regions of the world, connectivity (5G) and space ambitions, technological ambitions of emerging powers (India, African countries and the Middle East), and the scarcity and security of electronic component supplies.

Valeo is committed to promoting industrial jobs among women

Valeo maintains its well-established link with *Elles Bougent,* an association whose purpose is to promote gender equality and diversity in companies in the industrial and technological sectors. Several projects have been carried out in collaboration with the association, and other partners, on the promotion of the place of women in the industry.

On June 15, 2023, in partnership with *Elles Bougent,* Valeo organized the first edition of "Valeo Recruits Women", a recruitment forum at their headquarters aimed exclusively at women. It saw Valeo's internal teams meet with candidates to introduce them to the Group's different activities, technologies and jobs. The Group is also encouraging other countries, such as Germany, to organize similar events to recruit women. In 2024, Valeo will also be encouraging our *Elles Bougent* sponsors to take part in the Innovatech 2024 Challenge, an all-female challenge in Valeo's host regions.

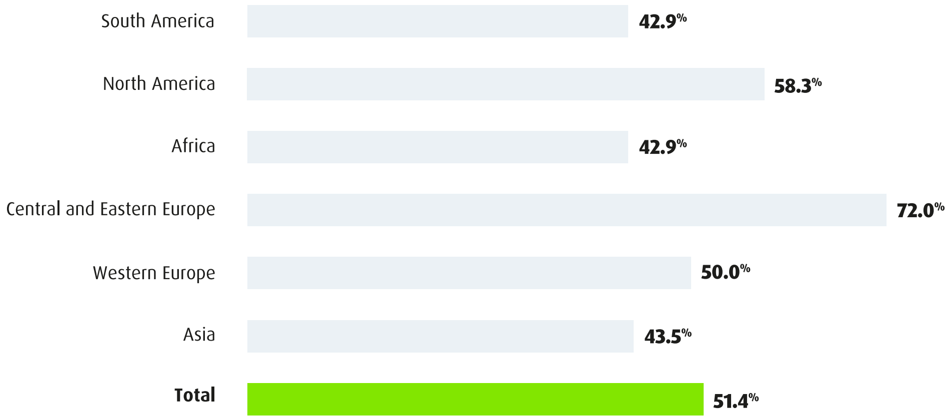
Valeo, a partner in education and training

As a global group with a strong R&D dimension and structured networks (see section 4.3.2.2 "Technological commitments", pages 244 to 246), Valeo also encourages sites to join specific local initiatives covering relationships with local educational and training institutions (engineering schools, universities, technical institutes, etc.).

In 2023, 51.43% of sites worldwide formalized partnerships with higher education institutions (universities/engineering schools) and nearly 49.71% with primary and secondary schools. The diversity of relationships and partnerships with these teaching institutions reflects the wide range of relationships sites have with the surrounding area, depending on the specific local teaching and training environment.

The aim of this approach is to promote the Group's visibility, experience-sharing and collaborative relationships beyond the simple opportunity to develop industry-oriented projects.

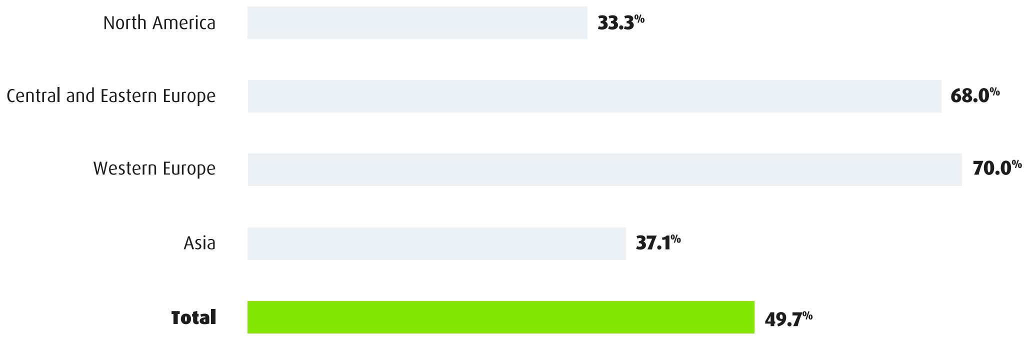
SHARE OF SITES WITH A FORMAL PARTNERSHIP WITH LOCAL UNIVERSITIES/ENGINEERING SCHOOLS IN 2023



Similarly, the Group first called on sites to build closer relationships with elementary and high schools in 2016, as a means of increasing Valeo's visibility as a local economic actor and potential future employer.

The 2023 outcomes relating to this objective reflect sites' awareness of the importance of visibility for industrial players at all levels of the education system. Collaborations of this nature can take various forms, predominantly site visits and introductions to industrial professions.

SHARE OF SITES PARTNERING WITH LOCAL ELEMENTARY/SECONDARY SCHOOLS IN 2023



Signature of a sponsorship agreement to support the development of the *Espérance Banlieues* school in Angers, France

In December 2019, Valeo signed an agreement to support the development of the *Cours Le Gouvernail* primary school in Angers, a member of the *Espérance Banlieues* network, through the sponsorship of one of the school's classes. *Espérance Banlieues* schools, which are set up in underprivileged neighborhoods, introduce cultural and humanist teaching into the curriculum so that children can find their place in society and grow up with the confidence and desire to succeed. Convinced that perseverance and self-confidence are the drivers of success, and that teaching combined with continuous innovation lead to excellence, Valeo supports the innovative learning methods applied in educating these young people from disadvantaged neighborhoods.

In 2020, support continued for a second year, with the development of ties between the management of the Angers site and the *Espérance Banlieues* school in Angers.

This sponsorship agreement was renewed for two years in 2021. Dedicated meetings were organized between the *Espérance Banlieues* school in Angers and Valeo's Angers site in 2022.

Relationships with local research ecosystems

Despite a strong industrial footprint in the geography of its sites, Valeo encourages its plants to become more involved in local Research, Innovation and Development (R&I&D) ecosystems. This action serves to support, facilitate and anticipate current and future development needs closer to local markets, particularly in countries with growth potential.

This type of approach is also encouraged by the Group for the knock-on effect it can generate on a local ecosystem in favor of greater cooperation between local skills and expertise, and the gradual emergence of cross-sector synergies.

Valeo sites and employees, actors of societal initiatives with their regions

As part of the One Plant, One Initiative programs, whose themes are left to the initiative of the employees of the sites in view of local issues, we can note the following initiatives shared by certain sites on the themes of:

- health and safety;
- education;
- environment;
- volunteering.

With a view to establishing a lasting relationship with their local communities, Valeo sites and their employees are committed to solidarity actions in local regions. In 2023, actions of this nature took place on nearly 64.6% of sites throughout the Group, mainly around the following themes:

- awareness-raising on critical illnesses and disabilities, such as Alzheimer's disease, breast cancer and visual impairment (including on-site testing), and fundraising events including charity races, flea markets and other initiatives;
- initiatives to help address public health issues, such as vaccination campaigns organized in host countries around the world in 2023;
- charity targeting the poorest populations, primarily in the form of donations of clothing, toys and eyeglasses, as well as food bank initiatives;
- raising awareness of sustainable development: during "Sustainability Week" in June, many Group sites hosted events, while 49 sites shared articles presenting their own initiatives.

These initiatives are the result of proactive commitment by the sites and their employees.

They demonstrate the importance of links with local communities.

In 2023, 78% of sites took part in the annual CSR questionnaire in which they shared societal commitments in their home countries:

- 55% of sites took part in or organized sponsorship events;
- 46% of sites took part in or organized health or safety initiatives targeting local communities (vaccination, first aid, firefighting, etc.);
- 36% of sites took part in or organized local environmental initiatives;
- 27% of sites took part in local training initiatives (teaching at schools and universities, on-site technical and scientific days, on-site local talks and training, etc.).

Open days at Valeo sites

To boost their local operations and their openness to members of local communities, many sites hold annual open days to showcase their activities, unique features and products to local communities. While there were no events in 2021 due to pandemic, activity gradually resumed in 2022, and 29.7% of sites held open days in 2023.

In Poland, the Skawina and Chrzanow sites opened their doors to young science enthusiasts on Małopolska Scientists' Night, in an event designed to allow young people to meet scientists in laboratories where knowledge and technology cohabit. Young scientists of all ages can learn from the robots used to create automotive parts, seeing how materials are transformed and learning about the various manufacturing techniques.

Practical and local actions across the world

Thanks to the Group's multi-regional roots, Valeo sites are involved in practical and local societal actions that benefit as many people as possible.

The Group is a founding member of Institut Garches, which was created in 1988 and became a Foundation in May 2005.

Its purpose is to help people with motor or cognitive impairments in their daily lives after a hospital stay. The Foundation has put together a considerable network of expertise, including teachers, doctors, heads of motor disability associations and heads of partner companies. Valeo works alongside professionals from the foundation's wheelchair selection and test center.

In China, the Valeo Library Program was launched in 2017 to help children in disadvantaged mountain areas overcome challenges such as a lack of educational resources. The project is funded by donations from Valeo China employees, which are used to enable more children to benefit from quality reading materials and an environment conducive to reading. Between the launch of the program and 2023, Valeo China set up 77 Valeo Bookstores across the country.

In Germany, the Ebern site organized a summer festival to mark Valeo's 100th anniversary and the site's 80th anniversary, which attracted 3,000 visitors. For the festival, the site worked with local businesses to organize a series of events, including an anniversary raffle and games, and donated the proceeds of 7,000 euros from the events to the Sternenzelt Bamberg hospice, a facility for children and young people.

In Hungary, the Veszprém site celebrated Christmas by joining the national "Shoebox" campaign, providing toys and non-perishable food packed in shoe boxes to 200 disadvantaged and isolated children up to the age of 18 that are registered with the Veszprém family welfare center.

In Thailand, the CSR committee of the THS-Chonburi site organized a "Recyclable Waste Sorting" campaign to encourage employees to sort their waste. As part of the campaign, the site donated a total of 1,020 kg of recyclable waste to the Chonburi Regional Department of Health and Environment's "Reducing Global Warming with Our Hands" project. Proceeds from the project will be used to purchase school supplies for educational institutions and medical equipment for public health facilities.

In addition to solidarity campaigns initiated by site employees and in-kind donation campaigns (basic necessities for disadvantaged populations, school materials, clothing, etc.), 28% of the Group's sites donated money or equipment for local solidarity or charity initiatives in 2023.

Valeo launches a partnership with COLORI, a socially responsible company

In 2023, Valeo launched a partnership with COLORI, a socially responsible company that helps young children understand digital technology without the use of screens. Through storytelling and play, children in COLORI workshops come to grips with key computer concepts (algorithms, binary systems, Boolean logic), question how computers work, and discuss the role of screens and the ecological footprint of the digital revolution. The aim is to give them the keys to develop their critical thinking and enable them to grow into active, informed members of society, as well as to contribute to equal opportunity by addressing all children, regardless of their origin and gender.

At certain European and North African sites, Valeo employees have been trained to conduct COLORI workshops for local people from all walks of life. These actions help to widen access to digital technology from an early age, and to inspire scientific and technological vocations among young people.

Valeo partners with Do Well Do Good for the second edition of the PEEQ leadership program for talented students from underprivileged backgrounds *(Programme d'Excellence pour les Talents des Quartiers)*

The PEEQ program has a compelling ambition: to enable young students from underprivileged backgrounds in the first year of master's programs to access career-boosting positions (strategy departments, graduate programs, etc.) on graduation.

Do Well Do Good has developed an 18-month training program (completed alongside the master's degree) including a six-month internship with partner companies, led by strategy consultants and a coach from Harvard.

This prepares young people to join leading companies in demanding positions.

The training modules cover topics such as strategy, leadership, climate and openness to the world.

This partnership allows Valeo to promote social inclusion, through its role as a program partner. The Group has also welcomed two students from the PEEQ program into the Strategy Department," said Geoffrey Bouquot.

The second round of the PEEQ program began in April 2023, and includes 22 students, who are either scholarship recipients or from underprivileged backgrounds. The third year of the program is scheduled to kick off in early 2024.

Public and regulatory policies

Challenges

As a major innovator in the automotive industry operating in many countries, Valeo is committed to transforming the automotive industry and to making a positive impact in the regions where it operates.

Approach and achievements during the year

In its relations with public organizations, the approach adopted is to support the Group in becoming involved in the three revolutions that are currently redefining the automotive industry: vehicle electrification, autonomous and connected vehicles, and digital mobility.

Relationships with public bodies

Valeo develops institutional relationships with relevant administrations (at international, national and local levels), through regular dialogue, such as:

- dialogue with international organizations (UN Global Compact, OECD, World Bank);
- consultations on request:
  - from the European Commission (Directorates-General for Industry, Research, Transport, and the Environment, Directorate-General for Communications Networks, Content and Technology [DG CONNECT]),
  - from ministries of industry (France, China, Spain), the economy (France, Poland, Japan, Germany), research (France, China), energy (France, the United States), transportation (France, Germany, the United States) and employment (all countries where there are Valeo sites);
- co-construction/co-management of jointly financed projects, especially through participation in the governance bodies of European Union public-private partnerships (European Green Vehicle Initiative Association – EGVI);
- participation in the creation of roadmaps, under Valeo's co-chairmanship (since 2014) of the European Road Transport Research Advisory Council (ERTRAC), the European Commission technology platform (see section 4.3.2 "Technology policies and commitments", pages 242 to 246).

In 2017, in compliance with the French legal framework[47], Valeo filed an entry in the register of interest groups, which has since been posted online by the French High Authority for Transparency in Public Life (*Haute Autorité pour la Transparence dans la Vie Publique* – HATVP) and is publicly available. For 2023, Valeo sent the HATVP a summary of the activities to be declared.

Organization of the Valeo Group in public affairs and main items of expenditure

Institutional relationships are coordinated under the responsibility of three people at Valeo's headquarters, and relayed locally, as required, by national directorates in the country or region concerned.

Membership of professional organizations

As an independent, global tier-one automotive equipment supplier, Valeo is a member of the main organizations that represent the interests of original equipment and aftermarket equipment suppliers on the world's main automotive markets:

- in Europe: CLEPA (European Association of Automotive Suppliers);
- in the United States: OESA (Original Equipment Supplier Association);
- in France: PFA *(Plateforme de la Filière Automobile);*
- in Germany: VDA *(Verband der Automobilindustrie);*
- in Spain: Sernauto *(Asociación Española de Proveedores de Automoción);*
- in Italy: ANFIA *(Associazione Nazionale Filiera Industria Automobilistica);*
- in Japan: JAPIA (Japan Autoparts Industries Association);
- in Brazil: Sindipeças *(Sindicato Nacional da Indústria de Componentes para Veículos Automotores).*

Valeo is a member of the International Transport Forum's Corporate Partnership Board, as well as the French Association of Private Enterprises (AFEP).

It contributed a total of 500,000 euros to these entities during the year.

The Group's main items of expenditure are:

- membership of the main bodies managing the interests of original equipment manufacturers and aftermarket suppliers of the main global automotive markets, which represent Valeo's main financial contribution to interest groups and its only activities that qualify as lobbying;
- personnel expenses of the External Affairs Department (fewer than three FTEs[48] per year).

As in previous years, the Group did not use public affairs consultancy services in 2023. Moreover, in accordance with its Code of Business Ethics, Valeo does not make any donations or give any support to political parties in any countries where the Group operates.

(47) *Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization.*
(48) *Full-time equivalent.*

4.4 The European Taxonomy

4.4.1 Context

Measuring sustainability

The national and European legal frameworks (NFRD, Taxonomy Regulation, etc.) and growth in the number of initiatives geared toward measuring business sustainability (TCFD, EFRAG, Platform on Sustainable Finance, etc.) are increasing the transparency of companies as they measure the sustainability of their business models and report on related indicators.

A key component of the European Commission's action plan on sustainable finance aimed at redirecting capital flows toward a more sustainable economy, the European Taxonomy Regulation[49] is part of this process. The European Taxonomy, a classification system for environmentally "sustainable" economic activities, is a major step toward the European Union's objective of achieving carbon neutrality by 2050.

In view of regulatory requirements, and in the interest of compliance and financial transparency, but also to reflect the Group's efforts and actions in the fight against global warming, Valeo decided in 2022 to present an additional indicator including activity 3.3 Manufacture of low carbon technologies for transport, in accordance with European automotive suppliers' interpretation of the Taxonomy Regulation (Clepa position).

In 2023, the Taxonomy Regulation annex on climate change mitigation was amended to include activity 3.18 Manufacture of automotive and mobility components, intended for automotive suppliers. It covers sales of essential components to ensure and improve the environmental performance of vehicles with zero direct CO_2 exhaust emissions.

The 2023 reporting includes new disclosure requirements for eligibility introduced by the Environment Delegated Act on the following four environmental objectives:

- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystems.

4.4.2 Summary of KPIs

In the following section, Valeo, as a non-financial undertaking, presents the share of the Group's sales (turnover), capital expenditure (Capex) and operating expenditure (Opex) in 2023 related to economic activities that are eligible for the European Taxonomy under the six objectives, in accordance with Article 8 of the Taxonomy Regulation.

For 2023, the Taxonomy-alignment disclosure requirement only applies to the first two climate objectives (climate change mitigation and climate change adaptation). The four environmental objectives are excluded, as are amendments to the climate objectives.

Valeo has chosen to analyze the alignment criteria for all of its Taxonomy-eligible activities related to the climate change mitigation objective, including activity 3.18, thereby going beyond the regulatory requirement.

To meet the regulation's alignment requirements, Valeo analyzed its compliance with the generic criteria of the "do no significant harm" principle as regards climate change adaptation, sustainable use and protection of water and marine resources, pollution prevention and control, protection and restoration of biodiversity and ecosystems, and the minimum safeguards in respect of human rights.

This analysis showed that Valeo's eligible activities are aligned with these generic criteria.

The regulatory tables respecting the format required by the Annexes to the Taxonomy Regulation are presented in section 4.4.5 "Taxonomy KPI tables".

[49] *Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.*

Eligibility

Based on Valeo's analyses, as set out below, the Taxonomy-eligible KPIs in 2023 are as follows:

		Turnover		Capex		Opex	
		2023	2022	2023	2022	2023	2022
	Proportion eligible for the Taxonomy	**21.0%**	**6.9%**	**14.0%**	**8.5%**	**19.4%**	**12.7%**
Climate change adaptation	3.4 Manufacture of batteries	4.6%	3.5%	5.1%	5.1%	5.1%	6.5%
	3.18 Manufacture of automotive and mobility components	6.9%	N/A	6.4%	N/A	12.0%	N/A
	3.6 Manufacture of other low carbon technologies	7.5%	3.4%	1.8%	3.4%	2.3%	6.1%
	6.5 Transport by motorbikes, passenger cars and light commercial vehicles	—%	—%	0.6%	—%	—%	—%
Transition to a circular economy	5.1 Repair, refurbishment and remanufacturing	0.2%	N/A	0.1%	N/A	—%	N/A
	5.2 Sale of spare parts	1.7%	N/A	—%	N/A	—%	N/A
	Proportion not eligible for the Taxonomy	**79.0%**	**93.1%**	**86.0%**	**91.5%**	**80.6%**	**87.3%**

Alignment

Based on Valeo's analyses, as set out below, the Taxonomy-aligned KPIs in 2023 are as follows:

		Turnover		Capex		Opex	
		2023	2022	2023	2022	2023	2022
	Proportion aligned with the Taxonomy	**19.0%**	**—%**	**13.2%**	**—%**	**19.4%**	**—%**
Climate change adaptation	3.4 Manufacture of batteries	4.6%	—%	5.1%	—%	5.1%	—%
	3.18 Manufacture of automotive and mobility components	6.9%	N/A	6.4%	N/A	12.0%	N/A
	3.6 Manufacture of other low carbon technologies	7.5%	—%	1.8%	—%	2.3%	—%
	6.5 Transport by motorbikes, passenger cars and light commercial vehicles	—%	—%	—%	—%	—%	—%
Transition to a circular economy	5.1 Repair, refurbishment and remanufacturing	N/A	N/A	N/A	N/A	N/A	N/A
	5.2 Sale of spare parts	N/A	N/A	N/A	N/A	N/A	N/A
	Proportion not aligned with the Taxonomy	**81.0%**	**100.0%**	**86.8%**	**100.0%**	**80.6%**	**100.0%**

4.4.3 Analysis of Valeo's economic activities eligible for the European Taxonomy

For 2023, Valeo is reporting its economic activities eligible for the European Taxonomy:

- for the climate change mitigation objective, according to the conditions described within activities 3.4 Manufacture of batteries, 3.18 Manufacture of automotive and mobility components, and 3.6 Manufacture of other low carbon technologies, as well as 6.5 Transport by motorbikes, passenger cars and light commercial vehicles;
- for the transition to a circular economy, according to the conditions described within activities 5.1 Repair, refurbishment and remanufacturing, and 5.2 Sale of spare parts.

The table below summarizes the activities considered by Valeo to be eligible in 2023:

	Eligible activity under the Climate Delegated Act	Corresponding Valeo Group activity	Relevant KPIs		
			Turnover	Capex	Opex
Climate change mitigation	3.4 Manufacture of batteries	Manufacture of batteries and parts necessary for the operation of batteries	✗	✗	✗
	3.18 Manufacture of automotive and mobility components	Manufacture of products essential to electric vehicles or to improving their environmental performance	✗	✗	✗
	3.6 Manufacture of other low carbon technologies	Technologies that provide substantial CO_2 emissions reductions at the vehicle level and demonstrate a superior level of carbon performance compared to the best known market benchmark	✗	✗	✗
	6.5 Transport by motorbikes, passenger cars and light commercial vehicles*	Leasing of company vehicles		✗	

* *This activity is allocated to the climate change mitigation objective, which Valeo considers to be the most relevant.*

	Eligible activity under the Environment Delegated Act	Corresponding Valeo Group activity	Relevant KPIs		
			Turnover	Capex	Opex
Transition to a circular economy	5.1 Repair, refurbishment and remanufacturing	Remanufacturing of parts, i.e., their reconditioning via an industrial manufacturing process (alternators, starters and compressors)	✗	✗	✗
	5.2 Sale of spare parts	Lighting business aftermarket	✗	✗	✗

Application to Valeo's activities

Valeo has carried out a detailed analysis of all of the Group's activities corresponding to fully consolidated entities (see Note 13 to the 2023 consolidated financial statements presented in section 5.4.6 of this document). Companies over which the Group exercises joint control or significant influence are therefore excluded from the scope of analysis and from the calculation of the ratios defined by the Delegated Act supplementing Article 8 of the Taxonomy Regulation published on July 6, 2021.

This analysis is based on the Regulation as available at December 31, 2023.

Climate change mitigation objective

Activity 3.4. Manufacture of batteries

Products developed and sold by Valeo that are eligible for the Taxonomy under activity 3.4 include sales of all components intended for the operation of the battery in an electric or hybrid vehicle (battery thermal management module, packaging and casing, voltage converters, charging connector).

Activity 3.18. Manufacture of automotive and mobility components

Valeo products eligible for this category are those essential to the environmental performance of electric vehicles (i.e., with zero direct CO_2 emissions):

- either essential to the vehicle's electrification (engine-related components);
- or essential to improving its environmental performance (thanks to substantial weight reduction, improved aerodynamics or optimized energy efficiency).

Allocation to activity 3.4 has priority over activity 3.18.

Activity 3.6. Manufacture of other low carbon technologies

In 2022, given the multi-sectoral nature of the alignment criteria for activity 3.6, Valeo elected to include this activity in its disclosures with a view to structuring a methodological proposal aimed at applying the Taxonomy in the context of its automotive products and methodologies.

Valeo includes in this activity technologies for which it is possible to demonstrate a substantial contribution to CO_2 emissions savings at vehicle level, including work to reduce upstream and downstream Scope 3 emissions. The factors allowing a carbon impact reduction of that nature (taking into account all stages of a product's life cycle) are mainly, but not exclusively, a reduction in mass, a reduction in the carbon footprint of the materials used, and an improvement in the energy performance of the component in the use. Work on these aspects is an integral part of Valeo's Carbon Neutrality Contribution Plan (see section 4.1.3 "Valeo's Carbon Neutrality Contribution Plan for 2050").

To assess the eligibility of products for this activity, Valeo referred to multiple criteria including substantial contribution to vehicle weight reduction or to energy performance, reduction in CO_2 emissions assessed on a full lifecycle basis or the existence of substantial gains associated with products recognized as eco-innovations by the European Commission.

Taxonomy-eligible products developed and sold by Valeo under activity 3.6 include propulsion and lighting technologies.

Allocation to activity 3.18 has priority over activity 3.6.

Activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles

In this activity, Valeo reports the amount of new leases for company vehicles made available to certain Group employees.

Transition to a circular economy objective

Activity 5.1 Repair, refurbishment and remanufacturing

Valeo has a longstanding business in remanufacturing (or renovating) automobile parts with a view to giving them a new life. These parts, collected from a network of garages and repair shops, undergo a comprehensive industrial remanufacturing process that gives them the same quality and performance as new parts. The range of remanufactured parts includes alternators, starters and compressors.

Activity 5.2 Sale of spare parts

Valeo sells spare parts to automakers and independent aftermarket operators. The eligibility criteria for this Taxonomy activity specify the associated NACE codes. Based on a prescriptive reading of these NACE codes, the aftermarket of Valeo's lighting activity is the only one to fall under the Taxonomy sale of spare parts activity.

4.4.4 Methodology note

Analysis of European Taxonomy financial KPIs

Based on the Group's management and consolidation data, Valeo can extract data relating to sales (turnover), investments (Capex), non-capitalized Research and Development expenditure, maintenance costs and short-term leases (Opex).

Intra-Group operations are not taken into account in the Taxonomy KPIs. Valeo's allocation of turnover (sales), Capex and Opex to the various Taxonomy-eligible activities avoids double counting.

Turnover

Assumptions used to calculate eligibility

The KPI's numerator comprises the sales generated by the Group's eligible activities. Reported sales figures are taken from Valeo's accounting and consolidation systems. Where necessary, the Group uses estimates when data are not available in the accounting and consolidation systems. Estimates are based on allocation keys derived from the sales database or other management documents prepared by the Finance Department. For example, this is the case for estimates of the allocation of sales of a product family based on the engine of the vehicles equipped.

The denominator corresponds to the consolidated sales of the Valeo Group for the year ended December 31, 2023 (see Note 4.1 to the consolidated financial statements presented in section 5.4 of this document).

Assumptions used to calculate alignment

For the three activities of the climate change mitigation objective for which eligible turnover is reported, Valeo reports the same amounts for alignment, as the substantial contribution criteria, the generic criteria of the "do no significant harm" principle and compliance with the minimum safeguards are met (see below).

For the transition to a circular economy objective, alignment is not required for 2023.

Capital expenditure (Capex)

Assumptions used to calculate eligibility

The KPI's numerator comprises the Group's capital expenditure, corresponding to purchases of property, plant and equipment and intangible assets, including right-of-use assets (IFRS 16), recorded in 2023, before depreciation and amortization, that can be allocated to a Taxonomy activity.

First, the Group analyzed capital expenditure related directly to eligible turnover-generating activities as detailed above.

Second, the analysis of the new long-term leased assets recognized under IFRS 16 made it possible to identify the new right-of-use assets associated with company vehicles, to be reported in activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles.

The denominator of the Group's capital expenditure KPI corresponds to the Group's total capital expenditure relating to purchases of property, plant and equipment, and intangible assets, including right-of-use assets (IFRS 16), recorded in 2023, before depreciation and amortization (see Notes 6.2 and 6.3 to the consolidated financial statements in section 5.4 of this document).

Assumptions used to calculate alignment

As with turnover, all Capex eligible for Taxonomy activities 3.4, 3.18 and 3.6 has been reported as aligned.

Regarding activity 6.5, the information on the motorization of company vehicles required to report alignment is not available in the Group's financial systems. Given the immateriality of this activity for Valeo and in accordance with FAQ 13 of the Delegated Act – Article 8, Valeo reports zero alignment for this activity in 2023.

Operating expenditure (Opex)

Assumptions used to calculate eligibility

Operating expenditure (Opex) consists of:

- non-capitalized R&D expenditure, i.e., gross R&D expenditure less capitalized development costs (see Note 4.5.1.2 to the consolidated financial statements in section 5.4 of this document).
- maintenance, upkeep and repair expenses;
- short-term leases.

The sum of these expenses represents the denominator of the Opex KPI.

The KPI's numerator comprises operating expenses related to the Taxonomy activities set out above, whose turnover is eligible.

Assumptions used to calculate alignment

As with turnover, all Opex eligible for taxonomy activities 3.4, 3.18 and 3.6 has been reported as aligned.

Analysis of the generic criteria relating to the "do no significant harm" principle and minimum safeguards

Generic criteria relating to the "do no significant harm" principle

The analysis of the criteria relating to the "do no significant harm" principle and the minimum safeguards is identical for the activities under the climate change mitigation objective considered by Valeo (3.4, 3.18, and 3.6), and is set out below (while the analyses cover Valeo's entire product portfolio, they only apply under the regulation to activities concerned by the climate change mitigation objective).

Climate change

To strengthen its understanding of the impacts of climate change on the Group's physical assets (physical risks), Valeo has carried out an analysis of its exposure to the impacts of climate change across its entire scope of consolidation, including the risks linked to changes in temperature and in the management of water, wind and soil resources in the SSP2-4.5 and SSP5-8.5 Representative Concentration Pathway (RCP) scenarios for 2030 and 2050.

This analysis, carried out using climate modeling tools developed by leading players in the field, served to characterize and assess the nature and likely intensity of the risk. It was carried out at the level of a plant or office, which at this stage is the most granular and relevant level available for a manufacturing company.

The analysis is part of broader efforts to gain a better understanding of Valeo's exposure to the risks associated with the consequences of climate change, which will regularly be supplemented by dedicated site audits and programs to strengthen on-site prevention tools and systems.

Transition to a circular economy

Valeo adopted a circular economy strategy in 2021. It is based on a 4Rs approach aimed at remanufacturing parts, i.e., reconditioning them via an industrial manufacturing process, repairing and recycling them, and ensuring that they remain robust over time.

This approach draws on careful resource consumption, eco-design policies, and the management of waste and hazardous materials (see section 4.3.3 "Environmental policies and commitments", page 253). The main outcomes of this policy are presented in Valeo's Integrated Report.

Sustainable use and protection of water and marine resources

Valeo has a longstanding policy on water management, which includes reducing water consumption, minimizing industrial effluents and gradually phasing out the use of water from natural sources. As such, Valeo has implemented various tools to limit the risks of pollution (via check valves, retention zones, etc.) and to better understand the impact of water consumption in the areas where the Group's plants are located (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk related to water management", page 212). Some of these analyses are disclosed transparently via CDP Water and are available on the dedicated website.

Pollution prevention and control regarding use and presence of chemicals

Valeo has policies and tools designed to ensure that its products and those of its suppliers comply with the requirements of European regulations on the use of regulated chemicals. All of its products worldwide comply with the REACH regulation and the End-of-Life Vehicle (ELV) Directive via the IMDS system, which enables it to ensure that its suppliers meet the same requirements.

In 2023, based on a representative sample of its platforms and products, Valeo implemented a complementary verification methodology for the information reported in IMDS. This methodology confirmed that the policies and tools in place ensure regulatory compliance and the traceability of materials and substances, as well as compliance with the framework established by the European Taxonomy for the use of regulated substances and authorized thresholds.

Protection and restoration of biodiversity and ecosystems

In line with local regulations in the countries where the Group operates, Valeo has implemented policies aimed at preserving and protecting flora and fauna near its sites (such as natural areas of ecological, fauna and flora interest (ZNIEFF) in France, see section 4.3.3 "Environmental policies and commitments", paragraph "Biodiversity", page 252). Valeo's commitment to protect biodiversity is further demonstrated by the environmental compliance analyses carried out at its sites and specifically on the Group's new acquisitions. In the event of proven damage to biodiversity and ecosystems, Valeo has implemented appropriate restoration measures.

Minimum safeguards

With regard to the minimum safeguards set out in the Taxonomy Regulation, Valeo has longstanding policies and tools that enable it to meet requirements in respect of:

- human rights, through the existence of adequate policies and risk management (see section 4.2.2, "Sustainable development challenges and non-financial risks", paragraph "Risk related to fundamental rights", page 237), supported by dedicated tools, such as internal and external whistleblowing procedures for its employees and suppliers, together with a package of sanctions. In 2023, Valeo was not subject to any convictions relating to a breach of its duty of care policies in terms of human rights;
- corruption, through the existence of policies and risk management (see section 4.2.2, "Sustainable development challenges and non-financial risks", paragraph "Risk of individual corruption", page 231);
- taxation, through the existence of a tax policy built on taxation in the country of production (see section 1.3.3 "Valeo's tax policy", page 52);
- compliance with competition law, through the existence of a set of anti-fraud and anti-corruption training programs, which are updated annually and are mandatory for the entire population subject to this risk (see section 4.2.2, "Sustainable development challenges and non-financial risks", paragraph "Risk related to fundamental rights", page 237).

Thanks to its internal procedures, risk management policy and the absence of disputes relating to the minimum safeguards, Valeo can declare its products meet the minimum safeguards provision of the Taxonomy.

4.4.5 Taxonomy KPI tables

The tables on the following pages (pages 271 to 274) set out the figures for the three Taxonomy KPIs – turnover, Capex and Opex – for 2023.

Turnover

Year Y		2023		Substantial contribution criteria						Do no significant harm criteria ("DNSH criteria")									
Economic activities (1)	**Code (2)**	**Turnover (3)**	**Proportion of turnover year Y (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of turnover (A.1.) or Taxonomy-eligible proportion of turnover (A.2.) in year Y-1 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		€m	*%*	*YES; NO; N/EL*						*YES/NO*							*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of batteries	CCM 3.4	1,015	4.6%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Manufacture of other low carbon technologies	CCM 3.6	1,664	7.5%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Manufacture of automotive and mobility components	CCM 3.18	1,515	6.9%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**4,194**	**19.0%**	**19.0%**	**—%**	**—%**	**—%**	**—%**	**—%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**—%**		
Of which enabling		4,194	19.0%	19.0%	—%	—%	—%	—%	—%	YES	YES	YES	YES	YES	YES	YES	—%	E	
Of which transitional		0	—%	%						YES	YES	YES	YES	YES	YES	YES	—%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Repair, refurbishment and remanufacturing	CE 5.1	53	0.2%	N/EL	N/EL	N/EL	N/EL	EL;	N/EL								—%		
Sale of spare parts	CE 5.2	383	1.7%	N/EL	N/EL	N/EL	N/EL	EL;	N/EL								—%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**436**	**1.9%**	**—%**	**—%**	**—%**	**—%**	**1.9%**	**—%**								**—%**		
A. Turnover of Taxonomy-eligible activities (A.1. + A.2.)		**4,630**	**21.0%**	**19.0%**	**—%**	**—%**	**—%**	**1.9%**	**—%**								**—%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**17,415**	**79.0%**																
TOTAL		**22,044**	**100.0%**																

Contribution to multiple objectives

None of Valeo's economic activities reported in turnover make a substantial contribution to multiple environmental objectives.

	Proportion of turnover/total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	19.0%	19.0%
CCA	%	%
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

Capex

Year Y		2023		Substantial contribution criteria						Do no significant harm criteria ("DNSH criteria")									
Economic activities (1)	Code (2)	Capex (3)	Proportion of Capex, year Y (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of Capex (A.1.) or Taxonomy-eligible proportion of Capex (A.2.) in year Y-1	Category (enabling activity) (19)	Category (transitional activity) (20)
		€m	%	YES; NO; N/EL						YES/NO							%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of batteries	CCM 3.4	112	5.1%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Manufacture of other low carbon technologies	CCM 3.6	39	1.8%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Manufacture of automotive and mobility components	CCM 3.18	142	6.4%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**293**	**13.2%**	**13.2%**	**—%**	**—%**	**—%**	**—%**	**—%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**—%**		
Of which enabling		293	13.2%	13.2%	—%	—%	—%	—%	—%	YES	YES	YES	YES	YES	YES	YES	—%	E	
Of which transitional		0	—%	—%						YES	YES	YES	YES	YES	YES	YES	—%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Transport by motorbikes, passenger cars and light commercial vehicles	**CCM 6.5**, CCA 6.5	14	0.6%	**EL**	EL	N/EL	N/EL	N/EL	N/EL								—%		
Repair, refurbishment and remanufacturing	CE 5.1	2	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL								—%		
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		**16**	**0.7%**	**0.6%**	**—%**	**—%**	**—%**		**—%**								**—%**		
A. Capex of Taxonomy-eligible activities (A.1. + A.2.)		**310**	**14.0%**	**13.8%**	**—%**	**—%**	**—%**		**—%**								**—%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		**1,904**	**86.0%**																
TOTAL		**2,213**	**100.0%**																

Contribution to multiple objectives

The Taxonomy activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles for which Valeo declares eligible Capex for climate change mitigation is also eligible for the climate change adaptation objective. This activity has been allocated to the climate change mitigation objective in the table above, deemed the most relevant.

	Proportion of Capex/Total Capex	
	Taxonomy-aligned per objective	**Taxonomy-eligible per objective**
CCM	—%	0.6%
CCA	—%	0.6%
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

Opex

Year Y		**2023**		**Substantial contribution criteria**						**Do no significant harm criteria ("DNSH criteria")**									
Economic activities (1)	**Code (2)**	**Opex (3)**	**Proportion of Opex, year Y (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum safeguards (17)**	**Taxonomy-aligned proportion of Opex (A.1.) or Taxonomy-eligible proportion of Opex (A.2.) in year Y-1 (18)**	**Category (enabling activity) (19)**	**Category (transitional activity) (20)**
		€m	*%*	*YES; NO; N/EL*						YES/NO							%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of batteries	CCM 3.4	101	5.1%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Manufacture of other low carbon technologies	CCM 3.6	46	2.3%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Manufacture of automotive and mobility components	CCM 3.18	240	12.0%	YES	N/EL	N/EL	N/EL	N/EL	N/EL	YES	YES	YES	YES	YES	YES	YES	—%	E	
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**388**	**19.4%**	**19.4%**	**—%**	**—%**	**—%**	**—%**	**—%**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**YES**	**—%**		
Of which enabling		388	19.4%	19.4%	—%	—%	—%	—%	—%	YES	YES	YES	YES	YES	YES	YES	—%	E	
Of which transitional		0	—%	—%						YES	YES	YES	YES	YES	YES	YES	—%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		0	—%	**—%**	**—%**	**—%**	**—%**	**—%**	**—%**								—%		
A. Taxonomy-eligible activities (A.1. + A.2.)		**388**	**19.4%**	**19.4%**	**—%**	**—%**	**—%**	**—%**	**—%**								—%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Opex of Taxonomy-non-eligible activities		**1,612**	**80.6%**																
TOTAL		**2,000**	**100.0%**																

Contribution to multiple objectives

No economic activity reported by Valeo in Opex makes a substantial contribution to multiple environmental objectives.

	Proportion of Opex/Total Opex	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	19.4%	19.4%
CCA	%	%
WTR	%	%
CE	%	%
PPC	%	%
BIO	%	%

4.5 Non-financial performance indicators AFR

Technological indicators

	Section	Unit	2021	2022	2023
KEY RESEARCH AND DEVELOPMENT INDICATORS					
Gross Research and Development expenditure *(as a % of sales)*(1)	4.3.2		10%	10%	12%
Net Research and Development expenditure *(as a % of sales)*(1)	4.3.2		9%	9%	9%
Research and Development headcount	4.3.2		14,730	17,245	19,376
Number of customer projects managed	4.3.2		3,172	2,976	2,680
Number of collaborative projects funded	4.3.2		>50	>50	>50
Number of patents filed	4.3.2		1,448	1,608	1,666
RESOURCE AND ECO-DESIGN INDICATORS					
Sales (reference)(2)		*€k*	17,137	17,812	20,516
Consumption of heavy metals	4.2.2	*t*	4.0	1.5	1.3
Consumption of heavy metals/sales	4.2.2	*kg/€m*	0.2	0.1	0.07
Consumption of chlorinated solvents	4.2.2	*t*	0	0	0
Consumption of chlorinated solvents/sales	4.2.2	*kg/€m*	0	0	0
Consumption of CMR substances(3)	4.2.2	*t*	102	110	141
Consumption of CMR substances(3)/sales	4.2.2	*kg/€m*	6.0	6.2	7.9
Consumption of recycled plastics	4.2.2	*kt*	2.4	3.6	3.8

(1) Excluding the Top Column Module business.
(2) Sales calculated for the period from October 1 of the prior year to September 30 of the year under review, as specified in the methodology note on page 282.
(3) See sustainable development glossary, page 291.

Environmental indicators

	Section	Unit	2021	2022	2023
INDUSTRIAL MAPPING OF VALEO SITES(1)					
Total sales across all sites in reporting scope(2)	4.5	*€m*	17,137	17,812	20,516
Number of sites in reporting scope	4.7.1	-	144	156	155
GENERAL POLICY ON ENVIRONMENTAL ISSUES					
Number of sites able to obtain ISO 14001 and 45001 certification	4.3.3	-	144	154	155
ISO 14001-certified sites	4.3.3	*%*	94	94	94
ISO 45001-certified sites	4.3.3	*%*	89	78	81
ISO 50001-certified sites	4.3.3	*%*	31	40	52
Functional expenditure allocated to environment	4.3.3	*€k*	17,257	24,903	25,540
Cleanup costs, sites in operation	4.3.3	*€k*	376	596	711
Amount of investments for the protection of the environment (excluding cleanup costs)	4.3.3	*€k*	23,106	17,256	23,371
Number of fines and compensation awards		*0*	4	2	0
Amount of fines and compensation awards		*€k*	52	24	64
Total provisions allocated to environmental risks		*€m*	13	15	9(3)
Number of environmental complaints		-	8	9	20
ACCIDENTAL POLLUTION OF WATER AND/OR SOIL					
Volume of industrial effluents treated	4.2.2	*kcu.m*	718	526	408
Heavy metal content in these effluents	4.2.2	*kg*	20	27	59
Number of significant spills	4.2.2	—	1	2	2
Total waste generated	4.2.2	*kt*	254	247	260
• of which hazardous waste	4.2.2	*%*	11	11	11
• of which non-hazardous waste	4.2.2	*%*	89	89	89
Total waste generated/sales	4.2.2	*t/€m*	14.8	13.9	12.7
Waste recovery rate	4.2.2	*%*	88	88	91
Total waste exported	4.2.2	*t*	749	1,281	1,239
Ratio of total waste exported/total waste generated	4.2.2	*%*	0.3	0.5	0.5

(1) Data may vary slightly depending on the rate of site response on specific indicators (see section 4.6.1 "Sustainable development reporting methodology", page 282).
(2) Sales calculated for the period from October 1 of the prior year to September 30 of the year under review, as specified in the methodology note on page 282.
(3) Total environmental provisions at December 31, 2023.

Environmental indicators (continued)

	Section	Unit	2021	2022	2023
WATER MANAGEMENT					
Total water consumption	4.2.2	*kcu.m*	3,491	3,319	3,027
Total water consumption/sales	4.2.2	*cu.m/€m*	204	186	148
Water outages and restrictions	4.2.2	-	1	7	5
ATMOSPHERIC EMISSIONS AND DISCHARGES					
Atmospheric lead emissions	4.2.2	*kg*	4	7	2
Atmospheric lead emissions/sales	4.2.2	*g/€m*	0.2	0.4	0.1
Atmospheric TCE emissions	4.2.2	*t*	0.0	0.0	0
Atmospheric TCE emissions/sales	4.2.2	*kg/€m*	0.00	0	0
Quantity of ozone-depleting substances used	4.2.2	*kg*	13,190	12,839	9,823
Emissions of ozone-depleting substances	4.2.2	*kg eq. CFC-11*	100	84	17
Atmospheric VOC emissions(4)	4.2.2	*t*	1,642	1,584	1,281
Atmospheric VOC emissions(4)/sales	4.2.2	*kg/€m*	96	89	63
Atmospheric NOx emissions	4.2.2	*t*	168	170	157
Atmospheric NOx emissions/sales	4.2.2	*kg/€m*	9.8	9.6	7.7
REDUCING ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS					
Total energy consumption	4.2.2	*GWh*	2,760	2,739	2,732
• Proportion of electricity	4.2.2	*%*	74.2	74.4	75.9
• Proportion of natural gas	4.2.2	*%*	23.0	23.4	22.0
• Proportion of fuel oil	4.2.2	*%*	1.4	1.5	1.2
• Proportion of other energy sources	4.2.2	*%*	1.4	0.7	0.9
Total energy consumption/sales	4.2.2	*MWh/€m*	161	154	133
Direct energy consumption/sales	4.2.2	*MWh/€m*	40	39	31
Indirect energy consumption/sales	4.2.2	*MWh/€m*	121	115	102
Energy efficiency: expected gain	4.2.2	*MWh*	33,444	61,885	58,603
• Scope 1	4.2.2	*$ktCO_2eq.$*	193	191	186
• Scope 2(5)	4.2.2	*$ktCO_2eq.$*	582	517	464
• Upstream Scope 3 (purchased goods and services, and transportation and distribution)(6)	4.2.2	*$ktCO_2eq.$*	8,617	8,915	8,552
• Downstream Scope 3 (use of sold products)	4.2.2	*$ktCO_2eq.$*	36,845	35,814	36,200
TOTAL GREENHOUSE GAS EMISSIONS (SCOPES 1, 2 AND 3)	**4.5.3**	***$ktCO_2eq.$***	**46,237**	**45,220**	**45,402**
PACKAGING					
Packaging materials consumption		*kt*	87.1	91.5	78.7
• Proportion of plastic packaging	4.2.2	*%*	14.1	13.5	13.6
• Proportion of cardboard packaging	4.2.2	*%*	58.2	56.6	57.3
• Proportion of wood packaging	4.2.2	*%*	25.9	28.2	27.4
• Proportion of other types of packaging		*%*	1.8	1.7	1.7
Packaging materials consumption/sales		*t/€m*	5.1	5.1	3.8

(4) See sustainable development glossary, page 291.
(5) The calculation also takes into account purchases of low-carbon energy with guarantee of origin. This calculation includes the adjustment of the energy mix for purchases of decarbonized energy with guarantee of origin (use of residual emission factors), using the so-called "market-based" method, defined by the GHG Protocol (see sustainable development glossary, page 291).
(6) Data including business travel and commuting.

Employee-related indicators[50]

	Section	2021	2022	2023
CHANGE IN VALEO'S HEADCOUNT				
Managers and Professionals	4.3.4	31,581	35,909	38,671
Technicians[1]	4.3.4	15,217	15,173	14,799
Operators	4.3.4	47,371	47,073	47,270
Registered headcount[2]	**4.3.4**	**94,169**	**98,155**	**100,739**
Temporary staff		9,131	11,745	12,008
Total headcount	**4.3.4**	**103,300**	**109,900**	**112,747**
Permanent staff		82,433	85,659	87,601
Non-permanent staff		20,867	24,241	25,146
Average headcount[3]	**4.3.4**	**104,500**	**107,250**	**112,275**
Breakdown of registered headcount by socio-professional category *(in %)*	**4.3.4**			
• Managers and Professionals		33.5%	36.6%	38.4%
• Technicians[1]		16.2%	15.5%	14.7%
• Operators		50.3%	48.0%	46.9%
Breakdown of registered headcount by contract type *(in %)*	**4.3.4**			
• Permanent contracts		79.8%	77.9%	77.7%
• Fixed-term contracts		11.4%	11.4%	11.7%
• Temporary staff		8.8%	10.7%	10.7%
Breakdown of registered headcount by geographic area	**4.3.4**			
• Western Europe		24,878	25,599	26,134
• Central and Eastern Europe		15,428	16,387	16,819
• Africa		6,224	7,047	8,002
• North America		16,311	15,854	16,679
• South America		2,022	2,009	1,994
• Asia		29,289	31,243	31,112
Breakdown of registered headcount by gender *(in %)*	**4.3.4**			
• Women		32.4%	31.8%	33.1%
• Men		67.6%	68.2%	66.9%
HEALTH AND SAFETY				
Number of lost-time occupational accidents per million hours worked, Group (FR1)	4.2.2	1.2	1.1	0.8
Number of occupational accidents, with or without lost time, per million hours worked, Group (FR2)	4.2.2	5.1	5.1	5.2
Number of days lost owing to an occupational accident per thousand hours worked, Group (SR1)	4.2.2	0.04	0.05	0.03
Number of category 1 accidents	4.2.2	2	5	3
Absenteeism rate	4.2.2	2.9%	3.2%	2.81%
ATTRACTING TALENT				
Breakdown of new hires by contract type *(in %)*	**4.2.2**			
• Permanent contracts		57%	61%	61%
• Fixed-term contracts		43%	39%	39%
Breakdown of new hires by geographic area[4] *(in %)*	**4.2.2**			
• Western Europe		20%	19%	22%
• Central and Eastern Europe		12%	15%	13%
• Africa		7%	8%	8%
• North America		26%	28%	30%
• South America		2%	2%	1%
• Asia		34%	28%	25%
Change in the number of LinkedIn followers		923,792	1,106,602	1,352,652

(1) *As of 2022, employees on internships,* Volontariat International en Entreprise *(VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are no longer included in the headcount.*
(2) *The registered headcount corresponds to permanent and fixed-term employees.*
(3) *The average headcount is the Group's total headcount divided by 4.*
(4) *Hires resulting from external growth operations are not included in this calculation.*
(5) *In 2022, data for Western Europe and Central and Eastern Europe were inverted. This error has been corrected this year.*

(50) *In the 2022 Universal Registration Document, some employee-related indicators incorrectly referred to 2019 data in the 2020 column and 2020 data in the 2021 column. These errors have been corrected in this document.*

Employee-related indicators (continued)

	Section	2021	2022	2023
DEVELOPING AND RETAINING TALENT				
Percentage of employees trained	4.2.2	93.5%	90%	93%
Number of training hours provided	4.2.2	1,742,599	2,317,529	2,493,777
Average hours of training per employee	4.2.2	21.3	23	24
Percentage of training hours devoted to safety	4.2.2	20%	14%	13%
Percentage of employee shareholders at Valeo	4.2.2	50%	54%	53%
Breakdown of departures by cause	**4.2.2**			
• Resignations		10,316	11,948	8,731
• Expiration of fixed-term contracts		8,898	7,985	5,778
• Dismissals and contract terminations		3,447	3,311	3,696
• Retirement, early retirement and death		745	706	762
• Layoffs		839	489	694
Turnover of Managers and Professionals		10.0%	10.7%	7.23%
RESPECTING AND PROMOTING DIVERSITY				
Percentage of women among new hires *(in %)*	**4.2.2**			
• Managers and Professionals		28%	27%	27.9%
• Technicians		32%	31%	34.4%
• Operators		41%	41%	42.2%
Percentage of women among new hires		36%	36%	37.1%
Breakdown of women by socio-professional category *(in %)*	**4.2.2**			
• Managers and Professionals		24%	24%	25.5%
• Technicians		24%	25%	26.0%
• Operators		40%	39%	40.4%
Proportion of employees with disabilities worldwide (direct employment)		1.9%	1.7%	1.9%
Breakdown of sites run by local directors *(in %)*(5)	**4.2.2**			
• Western Europe		74%	78%	76%
• Central and Eastern Europe		82%	81%	74%
• Africa		80%	78%	75%
• North America		65%	61%	59%
• South America		100%	100%	100%
• Asia		91%	89%	86%
Breakdown of registered headcount by age group *(in %)*	**4.2.2**			
• <20 years		0.90%	0.78%	0.78%
• 20-29 years		24.40%	24.54%	26.44%
• 30-39 years		34.30%	34.12%	34.22%
• 40-49 years		24.10%	23.86%	23.06%
• 50-59 years		14.10%	14.20%	13.54%
• >60 years		2.30%	2.50%	1.96%
Number of interns		842	1,516	2,193
Number of apprentices		1,564	1,746	2,220
Number of VIE *(Volontariat International en Entreprise)* applicants		49	120	244

(1) As of 2022, employees on internships, Volontariat International en Entreprise *(VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are no longer included in the headcount.*
(2) The registered headcount corresponds to permanent and fixed-term employees.
(3) The average headcount is the Group's total headcount divided by 4.
(4) Hires resulting from external growth operations are not included in this calculation.
(5) In 2022, data for Western Europe and Central and Eastern Europe were inverted. This error has been corrected this year.

Social indicators

Indicators	Section	2021	2022	2023
Percentage of sites that organized open days		—%	20.00%	30%
Share of sites partnering with local elementary/secondary schools	4.3.5	47%	50%	50%
Share of sites partnering with local universities/engineering schools	4.3.5	80%	82%	N/A
Share of sites partnering with local universities/engineering schools on a formal basis		N/A	N/A	51%
Share of production purchases for which the suppliers' sustainable development practices were assessed during the year *(% of total purchases)*	4.3.5	82%	85%	85%

4.6 The duty of care plan

In accordance with the provisions of the law on the duty of care of ordering companies[51], Valeo drew up a duty of care plan in 2017, covering the subsidiaries, subcontractors and suppliers with which the Group has business relations.

The duty of care plan is the fruit of joint work by the various departments concerned (Strategy Department, Internal Audit and Control Department, Legal Department, Ethics and Compliance Office, Purchasing Department, Health, Safety and Environment Department and Human Resources Department), coordinated by the Sustainable Development and External Affairs Department.

In compliance with the French legal framework, Valeo's 2023 reporting sets out the measures in its duty of care plan[52]:

- the Group's risk mapping and non-financial risk analysis conducted in 2023 (see above), which include the provisions of the duty of care law (human rights and fundamental freedoms, personal health and safety and environmental breaches);
- the procedure for evaluating the situation of subsidiaries, subcontractors and suppliers;
- measures to mitigate risks or prevent serious breaches;
- whistleblowing and reporting mechanisms concerning the existence or occurrence of risks;
- mechanisms for monitoring the measures implemented and assessing their effectiveness.

The follow-up report on the measures implemented and the assessment of their effectiveness are presented below, with references to the corresponding sections of Chapter 4 giving access to a more detailed presentation.

Identification and definition of risks

Particular attention was paid to the duty of care during interviews and various information reviews conducted as part of Valeo's extensive work to map non-financial risks following the transposition of the 2014 European Directive[53] on the disclosure of non-financial information. Gathering information served to improve the identification and definition of risks, classified based on their criticality and their possible existence prior to the introduction of the duty of care law, in the risk map.

On the basis of this analysis, Valeo provides a condensed review of its provisions relating to:

- fundamental rights and freedoms: harassment and discrimination, child labor, forced labor (see section 4.2.2, "Sustainable development challenges and non-financial risks", paragraph "Risk related to fundamental rights", page 237);
- health and safety: (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Health and safety risk", page 218);
- serious environmental breaches: (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", page 208 and "Risk related to atmospheric discharges and emissions", page 214).

(51) *Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.*
(52) *Pursuant to the provisions of Article 1 of the aforementioned law.*
(53) *Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.*

Regular assessment of the situation of subsidiaries and suppliers

For Valeo sites, the practice of identifying risks specific to the duty of care confirmed the existence of risk factors that the Group had already identified and brought under control. This work confirmed earlier findings obtained from existing tools or assessment criteria used by the Group's subsidiaries:

- regarding fundamental freedoms, in particular the fight against harassment and discrimination, child labor and forced labor: these issues are part of the protocols for the various sites' internal audit campaigns (see section 4.2.2, "Sustainable development challenges and non-financial risks", paragraph "Risk related to fundamental rights", page 237);
- in the field of workplace health and safety, particularly as regards compliance with minimum conditions governing the safety of individuals and facilities, the exposure of Valeo's sites to these risks is measured through annual "5 Axes" audits;
- regarding serious environmental breaches, particularly the risk of air, soil and water pollution, and the management of hazardous waste, the sites' environmental risk management tools ensure the regular reporting of information to the Group (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", page 208, and paragraph "Risk related to atmospheric discharges and emissions", page 214).

The situation of the Group's activities is assessed regularly by measuring the extent to which the various roadmaps have been rolled out, in particular the "5 Axes" roadmaps and regular internal audits. The result of the monitoring indicators is published annually in this document, and the indicators are subject to an annual audit (see section 4.9 "Independent third party's report on the consolidated non-financial information statement", page 292).

For its suppliers, the Group has applied criteria bearing on risks relating to fundamental rights, workplace health and safety and environmental breaches since the creation of its sustainable development performance assessment tools in 2012. These tools provide a regular assessment of suppliers' practices, initiatives and policies regarding duty-of-care challenges, covering a growing proportion of Valeo's supplier panel (in 2023, it covered suppliers representing 85% of the amount of direct production purchases). Supplier practices and the tools for measuring and monitoring them are described in this chapter of the Universal Registration Document (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", page 232).

Initiatives to prevent serious breaches and mitigate risks

In addition to assessments and audits of the Group's sites and its tier-one suppliers, Valeo has implemented support and prevention tools addressing serious breaches:

- for fundamental rights, prevention tools have been rolled out. They include training in the Code of Business Ethics, and risk mitigation measures, notably through the existence of a whistleblowing system (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk related to fundamental rights", page 237 and paragraph "Risk of individual corruption", page 231);
- for health and safety, new prevention tools are launched every year, along the lines of the Safety First campaign. In the event of serious breaches, appropriate action methodologies are rolled out at all sites, in particular rapid risk management solutions, such as QRQC Safety, a rapid internal analysis approach to identify and limit the causes of a health and safety risk (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Health and safety risk", page 218);
- for environmental risks, the Group has in particular an environmental management system with prevention and mitigation tools. To strengthen the monitoring of incidents that may have an environmental impact, the Group has been rolling out an internal tool ("Environmental Red Alert") since 2019, allowing sites to issue real-time alerts when a spill occurs and thereby inform the highest level of the Group's organization of the seriousness of the incident, monitor it and validate the resources used to minimize the impacts of the event (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", page 247 and "Risk related to atmospheric discharges and emissions", page 252).

Similarly, support has been provided to help the Group's suppliers control risks relating to fundamental rights, workplace health and safety and the environment (and more generally sustainable development), with their cooperation. This work was based on the exposure of their segment to certain risks and/or their respective sustainable development performance, measured through specific evaluations and audits.

In accordance with the policies in place within the Group, non-compliance with a standard set by Valeo triggers an on-site audit to confirm the situation before the implementation of appropriate action plans (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", page 232).

Campaigns to raise awareness about risk prevention and mitigation are conducted each year, providing a reminder of Valeo's policies and requirements in this area. Dedicated Purchasing and Health, Safety and Environment (HSE) teams are regularly mobilized to help suppliers improve their performance. At the supplier conventions held twice a year by country grouping, the Vice-President, Sustainable Development sets out the Group's requirements, and shares sustainable development recommendations and best practices with the suppliers in attendance. Since 2021, specific attention has been paid to the risks linked to suppliers' carbon challenges, as Valeo would like to be able to assess maturity across all emissions scopes (1, 2 and 3). As in previous years, Valeo continued its in-depth assessment of its suppliers' work in the field of sustainable development, based on its annual self-assessment questionnaire on sustainable development choices, with a representative sample of suppliers covering 85% of the Group's production purchases in 2023.

A whistleblowing system

Since November 2013, Valeo has had an anonymous multilingual whistleblowing line, free of charge and open to all employees. At the end of 2017, Valeo improved and extended the whistleblowing mechanism. Since then, the system has enabled whistleblowers **inside or outside** the Group to issue alerts relating to:

- suspected or proven acts of bribery or influence peddling, anti-competitive practices, export control and economic sanctions, and data protection regulations, such as:
  - a crime or offense,
  - a serious and manifest violation of an international commitment duly ratified or approved by France, of a unilateral act of an international organization taken on the basis of such an undertaking, or of legal or regulatory provisions,
  - a threat or serious harm to the public interest;
- proven or suspected violations of the Code of Business Ethics, the Valeo Business Partners Code of Conduct or any Valeo Compliance Program;
- risks or serious violations of human rights and fundamental freedoms, personal health and safety and the environment.

The Valeo whistleblowing mechanism offers three options:

- the whistleblowing line, a dedicated and secure platform, available free of charge 24/7, which allows users to issue detailed, confidential and documented alerts by completing a pre-selected questionnaire in the language of their choice. The system is supplied through a European service provider operating in Europe and is accessible via this link: https://valeo.whistleblowernetwork.net/frontpage;
- liaison officers appointed by the Group to receive, study and deal with the alerts reaching them, either directly or via the whistleblowing system or a manager. The two liaison officers, who can be contacted by phone (+33 1 40 55 20 20) or by mail (100 rue de Courcelles, 75017 Paris) are:
  - the Group Chief Ethics, Compliance and Data Protection Officer,
  - the Group's Internal Audit and Control Director;
- employees can submit an alert with their direct or indirect supervisor and stakeholders with their usual contact within the Company.

Alerts are processed by a dedicated and well-trained team with the overriding concern of keeping the name of the whistleblower and the people concerned confidential, together with the key points of the investigation.

A specific policy sets out the procedure applicable to the formulation and communication of alerts on the system for Valeo employees and third parties.

The processing of alerts received in this way is supervised by the Group Chief Ethics, Compliance and Data Protection Officer in liaison with the Internal Audit and Control Department's Fraud Unit. The Alerts Committee, chaired by the Chief Ethics, Compliance and Data Protection Officer, decides on the follow-up to be given and the sanctions to be applied as appropriate.

No retaliation of any kind whatsoever will be tolerated against a whistleblower acting in good faith.

The whistleblowing system was presented to Valeo's European Works Council in March 2018, as well as to all other works councils concerned, in accordance with the applicable industrial relations law.

Mechanisms for monitoring the measures implemented and assessing their effectiveness

The mechanisms used to monitor implemented measures and assess their effectiveness are used as regards the Group's own activities and those of its suppliers.

For Valeo's own activities, the Group has implemented monitoring actions:

- for fundamental rights, internal tools for monitoring the rollout of prevention action plans and regular monitoring tools (rolled out with the V5000 internal tools) are used across all Group sites;
- for health and safety, deployment tools, regular monitoring of alerts and alert mechanisms have been rolled out across all Group sites;
- for environmental issues, similar tools have been rolled out and are monitored as part of the regular evaluation of Valeo sites via the so-called V5000 evaluation tool.

Likewise, for Group suppliers, Valeo's expectations in terms of sustainable development and the monitoring of their action plans are reviewed annually through a system blending self-assessments of suppliers' practices and targeted audits, depending on the country, specific aspects and needs involved (see section 4.2.2 "Sustainable development challenges and non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", page 232).

4.7 Methodology

4.7.1 Sustainable development reporting methodology

4.7.1.1 Reporting methodology for environmental indicators

In view of the lack of public guidelines applicable to the automotive supplier business, environmental indicators were reported in compliance with internal procedures developed by the Group. The main methodology rules used to prepare the indicators published in this Universal Registration Document are described below.

Scope and consolidation

Scope

The environmental data reported and the calculation of ISO 14001, ISO 50001 and ISO 45001 certification indicators cover all plants and distribution platforms managed by Valeo worldwide from the third year of their consolidation within the Group, excluding research centers not located on plants, administrative sites, sites located directly on automakers' sites or nearby (such as front-of-vehicle assembly sites) and the subsidiaries in which the Group has a non-controlling interest. In all, a total of 156 sites report their environmental indicators.

Until 2015, Valeo considered that the reporting year began on December 1 of the prior year and ended on November 30 of the reporting year. In order to publish more reliable data within the required time frame, Valeo amended its reporting period in 2016. It now considers that the reporting year begins on October 1 of the prior year and ends on September 30 of the reporting year. The 2021, 2022 and 2023 figures published in this document correspond to the new year.

Data for sites newly consolidated in a given year (i.e., new sites or sites in which the Group increases its interest and gains control) are only consolidated as of the following year. An exception was made in 2022 with the integration of the seven historical VSeA joint venture sites ahead of schedule.

Sites that have been sold or shut down during the reporting year are excluded entirely from that year's data. However, their data for previous years are retained.

Consolidation rules

The environmental impacts generated by sites in which Valeo holds an interest of 50% are included on the basis of a 50% share. The impacts of sites in which Valeo holds an interest of more than 50% are included in full. Most indicators are expressed in absolute value terms (total quantity) as well as in relation to sales. 2022 sales are calculated on the basis of a year beginning on October 1, 2021 and ending on September 30, 2022 so as to match the reporting period of the indicators. The ratio per million euros is calculated by dividing total quantity by sales for the relevant sites. Across all indicators, the lowest coverage rate is 98%. The majority of environmental indicators have a response rate of 100%.

Source of data

Environmental data are collected by a centralized online tool (Valeo Environmental Indicators, VEI), except for environmental indicators relating to the consumption of raw materials, ISO 14001, ISO 50001 and ISO 45001 certification and indirect greenhouse gas emissions relating to logistics, inputs and the use of products sold by Valeo. The other aforementioned data are collected from the relevant internal department and consolidated by the Health, Safety and Environment (HSE) Department. Financial data (sales) and those relating to raw materials for the Scope 3 calculation are sent directly by the Group's Finance Department.

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that existed prior to this law and are published in this document. The information was also subject to an external audit (see below).

Controls and external verification

Consistency checks on data for each site in the scope are performed by the Business Groups' and Valeo Service's HSE managers, the HSE Department and an external service provider. These controls include reviews of year-on-year changes, comparisons between sites in the same Business Group, and an analysis of major events during the year. Furthermore, VEI applies automatic upstream controls designed to prevent data entry errors and allow sites to provide reporting information with regard to material differences versus previous years.

Certain environmental data are also subject to external verification by the Statutory Auditors.

From 2022, independent audit firm Mazars will take over the engagement of verifying the environmental data, giving rise to a report including a statement of completeness and an opinion as to the accuracy of the information contained therein.

Methodological limits

Methodologies relating to certain environmental indicators may be limited due to:

- the absence of harmonized national or international definitions, especially on hazardous substances and waste;
- use of estimates where measurements are not possible, for example for atmospheric VOC[54] emissions;
- the limited availability of external data required in particular for calculating indirect greenhouse gas emissions (logistics and transportation);
- the absence of a confirmed methodology for calculating indirect emissions related to the use of the Group's products.

Precise definitions of indicators included in VEI and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. They are regularly updated and distributed to all contributors.

[54] *See sustainable development glossary, page 291.*

Clarification on the presentation of Carbon Neutrality Contribution Plan reporting

When it unveiled its Carbon Neutrality Plan in 2021, in addition to the targets validated by the SBTi, Valeo also committed to a "net" target for 2030, taking into account both the reduction of its greenhouse gas emissions and the benefits of electrification enabled by its technologies. To meet the requirements of the CSRD[55], Valeo has adapted the reporting of its greenhouse gas emission targets and results this year.

The 2030 targets and the annual results now separate avoided emissions from gross emissions.

The impact of this change concerns downstream Scope 3 emissions. The so-called "net" target set when the plan was first announced was a 50% absolute reduction for this scope. Now, only the gross target of a 15% absolute reduction is presented.

The target of 13.6 $MtCO_2eq$. in emissions avoided by third parties by 2030 is presented separately, and no longer aggregated with the downstream Scope 3 emissions reduction target as it was previously (previous reported value of 19.5 $MtCO_2eq$.).

In addition, in the interests of clarity, Valeo no longer refers to a commitment to "carbon neutrality" by 2050, but rather to "a contribution to carbon neutrality" by 2050. Consistent with the submission of its long-term targets for validation by the Science-Based Targets initiative, Valeo also refers to a "Net Zero" commitment for 2050. This terminology is used in accordance with the Science-Based Targets initiative definition, according to which companies must reduce emissions by 90% compared with the baseline (2019 for Valeo). Residual greenhouse gas emissions, within the limit of 10% of the baseline, will be offset by capture and sequestration initiatives.

4.7.1.2 Reporting methodology for labor-related indicators

The labor-related indicators were prepared using the obligations and recommendations of Articles L. 225-102-1 and R. 225-105-1 of the French Commercial Code resulting from the "Grenelle 2" decree of April 24, 2012.

Scope and consolidation

Scope

The Group includes in its worldwide scope of consolidation its 175 plants, 19 research centers, 47 development centers and 20 distribution platforms located in 29 countries. As such, all countries and Business Groups are concerned, including Valeo Service. Health and safety indicators only cover plants. Valeo reports its labor-related indicators for the calendar year, i.e., January 1 to December 31 of the year in question.

Changes in scope

Sites that have been sold or shut down during the reporting year are excluded entirely from that year's data. However, their data for previous years are retained.

Consolidation rules

Reporting on labor-related indicators only includes the data of fully consolidated companies for which Valeo has operational responsibility.

Source of data

Labor-related indicators are collected by the Business Groups' and Valeo Service's Human Resources departments and the Group's Human Resources Department via a personal data management application, Workday.

Financial data are sent directly by the Group Finance Department.

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that already existed before this law and are published in this document. The information was also subject to an external audit (see below).

Controls and external verification

Consistency checks on data for each site in the scope are performed by the site and the Business Group Human Resources Department. The labor-related data provided in the report of the independent third-party on the non-financial information statement has been certified by the independent firm Mazars and are also subject to an external audit by the Statutory Auditors. Precise definitions of indicators included in the tool and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. They are regularly updated and distributed to all contributors.

4.7.1.3 Reporting methodology for social indicators

The social indicators were prepared in accordance with the commitments and recommendations of Articles L. 225-102-1 and R. 225-105-1 of the French Commercial Code, as well as the Global Reporting Initiative (GRI).

Scope and consolidation

The Group includes in its worldwide scope of consolidation the 175 plants, 19 research centers, 47 development centers and 20 distribution platforms located in 29 countries, except for the Fuzhou Niles Electronic Co. joint venture. As such, all countries and Business Groups are concerned. Valeo reports its social indicators for the calendar year, i.e., January 1 to December 31 of the year in question.

[55] *Corporate Sustainability Reporting Directive: Directive (EU) 2022/2464 of the European Parliament and of the Council of December 14, 2022 as regards corporate sustainability reporting, transposed into French law by Government order No. 2023-1142 of December 6, 2023 on the publication and certification of sustainability reporting and the environmental, social and corporate governance obligations of commercial companies.*

Source of data

Social data are collected as follows:

- data on local plant initiatives, which allow the Group to monitor initiatives aimed at local populations and communities, are reported through a single centralized tool used by Human Resources departments. 98.8% of the sites surveyed responded to the annual questionnaire. The data reported accordingly concern 178 sites of the scope selected, which covers 181 sites;
- data concerning Valeo's purchases and suppliers were collected and analyzed jointly by the Purchasing and Sustainable Development and External Affairs departments. The sustainable development performance of the Group's suppliers was assessed based on a survey entitled "Supplier Evaluation on Sustainable Development Practices", with an online questionnaire to be completed by the supplier. Valeo has established a representative sample of its main suppliers, covering 85% of the total value of the Group's production purchasing;
- data concerning fair practices and compliance were collected by the Ethics and Compliance Office. Quantified data on training on risks related to corruption and anti-competitive practices were collected by the Human Resources network, which regularly records training data (see reporting methodology for labor-related indicators).

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that already existed before this law and are published in this document. The information was also subject to an external audit (see below).

Controls and external verification

The social data provided in the report of the independent third-party on the non-financial information statement has been certified by the independent firm EY & Associés in the form of a statement of completeness and a limited assurance report, and are also subject to verification by the Statutory Auditors.

4.7.2 Cross-reference with national and international guidelines

SASB (Sustainability Accounting Standards Board) industry standard

Sustainability disclosure topics and accounting metrics

Themes	Accounting indicators	Category	Unit of measure	Code	Chapters/Sections	Pages
Energy management	(1) Total energy consumed, (2) Share of grid electricity, (3) Share of renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	TR-AP-130a.1	4.3.3	250-251
Waste management	(1) Total amount of industrial waste, (2) Proportion of hazardous waste, (3) Proportion of recycled waste	Quantitative	In metric tons (t), Percentage (%)	TR-AP-150a.1	4.2.2	208-212
Product safety	Number of customer recalls, number of products recalled	Quantitative	Number	TR-AP-250a.1		
Energy-efficient design	Sales derived from products contributing to energy efficiency and/or reducing greenhouse gas emissions[(1)]	Quantitative	Euros	TR-AP-410a.1	4.3.2	243
Purchases of raw materials	Description of the management of risks associated with the use of hazardous materials	Discussion and Analysis	n/a	TR-AP-440a.1	4.2.2	203-204 212
Material recycling	Share of products sold that are recyclable	Quantitative	Percentage (%)	TR-AP-440b.1	4.3.3	253-255
	Share of supplies containing recycled or reconditioned materials	Quantitative	Percentage (%)	TR-AP-440b.2	4.3.3	253-255

(1) See sustainable development glossary, page 291.

Activity metrics

Activity metric	Category	Unit of measure	Code	Chapters/Sections	Pages
Number of parts produced	Quantitative	Number	TR-AP-000.A		–
Weight of parts produced	Quantitative	Metric tons (t)	TR-AP-000.B		–
Area of manufacturing plants	Quantitative	Square meters (sq.m)	TR-AP-000.C		–

Cross-reference table with the Global Reporting Initiative (GRI)

Full indicator. *Partial indicator.* *Indicator not applied.*

General elements of information that are part of the core reporting option are in bold.

GRI code	Description of the indicator	Chapters/Sections	Pages
STRATEGY AND ANALYSIS			
G4-1	Statement on sustainable development and the Group's strategy by the Chief Executive Officer	4 – Interview with Christophe Périllat	186-187
G4-2	Key impacts, risks and opportunities	4.2.2 – Sustainable development challenges and non-financial risks	196-240
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	7.1.1 – Company name and headquarters	442
G4-4	Primary brands, products and services	1.4 – Operational organization	53-73
G4-5	Headquarters	7.1.1 – Company name and headquarters	442
G4-6	Countries where the organization operates and which are specifically relevant to the sustainability topic covered in the report	7.2 – Information on subsidiaries and affiliates	444
G4-7	Ownership and legal form	7.1.2 – Legal structure and governing law 6.6.1 – Changes in share capital	442 437
G4-8	Markets served (geographic breakdown, sectors served and types of customers and beneficiaries)	Integrated Report – Group positioning Integrated Report – Strategy 1.4 – Operational organization	8-14 21-28 66-69
G4-9	Scale of the organization (number of employees, locations)	Integrated Report – Strategy 1.5 – Geographical footprint 4.3 – Sustainable development policies and commitments	10 74 240-266
G4-10	Breakdown of employees by employment type, employment contract, region and gender	4.3 – Sustainable development policies and commitments	240-266
G4-11	Percentage of total employees covered by collective bargaining agreements	4.3.4 – Employee-related policies and commitments	256-260
G4-12	Description of the organization's supply chain	4.1.1.2 – Strong stakeholder relationships 4.3 – Sustainable development policies and commitments	190-191 240-266
G4-13	Significant changes during the reporting period	1.1 – History and development of the Group 5.1.5 – Investments over the past two years 6.4 – Share ownership	50-51 303 429-433
G4-14	Precautionary principle and actions in this area	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-15	External charters, principles and initiatives to which the Group subscribes	4 – Interview with Christophe Périllat 4.3.4 – Employee-related policies and commitments	186-187 240-266
G4-16	Membership of associations and/or advocacy organizations	4.1.1.2 – Strong stakeholder relationships 4.3.5 – Social policies and commitments	190-191 260-265
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List of entities included in the consolidated financial statements and list of those not included in the report	4.7.1 – Sustainable development reporting methodology	282-284
G4-18	Procedure for defining report content	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-19	List of material aspects	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-20	Boundary of each material aspect within the organization	4.3 – Sustainable development policies and commitments	240-265
G4-21	Boundary of each material aspect outside the organization	4.3 – Sustainable development policies and commitments	240-265
G4-22	Restatements of information provided in previous reports	4.7.2 – Sustainable development reporting methodology	282-284
G4-23	Changes in the scope and aspect boundaries	No substantial changes were observed in 2023	

GRI code	Description of the indicator	Chapters/Sections	Pages
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholders	4.1.1.2 – Strong stakeholder relationships	190-191
G4-25	Basis for the identification and selection of stakeholders	4.1.1.2 – Strong stakeholder relationships	190-191
G4-26	Stakeholder engagement	4.1.1.2 – Strong stakeholder relationships	190-191
G4-27	Topics raised through stakeholder engagement and how the organization has responded	4.1.1.2 – Strong stakeholder relationships	190-191
REPORT PROFILE			
G4-28	Reporting period	4.7.1 – Sustainable development reporting methodology	282-284
G4-29	Date of most recent previous report	04/07/2022	
G4-30	Reporting cycle	4.7.1 – Sustainable development reporting methodology	282-284
G4-31	Contact point	6.2 – Investor relations	427-428
G4-32	"Compliance" option chosen and GRI G4 index	4.7.2 – Cross-reference with national and international guidelines	284-290
G4-33	Independent verifier's report	4.9 – Independent third party's report on the non-financial information statement	292-294
GOVERNANCE AND COMMITMENTS			
G4-34	Governance structure	4.1.1 – Vision and governance	188-192
G4-35	Process for delegating authority for economic, environmental and social topics from the Board of Directors to senior executives and other employees	1.4 – Operational organization	
G4-36	Senior executives responsible for economic, environmental and social issues, and relationship with the Board of Directors	4.1.1 – Vision and governance	188-192
G4-37	Stakeholder consultation by the Board of Directors	7.1.10 – Shareholders' Meetings	443
G4-38	Composition of the Board of Directors and its committees	3.2 – Composition of the Board of Directors, and preparation and organization of its work	105-151
G4-39	Independence of the Chairman of the Board of Directors	3.2.1 – Composition of the Board of Directors	106-132
G4-40	Nomination and selection processes for the Board of Directors and its specialized committees, and the experience and expertise of its members	3.2.1 – Composition of the Board of Directors 3.2.2 – Preparation and organization of the Board of Directors' work	106-132 133-146
G4-41	Process established by the Board of Directors to avoid and manage conflicts of interest; disclosure of conflicts of interest to stakeholders	3.2.3 – Declarations concerning the Group's corporate officers	146-147
G4-42	Role of the Board of Directors and senior executives in the development, approval and review of the tasks, values or mission statements, strategies, organizational policies and objectives relating to economic, environmental and social impacts	3.2.2 – Preparation and organization of the Board of Directors' work	133-146
G4-43	Measures taken to develop and improve the collective knowledge of the Board of Directors on economic, environmental and social impacts	4.1.1 – Vision and governance	188-192
G4-44	Evaluation of the Board of Directors on economic, environmental and social topics	4.1.1 – Vision and governance	188-192
G4-45	Role of the Board of Directors in the identification and management of economic, environmental and social impacts, risks and opportunities	3.2.2 – Preparation and organization of the Board of Directors' work	133-146
G4-46	Role of the Board of Directors in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	3.2.2 – Preparation and organization of the Board of Directors' work	133-146

GRI code		Description of the indicator	Chapters/Sections	Pages
G4-47	●	Frequency of reviews of economic, environmental and social impacts, risks and opportunities by the Board of Directors	4.1.1 – Vision and governance	188-192
G4-48	●	Committee or highest-level position that formally reviews and approves the sustainable development report	5.6.5 – The Sustainable Development Report is an integral part of the Management Report, reviewed and approved by the Board of Directors	417-420
G4-49	●	Process for communicating critical concerns to the Board of Directors	7.1.10 – Shareholders' Meetings	443
G4-50	●	Nature and total number of critical concerns communicated to the Board of Directors and the mechanism used to address and resolve them	-	
G4-51	●	Compensation policy of the members of the Board of Directors and senior executives; relationship between compensation and performance (including labor-related and environmental performance)	3.3 – Compensation of corporate officers, Board members and other Group executive managers	152-183
G4-52	●	Process of determining compensation and participation in compensation committees	3.3 – Compensation of corporate officers, Board members and other Group executive managers 3.2.2 – Preparation and organization of the Board of Directors' work	152-183 133-146
G4-53	●	Method used to seek and take into account the views of stakeholders on compensation	7.1.10 – Shareholders' Meetings	443
G4-54	●	Ratio of the annual total compensation of the highest-paid individual in the organization to the median total annual compensation	3.3.2 – Compensation of corporate officers in respect of the 2023 financial year	166-181
G4-55	●	Ratio of the percentage increase of the annual total compensation of the highest-paid individual in the organization to the median percentage increase in annual total compensation	3.3.2 – Compensation of corporate officers in respect of the 2023 financial year	166-181
INNOVATION				
G4-DMA	●	Management approach	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN7	●	Reduction in energy requirements of products and services	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-DMA	●	Management approach	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN2	●	Percentage of materials used that are recycled input materials (packaging only)	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN27	●	Extent of mitigation of environmental impacts of products and services	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN28	●	Percentage of products sold and their packaging materials that are reclaimed by category	4.3.3 – Environmental policies and commitments	247-255
G4-DMA	●	Management approach	4.3 – Sustainable development policies and commitments	240-265
G4-EC8	●	Significant indirect economic impacts, including extent of impacts	4.3 – Sustainable development policies and commitments 4.3.2 – Technology policies and commitments	240-265 242-246
ENVIRONMENTAL ECO-EFFICIENCY				
G4-DMA	●	Management approach	4.3.3 – Environmental policies and commitments	247-255
G4-EN3	●	Direct energy consumption by primary energy source	4.3.3 – Environmental policies and commitments	247-255
G4-EN4	●	Indirect energy consumption by primary energy source	4.3.3 – Environmental policies and commitments	247-255
G4-EN5	●	Energy intensity	4.3.3 – Environmental policies and commitments	247-255
G4-EN6	●	Reduction of energy consumption	4.3.3 – Environmental policies and commitments	247-255
G4-EN15	●	Direct greenhouse gas emissions (Scope 1)	4.2.2 – Sustainable development challenges and non-financial risks	196-240

GRI code	Description of the indicator	Chapters/Sections	Pages
G4-EN16	Energy-related indirect greenhouse gas emissions (Scope 2)	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN18	Greenhouse gas emissions intensity	4.1.3 – Valeo's Carbon Neutrality Contribution Plan for 2050 4.2.2 – Sustainable development challenges and non-financial risks	193-195 196-240
G4-EN19	Reduction of greenhouse gas emissions	4.1.3 – Valeo's Carbon Neutrality Contribution Plan for 2050 4.2.2 – Sustainable development challenges and non-financial risks	193-195 236-273
G4-DMA	Management approach	4.1.3 – Valeo's Carbon Neutrality Contribution Plan for 2050 4.2.2 – Sustainable development challenges and non-financial risks	193-195 236-273 292-296
G4-EN20	Emissions of ozone-depleting substances (ODS)	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN21	Emissions of nitrogen oxides (NOx) and sulfur oxides (SOx) and other significant atmospheric emissions	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN22	Total water discharge by quality and destination	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN23	Total weight of waste by type and disposal method	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN24	Total number and volume of significant spills	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN25	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-DMA	Management approach	4.3.3 – Environmental policies and commitments	247-255
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN1	Consumption of raw materials (packaging only)	4.3.3 – Environmental policies and commitments	247-255
G4-DMA	Management approach	4.3.3 – Environmental policies and commitments	247-255
G4-EN8	Total water withdrawal by source	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN9	Water sources significantly affected by withdrawal of water	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN10	Percentage and total volume of water recycled and reused	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-DMA	Management approach	4.3.3 – Environmental policies and commitments	247-255
G4-EN11	Operational sites owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4.3.3 – Environmental policies and commitments	247-255
G4-EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Not disclosed	
G4-EN13	Habitats protected or restored	4.3.3 – Environmental policies and commitments	247-255
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	Not disclosed	

GRI code		Description of the indicator	Chapters/Sections	Pages
EMPLOYEES				
G4-DMA	●	Management approach	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-LA5	●	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on workplace health and safety programs	4.3.4 – Employee-related policies and commitments	260-265
G4-LA6	●	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by geographic area and by gender	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-LA8	●	Health and safety topics covered in formal agreements with trade unions	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-DMA	●	Management approach	4.2.2 – Sustainable development challenges and non-financial risks	196-240
-	●	Response rate to the Employee Feedback Survey	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-LA1	●	Total number and rates of new employee hires and employee turnover by age group, gender and region	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-LA9	●	Average hours of training per year, per employee, by gender and by employee category	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-LA10	●	Programs for competences management and lifelong learning that support the continued employability of employees and assist them in managing career endings	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-LA11	●	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-DMA	●	Management approach	4.3.4 – Employee-related policies and commitments	260-265
G4-LA12	●	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	4.3.4 – Employee-related policies and commitments	260-265
COMMITMENT TO CORPORATE CITIZENSHIP				
G4-DMA	●	Management approach	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-PR1	●	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-DMA	●	Management approach	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EN32	●	Percentage of new suppliers that were screened using environmental criteria	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-LA14	●	Percentage of new suppliers that were screened using labor practices criteria	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-SO9	●	Percentage of new suppliers that were screened using criteria for impacts on society	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-HR10	●	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-EC9	●	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-DMA	●	Management approach	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-56	●	Codes of conduct and ethics	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-57	●	Advisory mechanisms (ethical and lawful behavior)	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-58	●	Alert mechanisms (unethical and unlawful behavior)	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-SO4	●	Communication and training on anti-corruption policies and procedures	4.2.2 – Sustainable development challenges and non-financial risks	196-240
G4-DMA	●	Management approach	4.3.5 – Social policies and commitments	260-265

GRI code	Description of the indicator	Chapters/Sections	Pages
G4-DMA ●	Management approach	4.3.5 – Social policies and commitments	260-265
G4-SO6 ●	Total value of political contributions by country and recipient/beneficiary	4.3.5 – Social policies and commitments	260-265
G4-DMA ●	Management approach	4.3.5 – Social policies and commitments	260-265
G4-SO1 ●	Percentage of operations with implemented local community engagement, impact assessments and development programs	4.3.5 – Social policies and commitments	260-265
G4-EC6 ●	Proportion of senior executives hired from the local community at significant operation sites	4.3.5 – Social policies and commitments	260-265

Task Force on Climate-related Financial Disclosures (TCFD) cross-reference table

TCFD Recommendations		Chapters/Sections	Pages
GOVERNANCE			
Disclose the organization's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities	4.1.1 – Vision and governance	188-192
	b) Describe management's role in assessing and managing climate-related risks and opportunities	4.1.1 – Vision and governance	188-192
STRATEGY			
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	4.2.2 – Valeo's non-financial risks	197-198
	b) Describe the impact of climate-related risks and opportunities on the organizations' businesses, strategy and financial planning	4.2.2 – Sustainable development challenges and non-financial risks	196-240
	c) Describe the resilience of the organization's strategy, taking into account different climate scenarios, including a scenario of 2°C or less	4.1.3 – Valeo's Carbon Neutrality Contribution Plan for 2050 4.1.1.4 – Business model	193-195 192
RISK MANAGEMENT			
Disclose how the organization identifies, assesses and manages climate-related risks	a) Describe the organization's processes for identifying and assessing climate-related risks	4.2.2 – Sustainable development challenges and non-financial risks	196-240
	a) Describe the organization's processes for managing climate-related risks	4.2.2 – Sustainable development challenges and non-financial risks	196-240
	c) Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's risk management	4.2.2 – Sustainable development challenges and non-financial risks	196-240
METRICS AND TARGETS			
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is significant	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	4.5 – Non-financial performance indicators	274-279
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks	4.2.2 – Sustainable development challenges and non-financial risks	196-240
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	4.2.2 – Sustainable development challenges and non-financial risks	196-240

4.8 Sustainable development glossary

ADEME	French Environment and Energy Management Agency *(Agence de l'environnement et de la maîtrise de l'énergie)*: public body undertaking operations with the aim of protecting the environment and managing energy. www.ademe.fr
CDP	Carbon Disclosure Project: an independent, non-profit organization working to drive greenhouse gas emissions reductions for companies and cities by collecting, environmental data and analyzing their carbon emissions policy. www.cdproject.net
CMR	Substances classified as carcinogenic, mutagenic, or reprotoxic.
VOC	Volatile organic compound: VOCs are composed of carbon, oxygen and hydrogen and are readily found as atmospheric gases.
ELV Directive	Directive No. 2000/53 of the European Parliament and of the Council of September 18, 2000, aiming to reduce end-of-life vehicle waste through prevention, collection, treatment and recycling measures.
NFIS	Introduced by Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations, the non-financial information statement (NFIS) reflects the current legal and regulatory framework for the disclosure of sustainable development information for companies in France. It supersedes the sustainable development information disclosure system previously existing in France (known as "Grenelle II" reporting in reference to Law No. 2010-788 of July 12, 2010 on the national commitment for the environment).
Greenhouse gas emissions	Gaseous components which absorb infrared rays emitted by the Earth's surface, contributing to the greenhouse effect.
GRI	Global Reporting Initiative: a non-profit organization that develops globally applicable guidelines on corporate sustainability policy and reporting. www.globalreporting.org
Gender equity index	The gender equity index includes all sites located in countries with at least 150 Managers and Professionals worldwide. This index is based on the evaluation of five criteria: the pay gap between men and women; the gap in the distribution of individual pay rises between men and women; the gap in the distribution of promotions; the percentage of female employees who received a pay rise after returning from maternity leave; and the percentage of women in the ten highest paid positions.
ISO 14001	International standard on environmental management systems.
ISO 50001	International standard on energy management systems.
OHSAS 18001	International standard on occupational health and safety management systems.
Open Innovation	Open Innovation is a concept that involves promoting innovation by deriving the maximum possible benefit from the ecosystem surrounding the Company, primarily through collaboration between various players (governmental organizations, private companies, academic and research companies, innovative start-ups, etc.).
QRQC	Quick Response Quality Control: four-step problem resolution method: Detection, Communication, Analysis and Verification.
REACH Regulation	European Regulation No. 1907/2006 of December 18, 2006 (Registration, Evaluation, Authorisation and Restriction of Chemicals).
RMI	The Responsible Minerals Initiative, formerly the Conflict-Free Sourcing Initiative, helps companies and organizations make informed choices about responsibly sourced minerals in their supply chains. The initiative, which brings together more than 360 companies from ten different industries, has defined common principles and provides shared monitoring of high-risk suppliers.
SAE International	Society of Automotive Engineers International: a US-based association. Similarly to the VDA (see below), this organization has defined six levels of driving automation, from 0 (no automation, the driver must control everything) to 5 (full automation, no driver input required). Levels 3 and 4 correspond respectively to conditional automation driving and high automation driving.
Seveso	The Seveso European Directive requires European Union member states to identify industrial sites which present risks of major accidents. Companies can be Seveso-classified based on the quantities and types of hazardous products on site.
Scopes 1, 2 and 3	Scope 1 covers greenhouse emissions directly emitted by the Group's activities (including combustion emissions from stationary sources on sites, emissions from fuel combustion by Group vehicles, direct emissions from non-energy processes such as the incineration of VOCs, and direct fugitive emissions relating to refrigerant leaks). Scope 2 covers greenhouse gas emissions related to the consumption of electricity, steam, compressed air and other sources. Scope 3 covers other greenhouse gas emissions related to purchases of products used in industrial processes, and the transportation of goods and people, as well as indirect greenhouse gas emissions related to the use of Valeo products.
VDA	*Verband der Automobilindustrie* is a German automotive industry association. Similarly to SAE International (see above), this organization has defined six levels of driving automation, from 0 (no automation, the driver must control everything) to 5 (full automation, no driver input required).

4.9 Report by the independent third-party organization on the verification of the consolidated non-financial statement

This is a free translation into English of the independent third-party organization's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2023

To the shareholders,

In our capacity as independent third-party organization, member of Mazars Group and accredited by COFRAC Inspection under number 3-1895 (list of accredited sites and their scope of accreditation available on www.cofrac.fr), we have performed work to provide a reasoned opinion that expresses a limited level of assurance on the historical information (observed and extrapolated) of the consolidated extra-financial performance statement (hereinafter the "Information" and "Statement" respectively), prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the financial year ended December 31, 2023, presented in the management report of the group, (hereinafter the "Entity") in application of the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the Commercial Code.

Conclusion

Based on the procedures we performed, as described in the "Nature and scope of our work" and the evidence we collected, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Preparation of the non-financial performance statement

The lack of a commonly used framework or established practice on which to base the assessment and evaluation of information allows for the use of alternative accepted methodologies that may affect comparability between entities and over time.

The Statement has been prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement.

Restrictions due to the preparation of the Information

The Information may contain inherent uncertainty about the state of scientific or economic knowledge and the quality of external data used. Some of the Information is dependent on the methodological choices, assumptions and/or estimates made in preparing the information and presented in the Statement.

The Entity's responsibility

The Board of Directors is responsible for:

- selecting or setting appropriate criteria for the preparation of the Information;
- preparing the Statement with reference to legal and regulatory requirements, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators and also, the Information required by Article 8 of Regulation (EU) 2020/852 (EU Taxonomy);
- and implementing internal control procedures deemed necessary to the preparation of information, free from material misstatements, whether due to fraud or error.

Responsibility of the independent third-party organization

Based on our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of Information (observed or extrapolated) provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

We conducted our work in order to provide a reasoned opinion expressing a limited level of assurance on the historical, observed and extrapolated information.

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

This is not our responsibility to express an opinion on:

- the entity's compliance with other applicable legal and regulatory requirements (in particular with regard to the Information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the due diligence plan and the fight against corruption and tax evasion);
- the truthfulness of the Information provided for in Article 8 of Regulation (EU) 2020/852 (EU Taxonomy);
- the compliance of products and services with applicable regulations.

Regulatory provisions and applicable professional standards

The work described below was performed with reference to the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000 (revised).

Independence and quality control

Our independence is defined by the requirements of article L. 822-11 of the French Commercial Code and the French Code of Ethics *(Code de déontologie)* of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and the professional doctrine of the French National Association of Auditors.

Means and resources

Our work was carried out by a team of 18 people between September and February 2024 and during 10 weeks.

We conducted some interviews with the people responsible for preparing the Statement, representing purchasing, human resources, and environmental departments.

Nature and scope of our work

We planned and performed our work considering the risks of significant misstatement of the Information.

We estimate that the procedures we have carried out in the exercise of our professional judgment enable us to provide a limited assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, when appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including when relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and;
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix; concerning certain risks related to social dialogue, business ethics, sustainable supply chain, product quality and safety and climate transition, our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities;
- We verified that the Statement covers the scope of consolidation, i.e., all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code;
- we obtained an understanding of internal control and risk management procedures implemented by the entity and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities, presented in Appendix, and covers between 17% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We are convinced that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, February 29, 2024

French original signed by: Independent Verifier

Mazars SAS

Gonzague SENLIS Partner	Tristan MOURRE Partner, CSR & Sustainable Development

Appendix: Information considered most important and selected entities

The qualitative information (actions and results) that we considered most important were those relating to the following main risks:

- Risk of not meeting the commitments of the carbon plan
- Risk of accidental water and/or soil pollution
- Risk related to water management (cut-off and restrictions)
- Risk related to discharges and emissions in the air
- Risk related to transport and logistics
- Health and safety risk
- Talent attraction, development and retention risk
- Human rights risk
- Supplier sustainability practices risk

The key performance indicators and other quantitative results that we considered most important:

Theme	Audited indicators	Selected entities
Social	• Total headcount • Average number of training hours per employee • Absenteeism rate • Voluntary departure rate	• CDA China • VIS Mexico • PTS France • THS Czech Republic
Environment / H&S	• Quantity of hazardous and non-hazardous waste • Share of waste recovered • Energy consumption • Atmospheric emissions of volatile organic compounds (VOCs) • Number of accidental spills • Zinc and nickel discharge • Number of accidents with lost time • Frequency rate of accidents at work with lost time • Severity rate of accidents at work	• VLS Martos 1 • VLS Queretaro 2 • TPT Skawina 1 • TPT Zebrak 1 • PTS Nanjing 1 • CDV Shenzhen • CIC Veszprem • PTS Sainte Florine • PTS (JV VPH) Daegu 1-3-4 • PTS (JV VPH) Goryeong 1
	• Life cycle assessment • Share of products contributing to the reduction of CO2 emissions • GHG emissions - Scope 1 and Scope 2 • GHG emissions - Scope 3 upstream (materials) and Scope 3 downstream (product use) • Consumption of raw materials (metals, plastic, and resin)	• Group (Sustainability Department)
Societal	• Share of production purchases where suppliers are assessed for their sustainability practices • Share of target population that has completed the online training module on corruption • Share of women in management positions	

5

FINANCIAL AND ACCOUNTING INFORMATION

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

5.1 Analysis of 2023 consolidated results AFR

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union. The IFRS as adopted by the European Union can be consulted on the European Commission's website.

The financial statements include the information deemed material as required by the ANC in Standard No. 2016-09.

5.1.1 2023 business review

Change in sales

Sales *(in millions of euros)*	As a % of 2023 sales	2023	vs. 2022					
			2022	LFL* change	FX	Scope	Change	LFL change (adjusted)**
Original equipment	85%	18,701	16,748	+11%	-3%	+4%	+12%	+13%
Aftermarket	10%	2,267	2,256	+4%	-3%	—%	—%	+4%
Miscellaneous	5%	1,076	1,033	+1%	-3%	+6%	+4%	+4%
TOTAL	**100%**	**22,044**	**20,037**	**+9%**	**-3%**	**+4%**	**+10%**	**+11%**

** Like for like[(1)].*
*** See financial glossary, page 46.*

Automotive production climbed 10% in 2023, lifted by a positive basis for comparison with 2022. Automotive production in that year had been adversely affected by (a) tensions in the supply chain for electronic components, (b) the Russian-Ukraine crisis and (c) lockdown measures in China in April and December 2022.

Total sales came in at 22,044 million euros in 2023, up 10% compared with 2022.

On a like-for-like basis, sales rose by 9%. Changes in exchange rates had a negative 3% impact, primarily due to the appreciation of the euro against the dollar, Chinese yuan and the Japanese yen. Changes in Group structure had a positive impact of +4%. On an adjusted prior-year basis, like-for-like sales advanced 11%.

Original equipment sales were up 13% on a like-for-like basis (2022 as adjusted[(1)]), driven by growth in all four Business Groups as well as compensation obtained from customers for the high-voltage electrification business: growth of 14% for Comfort & Driving Assistance Systems (18% for ADAS on a like-for-like basis), 19% for the Powertrain Systems Business Group (37% for high-voltage electric powertrain systems on an adjusted like-for-like basis), 10% for the Visibility Systems Business Group and 9% for the Thermal Systems Business Group.

Aftermarket sales rose by 4% on a like-for-like basis compared with 2022 (adjusted[(1)]), boosted by the increased number and age of vehicles on the road, a more attractive offering with a shift towards more value-added products (for example, transmissions systems kits) and the impact of price increases.

"Miscellaneous" sales (tooling and customer contributions to R&D) increased by 4% like for like compared with 2022 (adjusted[(1)]).

Original equipment sales by destination region

Original equipment sales*** *(in millions of euros)*	As a % of 2023 sales	2023	vs. 2022			
			2022	LFL* change	Outperf.**	Perf. (adjusted)
Europe & Africa	47%	8,840	7,403	+12%	-1 pt	**+3 pts**
Asia and Middle East & Oceania	32%	5,911	5,618	+10%	+1 pt	**+2 pts**
o/w Asia (excluding China)	*16%*	*3,026*	*2,781*	*+16%*	*+8 pts*	*+9 pts*
o/w China	*16%*	*2,885*	*2,837*	*+5%*	*-5 pts*	*-6 pts*
North America	19%	3,572	3,363	+9%	-1 pt	**-1 pt**
South America	2%	378	364	+3%	0 pts	**0 pts**
TOTAL	**100%**	**18,701**	**16,748**	**+11%**	**+1 pt**	**+3 pts**

** Like for like[(1)].*
*** Based on S&P Global Mobility automotive production estimates released on February 16, 2024.*
**** Original equipment sales by destination region.*

(1) See financial glossary, page 46.

In 2023, like-for-like growth in original equipment sales (adjusted prior-year basis[(2)]) outperformed automotive production by 3 percentage points:

- **In Europe and Africa,** Valeo outperformed automotive production by 3 percentage points. In the third quarter, the Powertrain Systems Business Group was impacted by the temporary drop in production volumes for certain electric vehicle platforms in Europe, amplified by significant inventory drawdowns. The impact of the downturn in high-voltage electric powertrains was mitigated by compensation obtained from customers as well as growth in the more traditional businesses of the Powertrain Systems Business Group, such as transmission systems and 48V. The Thermal Systems Business Group benefited from growth in technologies for electrified vehicles (battery cooling systems, dedicated air conditioning systems, heat pumps, etc.). The Visibility Systems Business Group was lifted by production start-ups on behalf of several European automakers;
- **In Asia**, the Group outperformed automotive production by 2 percentage points:
  - **in China,** penalized by an unfavorable customer mix, the Group underperformed automotive production by 6 percentage points, despite strong momentum in the ADAS business. The Group is repositioning its customer portfolio (more than 50% of order intake in 2023 concerned customers in China excluding joint ventures). These repositioning efforts should pay off as from the second half of 2024. The Comfort & Driving Assistance Systems Business Group reported strong growth in its front-end and computer-vision camera activities. The Thermal Systems Business Group saw sales affected by an unfavorable customer mix as well as the expiry of a contract with a Japanese automaker for front-end modules. The Visibility Systems Business Group started to see the full benefits of the production start-up for a North American automaker in electrification in the fourth quarter,
  - **in Asia excluding China**, Valeo recorded an outperformance of 9 percentage points compared to automotive production, thanks to strong momentum in the Comfort & Driving Assistance Systems Business Group, and in the Powertrain Systems Business Group in electric technologies for a South Korean automaker. The Thermal Systems Business Group benefited from the ramp-up of new contracts on which production was started for Japanese customers, while the Visibility Systems Business Group was lifted by the good performance of its business with a leading Japanese automaker through its subsidiary Ichikoh;
- **In North America**, original equipment sales underperformed automotive production by 1 percentage point. The Comfort & Driving Assistance Systems Business Group benefited from the production ramp-up for a US automaker in ADAS. The Thermal Systems Business Group was impacted by the expiry of a front-end modules contract with a Japanese automaker. The Visibility Systems Business Group will start to benefit, as from the end of the first quarter of 2024, from a production launch under a new electrification contract for a North American automaker. Lastly, the impact of the UAW strike did not have a material impact on sales during the year (45 million dollars).

Balanced geographic portfolio

Production regions	2023	2022
Western Europe	30%	29%
Eastern Europe & Africa	18%	16%
China	17%	18%
Asia excluding China	15%	15%
United States	6%	8%
Mexico	12%	12%
South America	2%	2%
TOTAL	**100%**	**100%**
Asia and emerging countries	**64%**	**63%**

(2) *See financial glossary, page 46.*

5.1.2 2023 segment reporting

Sales by Business Group

The sales performance for the Business Groups reflects the specific product, geographic and customer mix and the relative weighting of the aftermarket in their activity as a whole.

Sales by Business Group (in millions of euros)	2023	vs. 2022				vs. 2022 (adjusted)	
		2022	Change in sales	Change in OE sales*	Outperf.**	Change in OE sales*	Outperf.**
Comfort & Driving Assistance Systems***	4,655	4,234	+10%	+14%	+4 pts	+14%	+4 pts
Powertrain Systems	6,865	5,689	+21%	+11%	+1 pt	+19%	+9 pts
Thermal Systems	4,719	4,543	+4%	+9%	-1 pt	+9%	-1 pt
Visibility Systems	5,541	5,363	+3%	+10%	0 pts	+10%	0 pts
Other	264	208	+27%	N/A	N/A	N/A	N/A
Group	22,044	20,037	+10%	+11%	+1 pt	+13%	+3 pts

* Like for like[(3)].
** Based on S&P Global Mobility automotive production estimates released on February 16, 2024 (2023 global production growth: 10%).
*** Excluding the TCM (Top Column Module) business.

The Comfort & Driving Assistance Systems Business Group recorded an outperformance of 4 percentage points, thanks to strong growth – in North America and Asia (notably China) – for ADAS (front cameras and computer-vision cameras), cementing its position as world leader in this segment. Like-for-like original equipment sales were up by 18% for ADAS and by 6% for the Interior Experience segment.

The Powertrain Systems Business Group outperformed automotive production by 9 percentage points. As expected, high-voltage electrification rallied in the fourth quarter, but is currently seeing significant market volatility. After an excellent first half of 2023, during which the high-voltage electrification business doubled its sales (to 847 million euros), in the third quarter it had to contend with a significant drop in production volumes on certain electric vehicle platforms in Europe, amplified by significant inventory drawdowns (sales of 220 million euros). In the fourth quarter, the business reported a sequential improvement (sales at 380 million euros), amid ongoing market volatility.

Traditional powertrain activities (transmission systems and 48V) delivered 11% like-for-like growth over the year, outperforming automotive production by 1 percentage point.

The Thermal Systems Business Group underperformed automotive production by 1 percentage point. In Europe, the Business Group was lifted by the ramp-up of certain platforms for manufacturing high-voltage electrified vehicles (battery cooling systems, dedicated air conditioning systems for electrified vehicles, heat pumps, etc.). In North America and China, the Business Group was impacted by the expiry of a front-end modules contract with a Japanese automaker. In Japan, the Business Group benefited from the ramp-up of new contracts put into production for Japanese customers.

The Visibility Systems Business Group performed in line with automotive production. In Europe, the Business Group benefited from production launches for lighting projects for several European automakers. In China, the Business Group began to see the full benefits, as from the fourth quarter, of a production launch for an electrification project for a North American automaker.

(3) See financial glossary, page 46.

EBITDA[(4)] by Business Group

EBITDA *(in millions of euros and as a % of sales by Business Group)*	2023	2022	2022 (adjusted)**	Change (adjusted)
Comfort & Driving Assistance Systems	690	671	671	+3%
	14.8%	**15.8%**	**15.8%**	*-1.0 pts*
Powertrain Systems	812	619	541	+50%
	11.8%	**10.9%**	**8.9%**	*+2.9 pts*
Thermal Systems	359	333	333	+8%
	7.6%	**7.3%**	**7.3%**	*+0.3 pts*
Visibility Systems	736	705	705	+4%
	13.3%	**13.1%**	**13.1%**	*+0.2 pts*
Other*	50	73	73	-32%
GROUP	2,647	2,401	2,323	**+14%**
	12.0%	*12.0%*	*11.4%*	**+0.6 pts**

* *Including the Top Column Module business.*
** *See financial glossary, page 46.*

In line with the Move Up strategic plan, **Comfort & Driving Assistance Systems** were impacted by the investments required to prepare for the future acceleration of the Business Group's growth. This largely explains the decline in its EBITDA margin to 14.8% in 2023. Against this backdrop, the **ADAS** and **Interior Experience** businesses posted profitability of 16.8% and 9.5%, respectively.

The **Powertrain Systems Business Group** reported an increase in profitability to 11.8% in 2023, thanks to (i) the progress made in implementing the synergy plan from the integration of the high-voltage electrification business (pooling of R&D expenditure and industrial organization costs for the low- and high-voltage electrification activities) and (ii) the positive contribution of the more traditional businesses.

The Thermal Systems Business Group saw, as expected, a 2-point improvement in profitability in the second half of 2023 compared with the first half, reflecting (i) the finalization of customer negotiations and (ii) the reduction in costs resulting from the multiple production start-ups in front-end modules in the first half. The Business Group's profitability over the full year represented 7.6% of sales.

The Visibility Systems Business Group saw its margins hold firm (EBITDA margin up 0.2 percentage points at 13.3%) thanks to the strong momentum of its aftermarket business and the acceleration of its original equipment business in the fourth quarter.

5.1.3 2023 earnings

In an environment impacted by production volumes below their pre-crisis levels in the Group's two main regions (Europe and North America), and by rising wages, electronic component prices and energy costs, EBITDA and EBIT margins stood at 12.0% and 3.8% of sales respectively.

		2023	2022	Change	2022 (adjusted)*
Sales	*(in €m)*	22,044	20,037	+10%	20,407
EBITDA*	*(in €m)*	2,647	2,401	+10%	2,323
	(as a % of sales)	*12.0%*	*12.0%*	*0.0 pt*	*11.4%*
Operating margin excluding share in net earnings of equity-accounted companies	*(in €m)*	838	635	32%	494
	(as a % of sales)	*3.8%*	*3.2%*	*0.6 pt*	*2.4%*
Net attributable income	*(in €m)*	221	230	-4%	148
	(as a % of sales)	*1.0%*	*1.1%*	*-0.1 pt*	*0.7%*

* *See financial glossary, page 46.*

EBITDA[(4)] came in at 2,647 million euros, or 12.0% of sales, up 60 basis points on an adjusted prior-year basis and in line with 2023 guidance (EBITDA margin of between 11.5% and 12.3% of sales). Depreciation, amortization and impairment of property, plant and equipment and intangible assets represented 8.1% of sales.

Operating margin excluding share in net earnings of equity-accounted companies came out at 838 million euros, or 3.8% of sales, up 140 basis points compared with the prior-year period on an adjusted basis, in line with 2023 guidance (between 3.2% and 4.0% of sales).

(4) *See financial glossary, page 46.*

The increase mainly reflects:

- A rise of 0.8 percentage points resulting from (i) improved operating efficiency, (ii) synergies linked in particular to the integration of the former Valeo Siemens eAutomotive within the Powertrain Systems segment, and (iii) the effect of higher sales on operating margin;
- A rise of 0.5 percentage points due to improved R&D efficiency;
- A rise of 0.1 percentage point, taking into account the 2-percentage-point improvement in EBITDA margin for the Thermal Systems Business Group in the second half (8.6% in second-half 2023).

The Group continued its R&D efforts in 2023 in order to fulfill the sharp increase in order intake recorded over the past two years and in line with its strategy geared to technological innovation. Thanks to improved R&D efficiency (standardization of "project" developments and the addition of skills, mainly in cost-competitive countries), gross R&D expenditure has risen by 30% over the last two years to 2.6 billion euros, or 11.8% of sales, while order intake has increased by 58% over the same period.

		2023	2022	Change	2022 (adjusted)
Sales	*(in €m)*	**22,044**	**20,037**	**+10%**	**20,407**
Gross Research and Development expenditure	*(in €m)*	**(2,607)**	**(2,077)**	**+26%**	**(2,110)**
	(as a % of sales)	**-11.8%**	**-10.4%**	***-1.4 pts***	**-10.3%**
Capitalized development expenditure	*(in €m)*	995	657	**+51%**	660
	(as a % of sales)	4.5%	3.3%	*+1.2 pts*	3.2%
Amortization and impairment of capitalized development expenditure*	*(in €m)*	(531)	(582)	-9%	(639)
	(as a % of sales)	-2.4%	-2.9%	*+0.5 pts*	-2.8%
Subsidies and grants, and other income	*(in €m)*	114	122	**-7%**	118
Research and Development expenditure	*(in €m)*	**(2,029)**	**(1,880)**	**+8%**	(1,971)
	(as a % of sales)	***-9.2%***	***-9.4%***	***+0.2 pts***	***-9.7%***
Customer contributions to R&D	*(in €m)*	534	524	+2%	538
Net R&D expenditure	*(in €m)*	**(1,495)**	**(1,356)**	**+10%**	**(1,433)**
	(as a % of sales)	***-6.8%***	***-6.8%***	***0.0 pts***	***-7.0%***

* *Impairment losses recorded in operating margin only.*

The IFRS impact (the difference, in percentage points, between “capitalized development expenditure” and “amortization and impairment of capitalized development expenditure”) stood at 2.1 percentage points (0.4 percentage points in 2022). The greater IFRS impact results from the sharp rise in order intake in 2022 and 2023, and from the significant improvement in the margins embedded in these new orders.

In the statement of income, R&D expenditure represented 9.2% of sales, down 0.5 percentage points compared to 2022 as adjusted.

Net R&D expenditure (after taking into account contributions from customers) remained stable year on year, representing 6.8% of sales.

The share in net earnings of equity-accounted companies represented income of 17 million euros.

Operating margin including the share in net earnings of equity-accounted companies[5] amounted to 855 million euros, or 3.9% of sales.

Operating income came to 744 million euros. It includes other expenses totaling 111 million euros, or 0.5% of sales, mainly comprising restructuring costs relating to the adaptation plan for the Amiens site and to the planned closure of manufacturing operations at the Bad Neustadt site.

Amid a sharp rise in interest rates, the refinancing of Valeo's debt led to a 112 million-euro increase in cost of debt to 243 million in 2023. This increase mainly reflects the rise in interest rates, particularly on borrowings set up in the second half of 2022 and in 2023. Other financial items represented an expense of 47 million euros.

The effective tax rate came out at 35%.

Despite the increase in financial expenses resulting from the sharp rise in interest rates, **the Group recorded net attributable income** of 221 million euros in 2023, or 1.0% of sales, after deducting non-controlling interests in an amount of 79 million euros.

Return on capital employed (ROCE[5]) and **return on assets** (ROA[5]) stood at 14% and 8% respectively.

[5] *See financial glossary, page 46.*

5.1.4 Cash flow and financial position

Stockholders' equity

At December 31, 2023, consolidated stockholders' equity amounted to 4,360 million euros, versus 4,612 million euros at December 31, 2022. The net 252 million euro decrease was mainly attributable to:

- a negative change in translation adjustments of 375 million euros, mainly due to the depreciation of Asian currencies (Chinese renminbi, Japanese yen and Korean won) against the euro;
- dividends distributed to Group shareholders in an amount of 92 million euros and to non-controlling interests in an amount of 33 million euros;
- actuarial losses on pension obligations, net of deferred taxes, of 79 million euros.

These factors were partially offset by:

- consolidated net income for 2023 of 300 million euros;
- share-based payments of 25 million euros and the 16 million euro share capital increase linked to the 2023 Shares4U employee share ownership plan.

Provisions

(in millions of euros)	December 31, 2023	December 31, 2022
Provisions for pensions and other employee benefits	853	775
Provisions for product warranties	465	460
Provisions for onerous contracts	236	329
Provisions for restructuring costs	68	51
Provisions for unfavorable contracts	42	186
Provisions for employee-related and other disputes	150	110
Provisions for tax-related disputes	18	25
Environmental provisions	9	15
PROVISIONS	**1,841**	**1,951**
Of which long-term portion (more than one year)	1,260	1,380

Net provisions for pensions and other employee benefits rose by 78 million euros between December 31, 2022 and December 31, 2023. The increase is mainly due to net actuarial losses before taxes totaling 76 million euros in 2023, primarily reflecting the decrease in discount rates, particularly in the eurozone, the United States, the United Kingdom and South Korea. The 76 million euro figure comprises actuarial losses on pension obligations of 101 million euros, partially offset by actuarial gains on financing assets of 25 million euros.

Provisions for product warranties increased by 5 million euros over the year, from 460 million euros at December 31, 2022 to 465 million euros at December 31, 2023.

Provisions for onerous contracts amounted to 236 million euros at December 31, 2023. The 93 million euro decrease compared with December 31, 2022 is mainly due to lower expected future losses on customer contracts. This is mainly a result of higher sales prices and other compensatory measures obtained from customers during the year, a decrease in the volumes remaining to be delivered on the onerous contracts as they are executed, and the impact of cost reduction measures.

The total amount of provisions for restructuring costs rose by 17 million euros to 68 million euros at December 31, 2023 versus 51 million euros at December 31, 2022. This increase is mainly due to the announcements of (i) the adaptation plan for the Amiens site in France, following a reduction in activity, and (ii) the shutdown of manufacturing operations at the Bad Neustadt site in Germany.

Provisions for unfavorable contracts, which were recognized in connection with the takeover of the Valeo Siemens eAutomotive joint venture in July 2022, fell by 144 million euros over the year, from 186 million euros at December 31, 2022 to 42 million euros at December 31, 2023. The amounts were revised in light of negotiations with customers.

Provisions for employee-related and other disputes cover risks arising in connection with former employees relating to asbestos, intellectual property disputes and various other disputes related to Valeo's operating activities across the globe. Totaling 150 million euros at end-2023, these provisions increased by 40 million euros over the year, mainly in connection with commercial disputes.

Provisions for tax disputes and environmental risks were down compared with December 31, 2022. They amounted to 18 million euros and 9 million euros, respectively, at end-2023, compared with 25 million euros and 15 million euros at end-2022.

Cash flows and debt

(in millions of euros)	2023	2022
Gross operating cash flows	2,409	1,968
Income taxes paid	(225)	(291)
Change in working capital	278	231
NET CASH FLOWS FROM OPERATING ACTIVITIES	**2,462**	**1,908**
Net payments for purchases of intangible assets and property, plant and equipment	(1,925)	(1,409)
Net payments for the principal portion of lease liabilities[1]	(115)	(101)
Elimination of change in non-recurring sales of accounts and notes receivable[2]	(43)	(10)
FREE CASH FLOW[3]	**379**	**388**
Change in non-recurring sales of accounts and notes receivable[2]	43	10
Net change in certain non-current financial asset items[1][3]	(11)	(174)
Acquisitions of investments with gain of control, net of cash acquired	—	(352)
Acquisitions of investments in associates and/or joint ventures	(8)	—
Disposals of investments with loss of control, net of cash transferred	38	—
Acquisitions of investments without gain of control	(2)	—
Dividends paid to owners of the Company and to non-controlling interests of consolidated subsidiaries	(127)	(143)
Capital increase in cash	16	14
Sale (purchase) of treasury stock	—	(50)
Net interest paid/received	(209)	(100)
NET CASH FLOW[3]	**119**	**(83)**

(1) In 2022, the net cash inflow of 8 million euros in respect of lease receivables was set off against payments for the principal portion of lease liabilities.

(2) Valeo carries out recurring and one-off sales of its accounts and notes receivable to banks. An agreement at a specific date is drawn up for one-off, or non-recurring transactions of this type. An agreement spanning one or more years is drawn up for recurring transactions. Each contract is analyzed in light of the principles set out in IFRS 9 on the derecognition of financial assets in order to determine whether the risks and rewards inherent to ownership of the receivables have been transferred (see section 5.4.6 of this chapter, Note 4.2 "Accounts and notes receivable" to the 2023 consolidated financial statements, pages 323 to 324).

(3) See financial glossary, page 46.

Net cash flows from operating activities rose significantly from 1,908 million euros in 2022 to 2,462 million euros in 2023.

The rise was primarily driven by an increase in gross operating cash flows, up from 1,968 million euros in 2022 to 2,409 million euros in 2023.

The change in working capital reflects cash generated in an amount of 278 million euros in 2023 compared with cash generated in an amount of 231 million euros in 2022. It chiefly reflects an increase in contributions received from customers in respect of product development, and customer advances.

Income taxes paid fell to 225 million euros in 2023 from 291 million euros in 2022.

Net payments for purchases of property, plant and equipment and intangible assets in 2023 generated a net cash outflow of 1,925 million euros, representing a year on year increase of 516 million euros. The Group increased its capital expenditure in 2023, in response to the sharp rise in order intake over the past two years.

Despite this increase in capital expenditure, Valeo generated positive free cash flow[6] of 379 million euros in 2023, similar to the level of free cash flow generation in 2022.

Free cash flow[6] totaling 379 million euros for the year helped to fund:

- dividends paid to Group shareholders in an amount of 92 million euros and to non-controlling interests in consolidated subsidiaries in an amount of 35 million euros;
- net interest paid in 2023, representing an outflow of 209 million euros. This significant increase in this item compared to 2022 mainly reflects the rise in interests rates, particularly on borrowings set up in the second half of 2022 and in 2023.

After taking into account the cash inflow of 38 million euros on disposals of investments and the 16 million euro capital increase carried out in connection with the Shares4U employee share ownership plan, net cash flow for the year represented an inflow of 119 million euros in 2023 compared to an outflow of 83 million euros in 2022.

In addition, net cash flows used in financing activities in 2023 include:

- repayments of long-term loans and borrowings in an amount of 975 million euros, primarily concerning (i) the 500 million euro bond issued in 2017 as part of the Euro Medium Term Note (EMTN) financing program, (ii) tranches 1 and 2 of the *Schuldschein* loan (German private placement) issued in 2019 for a total amount of 336 million euros, and (iii) lease liabilities recognized under IFRS 16 – "Leases" for 115 million euros;

[6] See financial glossary, page 46.

- subscriptions of long-term loans and borrowings in an amount of 748 million euros, mainly comprising two bilateral bank loans for a total of 150 million euros and a 600 million euro green bond issue maturing in April 2029. This is the inaugural issuance under Valeo's green and sustainability-linked financing framework, with the funds intended to finance activities satisfying the EU Green Taxonomy;
- a 239 million euro decrease in short-term financing mainly including Negotiable European Commercial Paper (NEU CP) (previously "commercial paper").

After taking into account these items along with the impact of changes in exchange rates (negative 116 million euro impact), consolidated net cash and cash equivalents decreased by 362 million euros in 2023, compared to an increase of 837 million euros in 2022.

Net debt was stable year on year, totaling 4,028 million euros at December 31, 2023, compared with 4,002 million euros at December 31, 2022. The leverage ratio (net debt/EBITDA[7]) came out at 1.5x, compared with 1.7x at December 31, 2022, while the gearing ratio (net debt/stockholders' equity) stood at 113%, an increase compared with December 31, 2022. Net debt of 4,028 million euros at December 31, 2023 includes 581 million euros in lease liabilities.

EBITDA[7] can be reconciled to free cash flow[7] as follows:

(in millions of euros)	**2023**	**2022**
EBITDA[7]	2,647	2,401
Change in operating working capital	278	231
Restructuring costs	(68)	(78)
Income tax	(225)	(291)
Provisions for pensions and other employee benefits	(22)	(30)
Payments for the principal portion of lease liabilities	(115)	(101)
Other operating items	(191)	(335)
Investments in property, plant and equipment and intangible assets	(1,925)	(1,409)
FREE CASH FLOW[7]	**379**	**388**
CASH CONVERSION RATE (% EBITDA)	**14%**	**16%**

Investments over the past two years

Investments *(in millions of euros)*	**2023**	**2022**
Property, plant and equipment	1,182	1,001
Intangible assets	1,031	691
Including capitalized development expenditure	*995*	*657*
TOTAL	**2,213**	**1,692**
as a % of sales	10.0%	8.4%

Investments *(as a % of sales by geographic area)*	**2023**	**2022**
Europe & Africa	11.4%	9.9%
North America	10.1%	6.1%
South America	2.3%	2.1%
Asia & other	7.1%	7.2%

2023

Group investments amounting to 2,213 million euros rose by 1.6 percentage points of sales between 2022 and 2023. All Business Groups saw an increase in investments in 2023, particularly in the Comfort & Driving Assistance and Powertrain Business Groups.

The level of total investment in Europe was relatively higher, mainly reflecting the region's greater weighting in the Group's Research and Development program.

(7) *See financial glossary, page 46.*

Commitments

The table below shows the main commitments given:

(in millions of euros)	December 31, 2023	December 31, 2022
Lease commitments	162	22
Sureties, guarantees and endorsements given	—	7
Non-cancelable asset purchase commitments	910	620
Other commitments	10	52
TOTAL	**1,082**	**701**

The increase in commitments compared with December 31, 2022 mainly reflects the rise in capital expenditure in 2023, in response to the sharp rise in order intake over the past two years.

At December 31, 2023, future minimum commitments on outstanding leases excluded from the scope of IFRS 16 and on leases signed but not yet in force, represented 162 million euros, compared to 22 million euros at December 31, 2022.

Binding asset purchase commitments given by the Group rose from 620 million euros at December 31, 2022 to 910 million euros at December 31, 2023.

Other commitments given mainly relate to guarantees granted by Valeo in connection with its operating activities (10 million euros at December 31, 2023 compared with 52 million euros at end-2022).

5.2 Subsequent events

In January 2024, the Group presented its plan to reorganize the operations of the Powertrain Systems and Thermal Systems Business Groups and the resulting impact on jobs to employee representative bodies.

The aim of this project is to create a new Business Group focused on electrification technologies and the overhaul of conventional technologies for internal combustion engines.

The reorganization would take place in the first half of 2024 and will entail the loss of 1,150 jobs around the world, including 735 in Europe.

5.3 Trends and outlook

5.3.1 2024 and 2025 outlook

	2023 (as reported)	2024 guidance(1)(2)	2025 objectives(2)	Previous 2025 objectives *(based on automotive production of 98.5 million vehicles)*
Sales *(in billions of euros)*	22.0	22.5-23.5	24.5-25.5	~27.5
EBITDA *(as a % of sales)*	12.0%	12.1%-13.1%	13.5%-14.5%	~14.5%
Operating margin *(as a % of sales)*	3.8%	4.0%-5.0%	5.5%-6.5%	~6.5%
Free cash flow before one-time exceptional cost reduction measures *(in millions of euros)*(3)	–	~500	~800	–
Free cash flow after one-time exceptional cost reduction measures *(in millions of euros)*(3)	379	~350	~ 650	~800-1,000

(1) Second-half margins and free cash flow generation higher than in the first half, thanks to higher production volumes and efficiency gains.
(2) For greater comfort, figures are based on (i) light vehicle production 3% below the S&P Global Mobility scenario released on February 16, 2024, and (ii) stable sales in high-voltage electrification over the period 2023-2025.
(3) Includes, but is not limited to, potential restructuring measures.

The financial statements for the year ended December 31, 2023 were authorized for issue by the Board of Directors on February 29, 2024.

5.3.2 Impacts of the Russia-Ukraine conflict

The Group is closely monitoring the situation and is doing everything it can to support its customers and employees while acting in the strictest compliance with the sanctions imposed by governments around the world.

Before the conflict broke out, the Group's activities in Russia represented less than 1% of its total sales.

As indicated in the press release of February 23, 2023, Valeo wrote down all of its assets relating to Russia in 2022, recognizing an impairment charge of 43 million euros in its financial statements.

As part of its decision to divest its production activities in Russia, in 2023 the Group signed two agreements with NPK Avtopribor for the sale of all the production assets of its Thermal Systems and Transmission Systems businesses in Russia.

This transaction was completed on January 18, 2024 after obtaining the requisite regulatory approvals.

The sale of these production activities had no material impact on the Group's earnings for the year ended December 31, 2023.

5.4 2023 Consolidated financial statements AFR

In accordance with Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference in this Universal Registration Document:

- the consolidated financial statements and the Statutory Auditors’ report for the year ended December 31, 2022, set out on pages 333 to 425 and 426 to 431, respectively, of the Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 30, 2023 under number D.23-0200;
- the consolidated financial statements and the Statutory Auditors’ report for the year ended December 31, 2021, set out on pages 326 to 408 and 409 to 414, respectively, of the Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 7, 2022 under number D.22-0254.

5.4.1 Consolidated statement of income

(in millions of euros)	Notes	2023	2022
SALES	*4.1*	**22,044**	**20,037**
Cost of sales	*4.3*	(18,093)	(16,590)
Research and Development expenditure	*4.5.1.2*	(2,029)	(1,880)
Selling expenses		(324)	(286)
Administrative expenses		(760)	(646)
OPERATING MARGIN		**838**	**635**
as a % of sales		*3.8%*	*3.2%*
Share in net earnings of equity-accounted companies	*4.5.3.1*	17	115
OPERATING MARGIN INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	*4.5*	**855**	**750**
as a % of sales		*3.9%*	*3.7%*
Other income and expenses	*4.6.2*	(111)	(106)
OPERATING INCOME INCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	*4.6.1*	**744**	**644**
Cost of net debt	*8.2*	(243)	(131)
Other financial income and expenses	*8.2*	(47)	(4)
INCOME BEFORE INCOME TAXES		**454**	**509**
Income taxes	*9.1*	(154)	(214)
NET INCOME FOR THE YEAR		**300**	**295**
Attributable to:			
• Owners of the Company		221	230
• Non-controlling interests	*10.1.3*	79	65
Attributable earnings per share:			
• Basic earnings per share *(in euros)*	*10.2*	0.91	0.95
• Diluted earnings per share *(in euros)*	*10.2*	0.90	0.94

The Notes are an integral part of the consolidated financial statements.

5.4.2 Consolidated statement of comprehensive income

(in millions of euros)	2023	2022
NET INCOME FOR THE YEAR	**300**	**295**
Share of changes in comprehensive income from equity-accounted companies that may subsequently be recycled to income	(7)	9
o/w income taxes	—	—
Translation adjustment	(375)	28
Cash flow hedges:		
• Gains (losses) taken to equity	45	41
• (Gains) losses transferred to income for the year	(43)	2
o/w income taxes	*(4)*	*(10)*
OTHER COMPREHENSIVE INCOME (LOSS) THAT MAY SUBSEQUENTLY BE RECYCLED TO INCOME	**(380)**	**80**
Share of changes in comprehensive income from equity-accounted companies that may not subsequently be recycled to income	—	—
o/w income taxes	—	—
Actuarial gains on defined benefit plans	(79)	242
o/w income taxes	*(3)*	*(7)*
Remeasurement of long-term investments	(1)	(4)
o/w income taxes	—	—
OTHER COMPREHENSIVE INCOME (LOSS) THAT MAY NOT SUBSEQUENTLY BE RECYCLED TO INCOME	**(80)**	**238**
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**(460)**	**318**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(160)**	**613**
Attributable to:		
• Owners of the Company	(189)	551
• Non-controlling interests	29	62

The Notes are an integral part of the consolidated financial statements.

5.4.3 Consolidated statement of financial position

(in millions of euros)	Notes	December 31, 2023	December 31, 2022
ASSETS			
Goodwill	*6.1*	3,112	3,245
Other intangible assets	*6.2*	3,057	2,774
Property, plant and equipment	*6.3*	5,065	5,309
Investments in equity-accounted companies	*4.5.3.2*	110	110
Other non-current financial assets	*8.1.5*	392	483
Assets relating to pensions and other employee benefits	*5.3*	45	49
Deferred tax assets	*9.2*	603	555
NON-CURRENT ASSETS		**12,384**	**12,525**
Inventories, net	*4.4*	2,365	2,383
Accounts and notes receivable, net	*4.2*	2,734	2,759
Other current assets		852	829
Taxes receivable		33	30
Other current financial assets	*8.1.1.1*	138	96
Cash and cash equivalents	*8.1.3.2*	3,025	3,329
Assets held for sale	*2.2.2*	225	78
CURRENT ASSETS		**9,372**	**9,504**
TOTAL ASSETS		**21,756**	**22,029**
EQUITY AND LIABILITIES			
Share capital	*10.1.1*	245	244
Additional paid-in capital	*10.1.1*	1,588	1,573
Translation adjustment	*10.1.2*	(163)	175
Retained earnings		1,905	1,830
STOCKHOLDERS' EQUITY		**3,575**	**3,822**
Non-controlling interests	*10.1.3*	785	790
STOCKHOLDERS' EQUITY INCLUDING NON-CONTROLLING INTERESTS		**4,360**	**4,612**
Provisions for pensions and other employee benefits – long-term portion	*5.3*	819	747
Other provisions – long-term portion	*7.1*	486	682
Subsidies and grants – long-term portion		139	120
Long-term portion of long-term debt	*8.1.2*	5,057	5,074
Liabilities associated with put options granted to holders of non-controlling interests – long-term portion	*8.1.2.2*	—	7
Other financial liabilities – long-term portion	*8.1.4*	1	35
Deferred tax liabilities	*9.2*	46	58
NON-CURRENT LIABILITIES		**6,548**	**6,723**
Provisions for pensions and other employee benefits – current portion	*5.3*	79	77
Other provisions – current portion	*7.1*	502	494
Accounts and notes payable	*8.1.6*	5,449	5,586
Other current liabilities		2,462	1,986
Subsidies and grants – current portion		63	68
Taxes payable		112	103
Current portion of long-term debt	*8.1.2*	957	1,029
Liabilities associated with put options granted to holders of non-controlling interests – current portion	*8.1.2.2*	—	5
Other financial liabilities – current portion	*8.1.4*	59	42
Short-term financing	*8.1.2.3*	922	1,162
Bank overdrafts	*8.1.2.3*	135	77
Liabilities held for sale	*2.2.2*	108	65
CURRENT LIABILITIES		**10,848**	**10,694**
TOTAL EQUITY AND LIABILITIES		**21,756**	**22,029**

The Notes are an integral part of the consolidated financial statements.

5.4.4 Consolidated statement of cash flows

(in millions of euros)	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		300	295
Share in net earnings of equity-accounted companies	*4.5.3.1*	(17)	(115)
Net dividends received from equity-accounted companies		14	16
Expenses (income) with no cash effect	*11.1*	1,715	1,427
Cost of net debt	*8.2*	243	131
Income taxes (current and deferred)	*9.1.1*	154	214
GROSS OPERATING CASH FLOWS		**2,409**	**1,968**
Income taxes paid		(225)	(291)
Changes in working capital	*11.2*	278	231
NET CASH FLOWS FROM OPERATING ACTIVITIES		**2,462**	**1,908**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of intangible assets		(1,037)	(682)
Acquisitions of property, plant and equipment		(964)	(807)
Investment subsidies and grants received		36	50
Disposals of intangible assets and property, plant and equipment		40	30
Net change in non-current financial assets	*11.3*	(11)	(166)
Acquisitions of investments with gain of control, net of cash acquired	*11.4*	—	(352)
Acquisitions of investments in equity-accounted companies and/or joint ventures		(8)	—
Disposals of investments with loss of control, net of cash transferred	*11.5*	38	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,906)**	**(1,927)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the Company		(92)	(84)
Dividends paid to non-controlling interests in consolidated subsidiaries		(35)	(59)
Capital increase	*10.1.1*	16	14
Sale (purchase) of treasury stock	*10.1.1.3*	—	(50)
Issuance of long-term debt	*11.6*	748	1,474
Interest paid		(261)	(154)
Interest received		52	54
Repayment of long-term debt	*11.6*	(975)	(744)
Change in short-term financing	*8.1.2.3*	(239)	411
Acquisitions of investments without gain of control		(2)	—
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(788)**	**862**
CASH AND CASH EQUIVALENTS RELATING TO OPERATIONS HELD FOR SALE	*2.2.2*	**(14)**	**(2)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(116)**	**(4)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(362)**	**837**
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,252**	**2,415**
NET CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,890**	**3,252**
Of which:			
• Cash and cash equivalents	*8.1.3.2*	3,025	3,329
• Bank overdrafts	*8.1.2.3*	(135)	(77)

The Notes are an integral part of the consolidated financial statements.

5.4.5 Consolidated statement of changes in stockholders' equity

						Total stockholders' equity including non-controlling interests – restated[1]		
Number of shares outstanding	*(in millions of euros)*	**Share capital**	**Additional paid-in capital**	**Cumulative translation adjustment**	**Retained earnings**	**Stockholders' equity**	**Non-controlling interests**	**Total**
241,726,165	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2021[1]**	**243**	**1,560**	**(14)**	**1,906**	**3,695**	**796**	**4,491**
	Application of amendments to IAS 37[1]	—	—	—	(343)	(343)	(3)	(346)
	First-time application of IAS 29[1]	—	—	—	12	12	—	12
241,726,165	**STOCKHOLDERS' EQUITY AT JANUARY 1, 2022**	**243**	**1,560**	**(14)**	**1,575**	**3,364**	**793**	**4,157**
	Dividends paid[2]	—	—	—	(84)	(84)	(52)	(136)
(3,031,189)	Treasury shares[3]	—	—	—	(50)	(50)	—	(50)
927,163	Capital increase	1	13	—	—	14	—	14
1,494,228	Share-based payment	—	—	—	21	21	—	21
	Put options granted[4]	—	—	—	7	7	(2)	5
	Other movements	—	—	—	(1)	(1)	(11)	(12)
	TRANSACTIONS WITH OWNERS	**1**	**13**	**—**	**(107)**	**(93)**	**(65)**	**(158)**
	Net income for the year	—	—	—	230	230	65	295
	Other comprehensive income (loss), net of tax	—	—	189	132	321	(3)	318
	TOTAL COMPREHENSIVE INCOME	**—**	**—**	**189**	**362**	**551**	**62**	**613**
241,116,367	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2022**	**244**	**1,573**	**175**	**1,830**	**3,822**	**790**	**4,612**
	Dividends paid[2]	—	—	—	(92)	(92)	(33)	(125)
—	Treasury shares	—	—	—	—	—	—	—
1,131,560	Capital increase[5]	1	15	—	—	16	—	16
1,673,193	Share-based payment	—	—	—	25	25	—	25
	Put options granted[4]	—	—	—	(6)	(6)	(3)	(9)
	Other movements	—	—	(2)	1	(1)	2	1
	TRANSACTIONS WITH OWNERS	**1**	**15**	**(2)**	**(72)**	**(58)**	**(34)**	**(92)**
	Net income for the year	—	—	—	221	221	79	300
	Other comprehensive income (loss), net of tax	—	—	(336)	(74)	(410)	(50)	(460)
	TOTAL COMPREHENSIVE INCOME (LOSS)	**—**	**—**	**(336)**	**147**	**(189)**	**29**	**(160)**
243,921,120	**STOCKHOLDERS' EQUITY AT DECEMBER 31, 2023**	**245**	**1,588**	**(163)**	**1,905**	**3,575**	**785**	**4,360**

(1) The consolidated statement of changes in stockholders' equity at December 31, 2022 takes into account the impact of applying the amendments to IAS 37 – "Provisions, Contingent Liabilities and Contingent Assets" and of applying IAS 29 – "Financial Reporting in Hyperinflationary Economies" to Turkish entities for the first time as of January 1, 2022 without restatement of comparative periods. Valeo applied these amendments and standards as from first-half 2022.

(2) A cash dividend of 0.38 euros per share was paid in June 2023, representing a total payout of 92 million euros. The dividend paid in July 2022 was 0.35 euros per share.

(3) Changes in stockholders' equity attributable to treasury stock for 2022 included the impact of the share buyback program entered into with an investment services provider on March 24, 2022 in an amount of 50 million euros (see Note 10.1.1.3, page 375).

(4) This item includes changes in the fair value of liabilities associated with put options granted to holders of non-controlling interests (see Note 8.1.2.2, pages 361 to 362).

(5) The terms and conditions of the November 15, 2023 capital increase reserved for employees are detailed in Note 10.1.1.1, page 375.

The Notes are an integral part of the consolidated financial statements.

5.4.6 Notes to the consolidated financial statements

NOTE 1 ACCOUNTING POLICIES

The consolidated financial statements of the Valeo Group for the year ended December 31, 2023 include:

- the accounts of Valeo;
- the accounts of its subsidiaries;
- Valeo's share in the net assets and earnings of equity-accounted companies (joint ventures and associates).

Valeo is an independent group that designs, produces and sells innovative products and systems contributing to the reduction of greenhouse gas emissions and to the development of safer, more autonomous, more connected, more intelligent and more diverse mobility. As a technology company, Valeo is present in the areas of electrification, advanced driving assistance systems (ADAS), reinvention of the interior experience and lighting everywhere, all of which are growth drivers. Valeo is one of the world's leading automotive suppliers and is a partner to all automakers and new mobility players across the globe.

Valeo is a European company listed on the Paris Stock Exchange. Its head office is located at 100, rue de Courcelles, 75017 Paris, France.

Valeo's consolidated financial statements for the year ended December 31, 2023 were authorized for issue by the Board of Directors on February 29, 2024.

They will be submitted for approval to the next Annual Shareholders' Meeting.

1.1 Accounting standards applied

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union. The standards can be consulted on the European Commission's website[8].

The financial statements include the information deemed material as required by the ANC in Standard no. 2016-09.

1.1.1 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2023

Standards, amendments and interpretations	**Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules** Effective as of January 1, 2023
Presentation and general principles	Under the Global Anti-Base Erosion Rules defined at international level by the OECD Inclusive Framework (the "GloBE rules"), multinational enterprises with turnover (sales) of more than 750 million euros are subject to a 15% global minimum tax rate. These rules are set out in the European Union directive adopted on December 14, 2022, which was transposed into French law in the Finance Act for 2024, applicable for reporting periods beginning on or after January 1, 2024. On May 23, 2023, the IASB published final amendments to IAS 12 – "Income Taxes". The amendments provide for temporary mandatory relief from recognizing deferred taxes for the impact of the top-up tax arising from the Pillar Two rules and require new disclosures to be provided in the notes to the financial statements. The amendments do not specify for how long the relief will be available to companies.
Impacts and applications for the Group	The Valeo Group does not use aggressive tax schemes and does not operate in any tax havens. Consequently, based on the country-by-country report, few of the jurisdictions in which the Group operates have an effective tax rate below 15%. Furthermore, the Group's manufacturing entities use significant material and human resources, generating considerable substance-based income. Under these conditions, the estimates made to date show no significant impact from the implementation of the GloBE rules.

The following standards, amendments and interpretations have also been published by the IASB and adopted by the European Union:

Other standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2023	
IFRS 17	Insurance Contracts
Amendments to IAS 1	Presentation of Financial Statements – Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These new publications did not have a material impact on the Group's consolidated financial statements.

[8] *https://ec.europa.eu/info/law.*

1.1.2 Standards, amendments and interpretations adopted by the European Union and effective for reporting periods beginning on or after January 1, 2024 and not early adopted by the Group

The following standards, amendments and interpretations have also been published by the IASB and adopted by the European Union:

Standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2024	
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Presentation of Financial Statements: • Classification of Liabilities as Current or Non-current; • Non-current Liabilities with Covenants.

Valeo does not expect these amendments to have a material impact on the Group's consolidated financial statements.

1.1.3 Standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

The IASB has also published the following guidance, which is not expected to have a material impact on the Group's consolidated financial statements at the date of this document:

Standards, amendments and interpretations not yet adopted by the European Union		Effective date(1)
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

(1) Subject to adoption by the European Union.

1.2 Basis of preparation

The financial statements are presented in euros and are rounded to the nearest million.

1.2.1 Estimates and judgments

Preparation of the financial statements requires Valeo to make estimates and assumptions which could have an impact on the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions concern both risks specific to the automotive supply business, such as those relating to quality and safety, as well as more general risks to which the Group is exposed on account of its industrial operations across the globe.

The Group exercises its judgment based on past experience and all other factors considered to be decisive given the environment and the circumstances. The estimates and assumptions used are revised on an ongoing basis. In view of the uncertainties inherent in any assessment, the final amounts reported in Valeo's future financial statements may differ from the amounts resulting from these current estimates.

The significant estimates, judgments and assumptions adopted by the Group to prepare its financial statements for the year ended December 31, 2023 chiefly concern:

- the measurement of goodwill as well as assets and liabilities recognized as part of the final allocation of the purchase price of Valeo eAutomotive (see Note 2.2.1.1, page 317);
- the conditions for capitalizing development expenditure (see Note 4.5.1.1, page 326);
- the estimation of provisions (see Notes 5.3, pages 333 to 339, and 7.1, pages 352 to 353);
- the measurement of the recoverable amount of intangible assets and property, plant and equipment (see Note 6, pages 341 to 352);
- lease terms, as regards optional periods, and determination of discount rates (see Note 6.3, pages 344 to 347);
- the likelihood that deferred tax assets will be able to be utilized (see Note 9.2, pages 373 to 374).

1.2.2 Going concern basis and liquidity management

The financial statements have been prepared on a going concern basis. The Group has sufficient cash and financing sources, and has demonstrated its debt issuance capacity.

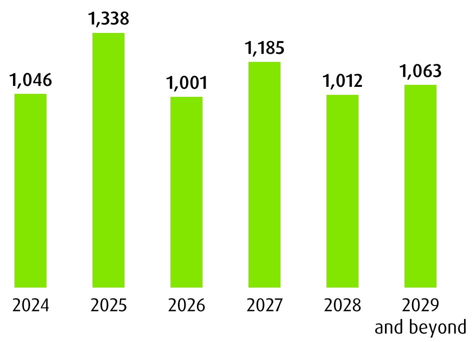
At December 31, 2023, the Group had 1.7 billion euros available in undrawn credit lines, plus a stable financial position:

- net cash and cash equivalents of 2.9 billion euros;
- average debt maturity of three years;
- net debt to EBITDA ratio (EBITDA calculated over a 12-month rolling period) of 1.5, i.e., below the 3.5 threshold.

In managing its liquidity risk, the Group seeks to ensure a balanced long-term debt repayment profile.

CONTRACTUAL MATURITY OF LONG-TERM DEBT

(in millions of euros)



The future cash outflows presented above, comprising both interest payments and principal repayments, are not discounted. The forward curve at December 31, 2023 was used for variable-rate interest.

The Group carried out a number of financing transactions in 2023, including a 600 million euro bond issue in October 2023 as part of the Euro Medium Term Note (EMTN) program. This bond matures in 2029.

As part of its Move Up plan, the Group aims to divest some 500 million euros' worth of non-strategic assets through 2025. At the date on which the consolidated financial statements were authorized for issue, various assets had been divested or were subject to purchase commitments for a total amount of around 400 million euros.
Details of the Group's borrowings and debt and significant transactions during the year are presented in Note 8, pages 355 to 371.

1.3 Consideration of the impacts of climate change

On February 4, 2021, the Group unveiled CAP 50, its plan for achieving net-zero emissions across its entire value chain by 2050. CAP 50 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 (decline in business, etc.).

Under the CAP 50 plan, Valeo commits to:

- advance towards carbon neutrality through to 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.

Valeo's technologies are expected to enable third parties to avoid 13.6 MtCO_2eq. of greenhouse gas emissions, equivalent to 27% of the Group's emissions (2019 baseline).

1.3.1 Asset measurement

Physical risks

An increase in the frequency of extreme and/or chronic weather events (such as extreme heat, water stress and flooding) could disrupt or even interrupt certain operations at different levels of the production and supply chains, and could also have an adverse impact on employees' working conditions.

A number of adaptation measures have already been taken to address these risks, particularly at industrial sites which are already facing these types of weather events. Several sites, for example, have rainwater harvesting basins, making them less vulnerable to the risk of chronic drought.

A global framework for assessing the physical risks associated with climate change is currently being developed at Valeo. The aim of this framework is to provide the Group with a more precise, comprehensive and consistent mapping of these risks and of the effectiveness of the adaptation measures taken or planned. The risks inherent to the location and geography of each of the Group's sites were analyzed in 2022 with the assistance of an expert advisory firm. The risk analysis was based on two IPCC global warming scenarios (SSP2-4.5 and SSP5-8.5) and two time horizons (2030 and 2050). In 2023, the Group carried out a pilot audit at one site to review the effectiveness of the local adaptation measures taken or planned. Valeo is currently developing a global approach for drawing up and assessing the adaptation plan, which should start to be rolled out in 2024.

Based on the assessments carried out to date, the Group has not identified any significant impacts linked to the physical risks resulting from climate change in terms of either the useful life or the value of its assets.

Transition risks

Climate transition risks refer to the potential financial impact of changing Valeo's business model as part of a strategy to reduce greenhouse gas emissions.

The transition to a low-carbon economy goes hand in hand with stricter regulatory requirements at all levels (national, regional and local government). Across the globe, new regulations are being introduced to promote the electrification of mobility as a whole. As a result, the proportion of electrified vehicles in overall global production is gradually increasing.

To prepare for this transformation, Valeo has put together a comprehensive range of technologies for electric vehicles, from powertrains to battery thermal management systems. Electrification represents an opportunity for growth and diversification for the Group, as the value of the content per vehicle increases and new forms of mobility are developed.

Focusing on electrification enables the Group to reduce emissions from the use of its products, which represents the main source of its emissions. In 2019, the baseline used to prepare its CAP 50 plan to contribute to carbon neutrality, Valeo emitted nearly 50 MtCO_2eq., including 39 MtCO_2eq. from the use of its products.

The Research and Development expenditure resulting from this technological shift, together with the financial implications linked to changes in the product mix in terms of sales, production costs and production capex, are reflected in the medium-term business plan. This plan was used as the basis for the impairment tests carried out on cash-generating units (CGUs) and goodwill (see Note 6.4, pages 347 to 351).

Other measures to be undertaken by Valeo as part of its CAP 50 plan to contribute to carbon neutrality will be implemented gradually and will not therefore have a sudden impact on the Group's cost structure. Any increases in supply costs that may result from these measures in the medium or long term are expected to be fully or largely passed on to the prices of the products sold by the Group. On this basis, Valeo currently expects the financial impact of putting these measures in place to be limited over the period covered by its medium-term plan.

The rapid pace of change in the automotive sector also gives rise to uncertainty that could have financial implications for the Group. This notably results from the reconfiguration of the automotive market, with the emergence of new automakers and the reorganization of the value chain. When testing goodwill for impairment, a simulation was carried out to determine the potential impact of such uncertainty in a pessimistic scenario (see Note 6.4.6, page 351).

1.3.2 Compensation

The free share plans for Group executive managers set up in 2021, 2022 and 2023 (see Note 5.4, pages 339 to 340) include a carbon footprint objective for end-2023, 2024 and 2025, respectively.

Furthermore, 20% of the variable compensation awarded to Group executives and managers is conditional on achieving quantitative and qualitative non-financial targets, including an objective relating to the Group's carbon footprint in 2023.

In preparing the financial statements for the year ended December 31, 2023, Valeo considered that each of its carbon footprint targets would be met.

1.3.3 Financing

In 2021 and 2022, Valeo set up financing linked to a carbon footprint objective of 37.95 $MtCO_2eq$ for end-2025. If this objective is not met, the interest rate (coupon) payable on this financing after December 31, 2025 will be raised by 0.1% to 0.75%, depending on the debt. At December 31, 2023, the carrying amount of the debt including this indexation clause represented 1.6 billion euros (see Note 8.1.2.1, pages 357 to 361).

In 2023, Valeo also carried out a 600 million euro green bond issue. The issue is not subject to any indexation or early redemption clauses tied to the achievement of environmental targets.

In preparing its financial statements for the year ended December 31, 2023, Valeo considered that its carbon footprint objective for end-2025 would be met.

NOTE 2 SCOPE OF CONSOLIDATION

2.1 Accounting policies relating to the scope of consolidation

2.1.1 Consolidation methods

2.1.1.1 Full consolidation

The accounts of companies under Valeo's direct and indirect control are included in the consolidated financial statements using the full consolidation method. Control is deemed to exist when the Group:

- has power over an investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to affect those returns through its power over the investee's relevant activities.

All intercompany transactions are eliminated, as are gains on intercompany disposals of assets, intercompany profits included in inventories and intercompany dividends.

The earnings of subsidiaries acquired are consolidated as from the date the Group has control.

2.1.1.2 Equity-method accounting for joint ventures and associates

Joint arrangements organize the sharing of control of an entity by two or more parties. An arrangement in which the parties have rights to the net assets of that arrangement is called a joint venture. An arrangement in which the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, is known as a joint operation.

Valeo also exercises significant influence over certain entities, known as associates. Significant influence is the power to participate in decisions affecting the entity's financial and operating policies, but is not control or joint control over those policies. Significant influence is deemed to exist when Valeo holds over 20% of the voting rights of another entity.

Joint ventures and associates are accounted for using the equity method. Under the equity method, an investment in an equity-accounted company is recognized in the consolidated statement of financial position on the date on which the entity becomes an associate or joint venture.

The investment is initially recognized at cost. In accordance with IFRS 10.25, in the specific case of loss of control of a subsidiary leading to recognition of an interest in a joint venture or associate, the initial cost of this investment is equal to its fair value at the date control is lost. The investment is subsequently adjusted after the acquisition date to reflect the Group's share of the retained comprehensive income of the investee. These items may be adjusted in line with Group accounting policies. Goodwill arising on the acquisition of associates or joint ventures is included in investments in equity-accounted companies.

The procedure used to measure investments in equity-accounted companies is governed by IFRS 9 – "Financial Instruments: Recognition and Measurement" and IAS 28 (revised) – "Investments in Associates and Joint Ventures".

Any impairment losses taken against investments in equity-accounted companies, along with any gains or losses on remeasuring the previously-held equity interest at fair value (on acquisition of a controlling interest in an equity-accounted company) are recorded in share in net earnings of equity-accounted companies.

A list of consolidated companies is provided in Note 13, pages 380 to 387.

2.1.2 Foreign currency translation

2.1.2.1 Foreign currency financial statements

The Group's consolidated financial statements are presented in euros.

The financial statements of each consolidated Group company are prepared in its functional currency. The functional currency is the currency of the principal economic environment in which it operates, and is generally the local currency.

The financial statements of foreign subsidiaries whose functional currency is not the euro are translated into euros as follows:

- statement of financial position items are translated into euros at the year-end exchange rate;
- statement of income items are translated into euros at the exchange rates applicable at the transaction dates or, in practice, at the average exchange rate for the period, as long as this is not rendered inappropriate as a basis for translation by major fluctuations in the exchange rate during the period;
- unrealized gains and losses arising from the translation of the financial statements of foreign subsidiaries are recorded under translation adjustment in other comprehensive income that may subsequently be recycled to income.

The Group applies the provisions of IAS 29 - "Financial Reporting in Hyperinflationary Economies" to entities whose functional currency is considered to be the currency of a hyperinflationary economy. The financial statements of the companies concerned are restated for the impacts of inflation (historical cost convention) and then translated into the Group's presentation currency at the closing exchange rate.

2.1.2.2 Foreign currency transactions

General principle

Transactions carried out in a currency other than Valeo's functional currency are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are recognized at the historical exchange rate prevailing at the transaction date.

Differences arising from the translation of foreign currency transactions are generally recognized in income.

Net investment

Certain foreign currency loans and borrowings are considered in substance to be an integral part of the net investment in a subsidiary whose functional currency is not the euro when settlement is neither planned nor likely to occur in the foreseeable future. The foreign currency gains and losses arising on these loans and borrowings are recorded under translation adjustment in other comprehensive income for their net-of-tax amount. This specific accounting treatment applies until the disposal of the net investment, or when partial or full repayment of these loans or borrowings is highly probable.

When the net investment is derecognized, the translation adjustment arising after said date is taken to other financial income and expenses in the consolidated statement of income. Translation adjustments previously recognized in other comprehensive income are only recycled to income when the foreign operation is partially or fully disposed of. The Group examines whether these partial or full repayments of loans or borrowings equate to a partial or full disposal of the subsidiary.

2.1.3 Business combinations

Business combinations are accounted for using the acquisition method, whereby:

- the cost of a combination is determined at the acquisition-date fair value of the consideration transferred, including any contingent consideration. After the measurement period, any subsequent changes in the fair value of contingent consideration is recognized in income or in other comprehensive income as appropriate, in accordance with the applicable standards;
- the difference between the consideration transferred and the acquisition-date fair value of the net identifiable assets acquired and liabilities assumed is classified as goodwill within assets in the statement of financial position.

Adjustments to the provisional fair value of identifiable assets acquired and liabilities assumed resulting from independent analyses in progress or supplementary analyses are recognized as a retrospective adjustment to goodwill if they are made within 12 months of the acquisition date ("measurement period") and result from facts and circumstances that existed as of that date. The impact of any adjustments made after the measurement period is recognized directly in income as a change of accounting estimate.

Intangible assets may be recognized in respect of customer relationships that correspond in substance to contracts in progress at the date control is acquired and/or to relationships with regular customers of the acquired entity (opportunity to enter into new contracts). These intangible assets are measured based on the "excess earnings" method, whereby the value of the intangible asset corresponds to the present value of the cash flows generated by this asset, less a capital charge representing a return on the other assets concerned. Intangible assets may also be recognized in respect of patented or unpatented technologies and trademarks. These assets are measured based on the "royalties" method or "replacement cost" method.

For each business combination in which the acquirer holds less than 100% of the equity interests in the acquiree at the acquisition date, the amount of the non-controlling interest is measured:

- either at fair value: in this case, goodwill is recognized on the non-controlling interest ("full goodwill method");
- or at the proportionate share in the recognized amounts of the acquiree's net identifiable assets, in which case goodwill is recognized only on the interest acquired ("partial goodwill method").

Costs directly attributable to the combination are included within other income and expenses in the period in which they are incurred.

Adjustments to contingent consideration in a business combination are measured at the acquisition-date fair value, even if the consideration is not expected to materialize. After the acquisition date, changes to the estimated fair value of contingent consideration involve an adjustment to goodwill only if they are made within the measurement period (up to 12 months after the date of the combination) and result from facts and circumstances that existed as of that date. In all other cases, such changes are recognized in income or in other comprehensive income as appropriate, in accordance with the applicable standard.

In a business combination achieved in stages, the Group's previously-held interest in the acquiree is remeasured at its acquisition-date fair value in income. To determine goodwill at the acquisition date, the fair value of the consideration transferred (e.g., price paid) is increased by the fair value of any interest previously held by the Group. The amount previously recognized within other comprehensive income in respect of the previously-held interest is recycled to the statement of income.

2.1.4 Transactions involving non-controlling interests

Changes in transactions involving non-controlling interests that do not result in a change of control are recognized in equity. In particular, in the event of an acquisition of additional shares in an entity already controlled by the Group, the difference between the acquisition price of the shares and the additional interest acquired by the Group in consolidated equity is recorded in stockholders' equity. The value of the entity's identifiable assets and liabilities (including goodwill) for consolidation purposes remains unchanged.

2.1.5 Assets and liabilities held for sale and discontinued operations

When the Group expects to recover the value of an asset or a group of assets through its sale rather than through continuing use, such assets are presented separately under assets held for sale in the statement of financial position. Any liabilities related to such assets are presented on the liabilities held for sale line in the statement of financial position. Assets classified as held for sale are valued at the lower of their carrying amount and their estimated sale price less costs to sell, and are therefore no longer subject to depreciation and amortization.

In accordance with IFRS 5, a discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the date of sale or at an earlier date if the business meets the criteria to be recognized as an asset held for sale. Income or losses generated by these operations, as well as any capital gains or losses on disposal, are presented net of tax on a separate line of the statement of income. To provide a meaningful year-on-year comparison, the same treatment is applied to these items in the previous year.

For assets relating to operations that have not been classified as discontinued, any related impairment losses or proceeds from their disposal are recognized through operating income.

2.2 Changes in the scope of consolidation

2.2.1 Transactions completed during the year

2.2.1.1 Valeo Siemens eAutomotive takeover in 2022

On July 4, 2022, Valeo acquired Siemens' 50% stake in the Valeo Siemens eAutomotive joint venture. Valeo eAutomotive (formerly Valeo Siemens eAutomotive) has been fully consolidated by Valeo since July 1, 2022, within the Powertrain Systems Business Group.

The allocation of the purchase price to the assets and liabilities was finalized during the first half of 2023, leading to an adjustment in the value of certain intangible assets recognized at December 31, 2022. The adjustments relate to additional information confirming facts and circumstances that existed at July 4, 2022. The information, which concerns the measurement of a technology and several order books, had not been taken into account in the provisional allocation at December 31, 2022.

The allocation of the purchase price to Valeo eAutomotive's assets and liabilities was finalized in accordance with IFRS 3 as follows:

(in millions of euros)	Provisional allocation December 2022	Final allocation June 30, 2023
PURCHASE PRICE/FAIR VALUE OF CONSIDERATION TRANSFERRED (INCLUDING FAIR VALUE OF PREVIOUSLY-HELD INTEREST)(1)	**(1,619)**	**(1,619)**
Identifiable assets acquired at the acquisition date	993	993
Identifiable liabilities assumed at the acquisition date	(3,342)	(3,342)
Order book(2)	169	107
Technology(3)	231	291
Unfavorable contracts(4)	(198)	(198)
Other provisions	(141)	(141)
Other individually non-material fair value remeasurements(5)	(15)	(15)
FAIR VALUE OF IDENTIFIABLE NET ASSETS	**(2,303)**	**(2,305)**
GOODWILL ARISING ON THE ACQUISITION	**684**	**686**

(1) The fair value of the consideration transferred was determined on the basis of (i) the purchase price of 403 million euros paid by Valeo net of financial receivables amounting to 1,226 million euros transferred by Siemens, (ii) plus 27 million euros corresponding to the value of the call option held by Valeo at December 31, 2021.
(2) Intangible assets recognized in respect of the order book are amortized over an average period of five years and are presented within customer relationships and other intangible assets (see Note 6.2, pages 342 to 343).
(3) Technology is amortized over a period of five to ten years.
(4) Amounts will be written back from provisions for unfavorable contracts as the contracts concerned are executed.
(5) Other fair value remeasurements include non-current assets, lease liabilities and provisions for pensions and other employee benefits.

Valeo eAutomotive contributed 1,447 million euros to consolidated sales in 2023.

2.2.1.2 Asaphus Vision GmbH

In 2021, Valeo acquired a 60% controlling interest in Asaphus Vision GmbH, along with a call option for the remaining share capital, worth 5 million euros. Valeo exercised this option in 2023 and now holds the company's entire share capital (see Note 8.1.2.2, pages 361 to 362).

This transaction between owners did not affect the control of Asaphus Vision GmbH, which was already fully consolidated in the Group's financial statements.

2.2.1.3 Sale of Ichikoh's Mirror business

On September 26, 2022, Ichikoh signed an agreement to sell its Mirror business in Japan, which is part of the Visibility Systems Business Group. In accordance with IFRS 5, the assets and liabilities relating to this business were therefore classified as held for sale in the consolidated statement of financial position at December 31, 2022, in an amount of 75 million euros and 65 million euros, respectively.

The sale took place on August 1, 2023, with the related amounts recognized in other income and expenses (see Note 4.6.2.1, page 331).

2.2.1.4 Sale of APG-FTE

The assets and liabilities relating to APG-FTE were classified as held for sale in the consolidated statement of financial position at December 31, 2022. The effective sale took place in July 2023. The transaction did not have a material impact on the Valeo Group's consolidated financial statements for the year ended December 31, 2023.

2.2.1.5 Sale of Kuantic

In the second half of 2022, the Group acquired all of the share capital of Kuantic. In November 2023, Valeo sold its stake in the company, which had been part of the Comfort & Driving Assistance Systems Business Group, with the related amounts recognized in other income and expenses (see Note 4.6.2.1, page 331).

This business represented sales of 15 million euros in 2023 (ten months of operations) and 9 million euros in 2022 (six months of operations).

2.2.2 Transactions that have not yet been completed

2.2.2.1 Sale of the Thermal Commercial Vehicles business

In January 2024, Valeo secured a purchase commitment from a buyer for its Thermal Commercial Vehicles Product Group. The regulatory procedures required to complete this transaction are currently in progress.

In accordance with IFRS 5, the assets and liabilities relating to this business were therefore classified as assets and liabilities held for sale in the consolidated statement of financial position at December 31, 2023. At that date, the amounts reclassified as assets and liabilities held for sale represented 217 million euros and 98 million euros, respectively. Based on the information available at the reporting date, Valeo has not identified any indication of impairment.

This business represented sales of 303 million euros in 2023 and 265 million euros in 2022.

2.2.2.2 Sale of industrial operations in Russia

As part of its decision to divest its production activities in Russia, in 2023 the Group signed two agreements with NPK Avtopribor for the sale of all the production assets of its Thermal Systems and Transmission Systems businesses in Russia.

This transaction was completed on January 18, 2024 after obtaining the requisite regulatory approvals.

The sale of these businesses had no material impact on the Group's earnings for the year ended December 31, 2023.

2.3 Off-balance sheet commitments relating to the scope of consolidation

2.3.1 Commitments given

Valeo and V. Johnson Enterprises set up Detroit Thermal Systems in 2012. At December 31, 2023, Valeo and V. Johnson Enterprises had respective 49% and 51% interests in this company.

V. Johnson Enterprises has a put option that may be exercised if certain contractually defined events – not relating to a level of earnings – occur. For example, the option is exercisable in the event that Valeo is unable to contribute to the financing of the venture or if it sells all or part of its interest to a third party. If the put were to be exercised, all of the shares owned by V. Johnson Enterprises at that time would be sold to Valeo, with the price to be determined according to the provisions of the agreement defining the company's governance arrangements.

At December 31, 2023, Valeo also granted a 3 million euro vendor warranty as part of a partial asset disposal.

2.3.2 Commitments received

At December 31, 2023, Valeo had not received any commitments relating to the scope of consolidation. At December 31, 2022, commitments received totaled 7 million euros and mainly corresponded to guarantees granted to Valeo in connection with its acquisition of gestigon.

NOTE 3 SEGMENT REPORTING

In accordance with IFRS 8 – "Operating Segments", the Group's segment information below is presented on the basis of internal reports that are reviewed by the Group's General Management in order to allocate resources to the segments and assess their performance. General Management represents the chief operating decision maker within the meaning of IFRS 8.

Four reportable segments have been identified, corresponding to Valeo's organization into Business Groups. There is no aggregation of operating segments.

The Group's four reportable segments are:

- Comfort & Driving Assistance Systems, which has two Product Groups: ADAS and Reinvention of the Interior Experience. In a fast-changing environment, regulations are pushing for the construction of ever-safer vehicles. At the same time, driving is becoming increasingly autonomous and drivers and passengers are looking for continuity of their digital lives and a more intuitive user experience inside the vehicle. The Comfort & Driving Assistance Systems Business Group develops a wide range of sensors to improve safety and driving comfort as well as electronic equipment to enhance life on-board and vehicle connectivity;
- Powertrain Systems, comprising two Product Groups: Powertrain Electrified Mobility, which includes the Business Group's High- and Low-Voltage activities, and Powertrain Systems Driveline, which includes transmission automation activities. This Business Group was reorganized following the integration of the Valeo Siemens eAutomotive joint venture in July 2022. Leveraging the combined expertise of these two Product Groups, the Powertrain Systems Business Group develops and produces innovative powertrain solutions to improve today's engines and motors and design the electric mobility of tomorrow;

- Thermal Systems, comprising five Product Groups: Thermal Climate Control, Thermal Powertrain and Batteries, Thermal Compressor, Thermal Front End and Thermal Commercial Vehicles. The strategic objectives of the Thermal Systems Business Group address the emerging challenges facing the automotive industry in two fields: intelligent management of thermal systems for electrified vehicles, and passenger health and well-being;
- Visibility Systems, comprising two Product Groups and one Product Line: the Lighting Systems Product Group, the Wiper Systems Product Group and the Electronics for Visibility Systems Product Line. The Visibility Systems Business Group designs and produces smart exterior and interior lighting systems, wiper systems and sensor cleaning systems to support the driver in all driving situations. This innovative, efficient technology enables all vehicles, including automated vehicles, to drive in all conditions and provide a highly immersive experience for all vehicle passengers.

Each of these Business Groups is also responsible for production and for some of the distribution of products in the aftermarket segment. A significant portion of income and expenses for Valeo Service, which almost exclusively sells products manufactured by the Group, is reallocated among the Business Groups identified. The external trading operations of Valeo Service and the Top Column Module business are presented within "Other", along with the holding companies and eliminations between the four operating segments.

In January 2024, the Group presented its plan to reorganize the operations of the Powertrain Systems and Thermal Systems Business Groups to employee representative bodies. The plan, which would be implemented in the first half of 2024, aims to create a new Business Group focused on the development of electrification technologies and the overhaul of conventional technologies dedicated to internal combustion engines.

3.1 Key segment performance indicators

The key performance indicators for each segment as presented in the tables below are as follows:

- sales;
- EBITDA, which corresponds to (i) operating margin before depreciation, amortization and impairment losses (included in operating margin) and the impact of government subsidies and grants on non-current assets, and (ii) net dividends received from equity-accounted companies;
- Research and Development expenditure;
- investments in intangible assets and property, plant and equipment;
- segment assets, comprising intangible assets and property, plant and equipment (including goodwill), investments in equity-accounted companies and inventories.

2023

(in millions of euros)	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Other	Total
Sales	**4,655**	**6,865**	**4,719**	**5,541**	**264**	**22,044**
• segment (excluding Group)	4,618	6,767	4,652	5,536	471	22,044
• intersegment (Group)	37	98	67	5	(207)	—
EBITDA	**690**	**812**	**359**	**736**	**50**	**2,647**
Research and Development expenditure	(712)	(585)	(310)	(396)	(26)	(2,029)
Investments in intangible assets and property, plant and equipment	881	395	320	563	54	2,213
Segment assets(1)	3,519	4,586	2,362	2,967	275	13,709

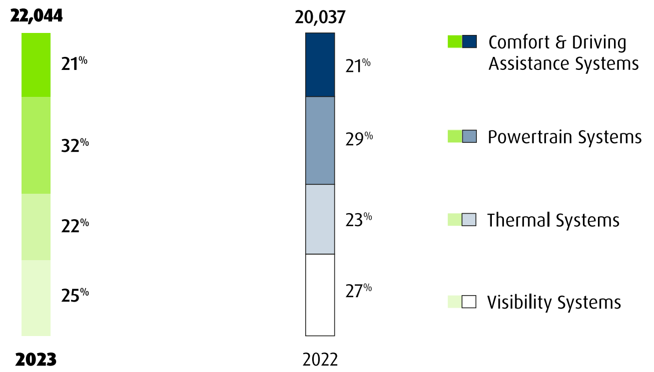
(1) The segment assets shown for the Thermal Systems Business Group do not include the amount of the assets of the Thermal Commercial Vehicles business reclassified as assets held for sale at December 31, 2023 (see Note 2.2.2.1, page 318).

2022

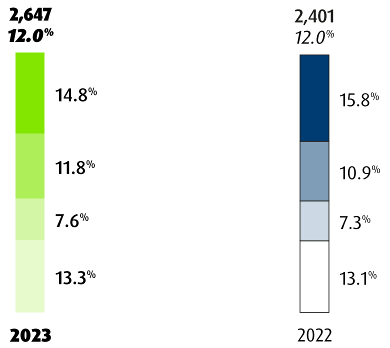
(in millions of euros)	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Other	Total
Sales	**4,234**	**5,689**	**4,543**	**5,363**	**208**	**20,037**
• segment (excluding Group)	4,192	5,574	4,463	5,331	477	20,037
• intersegment (Group)	42	115	80	32	(269)	—
EBITDA	**671**	**619**	**333**	**705**	**73**	**2,401**
Research and Development expenditure	(724)	(434)	(313)	(379)	(30)	(1,880)
Investments in intangible assets and property, plant and equipment	634	293	289	453	23	1,692
Segment assets(1)	3,131	4,903	2,625	2,857	305	13,821

(1) The segment assets shown for the Visibility Systems Business Group do not include the amount relating to the assets of the Mirror business reclassified as held for sale at December 31, 2022 (see Note 2.2.1.3, page 317).

SALES BY BUSINESS GROUP (INCLUDING INTERSEGMENT SALES)
(in millions of euros and as a % of sales)



EBITDA BY BUSINESS GROUP
(in millions of euros and as a % of sales)



3.2 Reconciliation with Group data

EBITDA is used by General Management to monitor and track Business Group performance (see Note 3.1, pages 319 and 320) and to decide on the allocation of resources. The table below reconciles EBITDA with consolidated operating margin:

(in millions of euros)	2023	2022
Operating margin	**838**	**635**
Amortization and depreciation of intangible assets and property, plant and equipment, and impairment losses(1)	1,836	1,783
Impact of government subsidies and grants on non-current assets recognized in the statement of income	(41)	(33)
Dividends paid by equity-accounted companies	14	16
EBITDA	**2,647**	**2,401**
as a % of sales	12.0%	12.0%

(1) *Impairment losses recorded in operating margin only.*

Total segment assets reconcile to total Group assets as follows:

(in millions of euros)	December 31, 2023	December 31, 2022
Segment assets	**13,709**	**13,821**
Accounts and notes receivable	2,734	2,759
Other current assets	852	829
Taxes receivable	33	30
Financial assets	3,600	3,957
Deferred tax assets	603	555
Assets held for sale(1)	225	78
TOTAL GROUP ASSETS	**21,756**	**22,029**

(1) *At December 31, 2023, assets held for sale correspond to the assets of the Thermal Commercial Vehicles business (see Note 2.2.2.1, page 318). At December 31, 2022, assets held for sale corresponded to the assets of the Mirror business (see Note 2.2.1.3, page 317) and APG-FTE (see Note 2.2.1.4, page 317).*

3.3 Reporting by geographic area

Non-current assets consist of property, plant and equipment, intangible assets (excluding goodwill) and investments in equity-accounted companies. Goodwill balances cannot be broken down by geographic area as they are allocated to Business Groups that operate in several geographic areas.

2023

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	1,308	2,968	989
Other European countries and Africa	9,324	8,092	3,692
North America	4,092	3,972	1,140
South America	506	430	49
Asia	6,814	7,340	2,365
o/w China	*3,239*	*3,966*	*1,283*
Eliminations	—	(758)	(3)
TOTAL	**22,044**	**22,044**	**8,232**

In 2022 and 2023, the main countries contributing to the Group's consolidated sales are China, France, Germany, Mexico and the United States.

2022

(in millions of euros)	External sales by market	Sales by production area	Non-current assets
France	1,172	2,716	987
Other European countries and Africa	7,902	6,747	3,498
North America	3,866	3,812	1,046
South America	487	388	31
Asia	6,610	7,057	2,633
o/w China	*3,189*	*3,728*	*1,409*
Eliminations	—	(683)	(2)
TOTAL	**20,037**	**20,037**	**8,193**

NOTE 4 OPERATING DATA

4.1 Sales

For each automotive project, the three main typically identified promises made by Valeo to an automaker are:

- Product Development, which includes determining the intrinsic technical features of parts and those related to the relevant production process. This promise is usually considered to be related to the supply of parts; any contributions from customers in respect of Product Development are therefore recognized in sales over the period of series production as the promise to deliver the parts is fulfilled, within a period of four years. However, the accounting treatment applied may vary based on each project's specific contractual or operational features;
- Supply of Tooling such as molds and other equipment used to manufacture parts:
  - for certain businesses, the supply of molds may be considered to be a distinct promise in view of the manner in which control is transferred. In such cases, sales are recognized at the start of series production for the project,
  - the supply of other equipment used to manufacture parts is considered to be related to the Supply of Parts. Any contributions received in this respect are therefore deferred and recognized over the duration of the manufacturing phase of the project as the promise to deliver the parts is fulfilled, within a period of four years,
- Supply of Parts, sales of which are recognized when control of the parts is transferred to the customer, i.e., generally upon delivery.

In this respect, sales primarily include sales of finished goods and all tooling revenues and customer contributions to Research and Development expenditure and prototypes. Sales are measured at the fair value of the consideration receivable, net of any trade discounts and volume rebates and excluding any VAT or other taxes.

Under specific contracts, analysis of the relationship with the end customer leads Valeo to consider that it acts as agent when it supplies said end customer with "imposed" components. As such, the transactions in which Valeo acts as agent are recognized based on their net amount. This business model primarily concerns the Thermal Front End operations of the Thermal Systems Business Group.

In general, customers award Valeo contracts to supply all the parts required for a specific project. Estimated future volumes cannot be included in the order book as defined by IFRS 15 until the customer has placed an order for a firm volume. Accordingly, disclosure of this information is not considered relevant.

Group sales rose by 10.0% to 22,044 million euros in 2023, from 20,037 million euros in 2022.

Changes in exchange rates had a negative 3.3% impact on sales, primarily due to the appreciation of the euro against the US dollar, Chinese renminbi and Japanese yen. Changes in Group structure during the year had a positive impact of 4.0% on sales, mainly attributable to the takeover of Valeo eAutomotive's activities. Like for like (comparable Group structure and exchange rate basis), consolidated sales for 2023 advanced by 9.3% compared with 2022. This growth was supported by price increases secured in connection with inflation and volume reductions.

Sales can be analyzed as follows:

(in millions of euros)	2023	2022
Original equipment	18,701	16,748
Aftermarket	2,267	2,256
Other	1,076	1,033
SALES	**22,044**	**20,037**

Customer contributions to research and development expenditure and prototypes amounted to 534 million euros in 2023, compared with 524 million euros in 2022. They are presented under "Other".

4.2 Accounts and notes receivable

Accounts and notes receivable are current financial assets which are initially recognized at fair value and subsequently carried at amortized cost, less any accumulated impairment losses. The fair value of accounts and notes receivable is deemed to be their nominal amount, since payment periods are generally less than three months.

Accounts and notes receivable may be written down for impairment. Impairment is recognized when it is probable that the receivable will not be recovered and when the amount of the loss can be measured reliably. The Group uses two impairment testing methods:

- impairment estimated taking into account historical loss experience, the age of the receivables, and a detailed risk assessment;
- impairment estimated taking into account customer credit risk.

Impairment losses are recognized in operating income or in other financial income and expenses if they relate to a credit risk on a debtor.

Accounts and notes receivable may be discounted and sold to banks within the scope of recurring or one-off transactions. In accordance with the principles for derecognizing financial assets, an analysis is performed at the time of these transactions to determine the extent to which the risks and rewards inherent to ownership of the receivables have been transferred, particularly in terms of credit, late payment and dilution risks. If the analysis shows that both the contractual rights to receive the cash flows relating to the receivables and substantially all of the risks and rewards have been transferred, the accounts and notes receivable are removed from the consolidated statement of financial position and all of the rights created or retained on transfer are recognized as appropriate.

If this is not the case, the accounts and notes receivable continue to be carried on the consolidated statement of financial position and a debt is recorded to the extent of the discounted amount.

Upstream price reductions granted to automakers are recognized within contract assets under accounts and notes receivable in the consolidated statement of financial position at the time of payment. They are subsequently recognized in the statement of income on a straight-line basis as a deduction from sales as from the start of volume production.

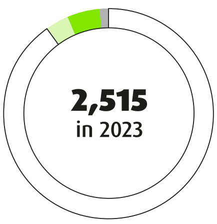
Accounts and notes receivable can be analyzed as follows:

(in millions of euros)	December 31, 2023	December 31, 2022
Contract assets	245	205
Accounts and notes receivable, gross	2,515	2,582
Impairment	(26)	(28)
ACCOUNTS AND NOTES RECEIVABLE, NET	**2,734**	**2,759**

At December 31, 2023, Valeo's largest automotive customer accounted for 11% of the Group's accounts and notes receivable (10% at December 31, 2022).

The average days' sales outstanding stood at 46 days at December 31, 2023, compared to 47 days at December 31, 2022.

The table below presents an aged analysis of accounts and notes receivable at the end of the reporting period:



(in millions of euros)		December 31, 2023	December 31, 2022
90.3%	Not yet due	2,270	2,398
3.6%	Less than 1 month past due	91	81
4.9%	More than 1 month but less than 1 year past due	122	81
1.2%	More than 1 year past due	32	22
	ACCOUNTS AND NOTES RECEIVABLE, GROSS	**2,515**	**2,582**

Gross accounts and notes receivable not yet due and less than one month past due at December 31, 2023 totaled 2,270 million euros and 91 million euros, respectively, and represented 94% of total gross accounts and notes receivable (96% at end-December 2022). Past due receivables were written down in an amount of 26 million euros at December 31, 2022 (28 million euros at December 31, 2022).

Accounts and notes receivable falling due after December 31, 2023, for which substantially all risks and rewards have been transferred and which are no longer carried in assets in the statement of financial position, break down as follows:

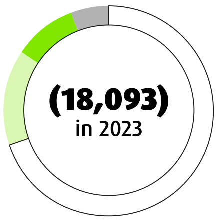
(in millions of euros)	December 31, 2023	December 31, 2022
Receivables sold:		
• Recurring sales of receivables	123	127
• Non-recurring sales of receivables	217	174
ACCOUNTS AND NOTES RECEIVABLE SOLD	**340**	**301**
Financial cost	14	5

In the ordinary course of its operations in China, Valeo may be paid by its customers or may pay its suppliers using a payment instrument specific to the Chinese market known as a “bank acceptance draft”. Owing to their nature, receivables and payables under bank acceptance drafts continue to be recognized within accounts and notes receivable and payable until they fall due. At December 31, 2023, these instruments represented 182 million euros of accounts and notes receivable and 303 million euros of accounts and notes payable (175 million euros and 355 million euros, respectively, at December 31, 2022).

4.3 Cost of sales

Cost of sales may include insurance indemnities paid out for claims made within the scope of the Group’s operations. These claims can relate to product quality issues or property damage. An insurance gain is recognized in the statement of income at the date of the claim, if it is demonstrated that the claim is duly covered by a valid insurance policy. If this right is contingent on the subsequent completion of repairs or on the acquisition of new assets (contingent claim), the associated gain should be recognized at the time the aforementioned repairs or acquisitions are made.

Cost of sales can be analyzed as follows:



(in millions of euros)		2023	2022
57.4% (1)	Raw materials consumed	(12,643)	(11,568)
12.0% (1)	Labor	(2,643)	(2,469)
8.1% (1)	Direct production costs and production overheads	(1,796)	(1,602)
4.6% (1)	Depreciation, amortization and impairment losses(2)	(1,011)	(951)
	COST OF SALES	**(18,093)**	**(16,590)**

(1) As a % of sales.
(2) This amount does not include amortization and impairment charged against capitalized development expenditure, which is recognized in Research and Development expenditure. It includes the impact of government subsidies and grants on non-current production assets (excluding Research and Development) recognized in the statement of income for the year.

4.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Impairment losses are booked when the probable realizable value of inventories is lower than their cost price. Inventories of raw materials and goods for resale are carried at purchase cost. Inventories of finished products and work-in-progress are carried at production cost. Production cost includes the cost of raw materials, supplies and labor used in production, and other direct production and indirect plant costs, excluding overheads not related to production. These costs are determined by the "First-in-First-out" method which, due to the rapid inventory turnover rate, approximates the latest cost at the end of the reporting period.

Tooling specific to a given project is subject to an economic analysis of the contractual relationship with the automaker in order to determine if control of the tooling is transferred to that automaker. Tooling is capitalized in the consolidated statement of financial position (see Note 6.3 "Property, plant and equipment" on pages 344 to 347) when Valeo has control of the tooling, or is otherwise carried in inventories (until control is transferred). A provision is made for any potential loss on the tooling contract (corresponding to the difference between the customer's contribution and the cost of the tooling) as soon as the amount of the loss is known.

At December 31, 2023, inventories break down as follows:

	December 31, 2023			December 31, 2022
(in millions of euros)	Gross carrying amount	Impairment	Net carrying amount	Net carrying amount
Raw materials	1,323	(243)	1,080	1,191
Work-in-progress	293	(51)	242	242
Finished goods and supplies	818	(160)	658	635
Specific tooling	397	(12)	385	315
INVENTORIES, NET	**2,831**	**(466)**	**2,365**	**2,383**

Impairment losses taken against inventories amounted to 466 million euros at December 31, 2023 (448 million euros at December 31, 2022), including an allowance (net of reversals) of 45 million euros during the year. Allowances for impairment of inventories (net of reversals) amounted to 37 million euros in 2022.

4.5 Operating margin including share in net earnings of equity-accounted companies

Operating margin is equal to sales less costs to sell, Research and Development expenditure and selling and administrative expenses.

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

In 2023, operating margin including share in net earnings of equity-accounted companies was 855 million euros (or 3.9% of sales), compared with 3.7% of sales in 2022.

Share in net earnings of equity-accounted companies represented a gain of 17 million euros in 2023 and a gain of 115 million euros in 2022. In 2022, share in net earnings of equity-accounted companies included a gain of 99 million euros on the Valeo Siemens eAutomotive joint venture.

Further details of the Group's share in earnings of equity-accounted companies are provided in Note 4.5.3, pages 328 to 330.

4.5.1 Research and Development expenditure

4.5.1.1 Capitalized development expenditure

Innovation can be analyzed as either research or development. Research is an activity which can lead to new scientific or technical knowledge and understanding. Development is the application of research findings with a view to creating new products, before the start of commercial production.

Research costs are recognized in expenses in the period in which they are incurred.

Development expenditure is capitalized where the Group can demonstrate that:

- it has the intention and the technical and financial resources to complete the development, evidenced in particular by an engagement letter from the customer stating that Valeo has been chosen as supplier for the project;
- the intangible asset will generate future economic benefits in excess of its carrying amount, i.e., based in particular on whether the project is expected to generate an adequate margin;
- and the cost of the intangible asset can be measured reliably.

Capitalized development expenditure recorded in assets in the statement of financial position therefore corresponds to projects for specific customer applications drawing on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described opposite. Costs incurred before the formal decision to develop the product are included in expenses for the period. Costs incurred after the launch of series production are considered production costs.

Capitalized development expenditure related to projects that have not yet resulted in the start of series production is tested for impairment at least once a year and whenever there is an indication that it may be impaired. Following the start of series production, capitalized development expenditure is tested at the level of the cash-generating units (CGUs) (see Note 6.4, pages 347 to 351).

Capitalized development expenditure is amortized on a straight-line basis over a maximum period of four years as from the start of series production.

Changes in capitalized development expenditure in 2022 and 2023 are analyzed below:

(in millions of euros)	**2023**	**2022**
GROSS CARRYING AMOUNT AT JANUARY 1	**5,303**	**4,708**
Accumulated amortization and impairment	(3,295)	(2,775)
NET CARRYING AMOUNT AT JANUARY 1	**2,008**	**1,933**
Capitalized development expenditure	995	657
Disposals	—	(2)
Changes in scope	—	1
Impairment	16	27
Amortization	(554)	(614)
Reclassifications	(12)	—
Translation adjustment	(36)	6
NET CARRYING AMOUNT AT DECEMBER 31	**2,417**	**2,008**

4.5.1.2 Research and Development expenditure

Research and Development expenditure comprises the costs incurred during the period, including amortization charged against capitalized development expenditure, less research tax credits and the portion of Research and Development subsidies granted to the Group and taken to income.

Research and Development expenditure can be analyzed as follows for 2022 and 2023:

(in millions of euros)	**2023**	**2022**
Gross Research and Development expenditure	(2,607)	(2,077)
Subsidies and grants, and other income(1)	114	122
Capitalized development expenditure	995	657
Amortization and impairment of capitalized development expenditure(2)	(531)	(582)
RESEARCH AND DEVELOPMENT EXPENDITURE	**(2,029)**	**(1,880)**

*(1) The impact of French research tax credits (*Crédits d'Impôt Recherche*), or any other similar tax arrangements in other jurisdictions outside the scope of IAS 12, as well as the impact of the subsidy calculated on the loan taken out with the European Investment Bank (EIB) in 2021, are presented on this line.*
(2) Impairment losses recorded in operating margin only.

The Group continued its Research and Development efforts in 2023 in order to fulfill the sharp increase in the order intake recorded over the past two years and in line with its strategy geared to technological innovation.

Customer contributions to research and development expenditure and prototypes are recognized in sales and presented under "Other" (see Note 4.1, page 322).

The research tax credit in France is calculated based on certain research expenditure on "eligible" projects and is paid by the French State, regardless of the entity's income tax position. If the company collecting the research tax credit is liable for income tax, the credit will be deducted from its income tax liability. Otherwise, it will be paid by the French State within a period of three years.

The French research tax credit, or any other similar tax provision in other jurisdictions, does not therefore fall within the scope of IAS 12 – "Income Taxes" and is recognized as a deduction from Research and Development expenditure within the Group's operating margin as and when the related costs are taken to income.

The French research tax credit recognized in income for the year totaled 45 million euros in respect of 2023 (36 million euros in 2022).

4.5.2 Other current assets

Amounts receivable in respect of the French research tax credit as well as VAT credits may be discounted and sold to banks. The Group applies the principles for derecognizing financial assets in the same way as for accounts and notes receivable. An analysis is performed to determine the extent to which the risks and rewards inherent to ownership of the receivables are transferred.

If the analysis shows that substantially all of the risks and rewards are transferred, these receivables are removed from the consolidated statement of financial position. If this is not the case, the receivables continue to be carried on the consolidated statement of financial position and a debt is recorded for the discounted amount.

At December 31, 2023, amounts receivable in respect of the French research tax credit for 2020, 2021, 2022 and 2023 are no longer carried in the consolidated statement of financial position.

These receivables were transferred as follows:

- the prospective 2020 research tax credit receivable on December 16, 2020 for 48 million euros, and in June 2021 for the remaining 5 million euros;
- the prospective 2021 research tax credit receivable on December 15, 2021 for 51 million euros, and in June 2022 for the remaining 4 million euros;
- the prospective 2021 Valeo eAutomotive research tax credit receivable on September 8, 2022 for 4 million euros;
- the prospective 2022 research tax credit receivable on December 16, 2022 for 45 million euros, and in July 2023 for the remaining 1 million euros;
- the prospective 2023 research tax credit receivable on December 20, 2023 for 53 million euros.

At December 31, 2023 and December 31, 2022, receivables in respect of the VAT credit in France and Hungary were sold and, as a result, are no longer recorded in the consolidated statement of financial position. These receivables represented an amount of 20 million euros at December 31, 2023 versus 16 million euros at December 31, 2022.

The cost of selling these receivables, recognized in cost of net debt for the year, amounted to 5 million euros for the Group, compared to 4 million euros in 2022.

4.5.3 Associates and joint ventures

4.5.3.1 Share in net earnings of equity-accounted companies

All investments accounted for using the equity method, either joint ventures or associates, contribute to the Group's operations and belong to one of its four operating segments. They are included in the Group's internal reporting within the meaning of IFRS 8 and their operating performance is reviewed at the level of the Business Groups to which they belong. Accordingly, the Group considers it appropriate to recognize the share in net earnings of equity-accounted companies within operating margin.

(in millions of euros)	2023	2022
Share in net earnings of associates	**8**	**2**
Of which Detroit Thermal Systems	*7*	*4*
Of which Other	*1*	*(2)*
Share in net earnings of joint ventures	**9**	**113**
Of which Valeo Siemens eAutomotive[(1)]	*—*	*99*
Of which Other	*9*	*14*
SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES	**17**	**115**

(1) Valeo eAutomotive has been fully consolidated in the Valeo Group's financial statements since July 1, 2022. In 2022, the share in net earnings of the Valeo Siemens eAutomotive joint venture included its income for the six-month period from January 1 to June 30, 2022, along with the gain arising on the remeasurement of Valeo's previously-held interest for 181 million euros.

4.5.3.2 Investments in equity-accounted companies

Investments in associates

Changes in the investments in associates caption can be analyzed as follows:

(in millions of euros)	2023	2022
INVESTMENTS IN ASSOCIATES AT JANUARY 1	**14**	**20**
Share in net earnings of associates	8	2
Dividend payments	(3)	(1)
Impact of changes in scope of consolidation	4	(4)
Other movements[(1)]	—	(3)
Translation adjustment	(1)	—
INVESTMENTS IN ASSOCIATES AT DECEMBER 31	**22**	**14**

(1) At December 31, 2022, other movements mainly corresponded to the classification of APG-FTE within assets held for sale (see Note 2.2.1.4, page 317).

The Group's investments in associates are detailed below:

	Percentage interest (in %)		Carrying amount (in millions of euros)	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Detroit Thermal Systems	49.0	49.0	14	10
Other investments in associates	N/A	N/A	8	4
INVESTMENTS IN ASSOCIATES			**22**	**14**

Investments in joint ventures

Changes in the investments in joint ventures caption can be analyzed as follows:

(in millions of euros)	2023	2022
INVESTMENTS IN JOINT VENTURES AT JANUARY 1	**96**	**90**
Share in net earnings of joint ventures(1)	9	113
Dividend payments	(11)	(16)
Impact of changes in scope of consolidation(2)	—	(85)
Other movements	1	—
Translation adjustment	(7)	(6)
INVESTMENTS IN JOINT VENTURES AT DECEMBER 31	**88**	**96**

(1) *The share in net earnings of the Valeo Siemens eAutomotive joint venture in 2022 includes the net earnings over the six-month period from January 1 to June 30, 2022 along with the gain arising on the remeasurement of Valeo's previously-held interest for 181 million euros.*
(2) *Changes in the scope of consolidation in 2022 mainly include the impacts of the change in the consolidation method for Valeo Siemens eAutomotive following its takeover on July 4, 2022 (see Note 2.2.1.1, page 318).*

The Group's investments in joint ventures are detailed below:

	Percentage interest (in %)		Carrying amount (in millions of euros)	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Shanghai Valeo Automotive Electrical Systems Company Ltd	50.0	50.0	30	37
Faw-Valeo Climate Control Systems Co. Ltd	36.5	36.5	22	23
Other	N/A	N/A	36	36
INVESTMENTS IN JOINT VENTURES			**88**	**96**

4.5.3.3 Financial information on equity-accounted companies

This information is presented based on a 100% holding and according to IFRS.

Information for equity-accounted associates and joint ventures is presented on an aggregate basis since the entities are not material taken individually.

Associates

Aggregate financial data in respect of associates is set out below:

(in millions of euros)	December 31, 2023	December 31, 2022
Non-current assets	49	38
Current assets	77	82
Non-current liabilities	(13)	(19)
Current liabilities	(55)	(66)

(in millions of euros)	2023	2022
Sales	327	323
Operating expenses	(311)	(311)

Joint ventures

Summarized financial data in respect of joint ventures are set out in the table below:

(in millions of euros)	December 31, 2023	December 31, 2022
Non-current assets	160	186
Current assets	366	366
Non-current liabilities	(40)	(76)
Current liabilities	(367)	(400)

(in millions of euros)	2023	2022
Sales	735	742
Operating expenses	(696)	(713)

4.5.3.4 Transactions with equity-accounted companies (related parties)

The consolidated financial statements include transactions carried out in the normal course of operations between the Group and its associates and joint ventures. These transactions are carried out at arm's length.

Transactions with associates

(in millions of euros)	December 31, 2023	December 31, 2022
Accounts and notes receivable	5	5
Accounts and notes payable	(8)	(6)
Financial receivables/(net debt)	7	11

(in millions of euros)	2023	2022
Sales of goods and services	30	8
Purchases of goods and services	(42)	(48)

Transactions with joint ventures

(in millions of euros)	December 31, 2023	December 31, 2022
Accounts and notes receivable	79	70
Accounts and notes payable	(9)	(9)

(in millions of euros)	2023	2022[1]
Sales of goods and services	121	182
Purchases of goods and services	(29)	(21)

(1) Valeo eAutomotive has been fully consolidated in the Valeo Group's financial statements since July 1, 2022. The amounts shown for 2022 include transactions carried out between January 1 and June 30, 2022.

4.6 Operating income and other income and expenses

4.6.1 Operating income

Operating income includes all income and expenses other than:

- interest income and expense comprising cost of net debt;
- other financial income and expenses;
- income taxes.

In 2023, the Group recorded operating income including share in net earnings of equity-accounted companies of 744 million euros, versus 644 million euros in 2022.

4.6.2 Other income and expenses

In order to facilitate interpretation of the statement of income and Group performance, unusual items that are material to the consolidated financial statements are presented separately within operating income under other income and expenses.

This caption mainly includes:

- transaction costs and capital gains and losses arising on changes in the scope of consolidation;
- major litigation and disputes unrelated to the Group's operations (excluding, therefore, the cost of any disputes relating to the quality of products sold, customers, suppliers or contract losses);
- net costs relating to restructuring plans;
- impairment losses on fixed assets chiefly recognized as a result of impairment tests on CGUs and goodwill.

Other income and expenses can be analyzed as follows in 2022 and 2023:

(in millions of euros)	Notes	2023	2022
Capital gains and losses and transaction costs arising on changes in the scope of consolidation	4.6.2.1	(9)	(7)
Claims and litigation	4.6.2.2	(8)	(25)
Restructuring plans	4.6.2.3	(90)	(31)
Reversals of/(additions to) impairment of assets	4.6.2.4	(4)	(43)
OTHER INCOME AND EXPENSES		**(111)**	**(106)**

4.6.2.1 Capital gains and losses and transaction costs arising on changes in the scope of consolidation

This item includes capital gains and losses on disposals of operations completed in 2023, representing a net loss of 2 million euros (see Note 2.2.1, page 317).

In 2022, this item included the costs associated with the takeover of the Valeo Siemens eAutomotive joint venture and the planned sale of the Mirror business in Japan.

4.6.2.2 Claims and litigation

In 2023, this item includes the impacts of various disputes and the related legal advisory costs.

4.6.2.3 Restructuring plans

In 2023, restructuring costs mainly comprise expenses relating to the plan to adapt the Amiens site following the decline in business related to internal combustion engines and to the costs of the planned closure of production activity at the Bad Neustadt site. Restructuring costs also include the cost of early retirement plans in Germany.

4.6.2.4 Impairment of assets

Following the impairment tests performed at December 31, 2023, the Group recognized an impairment loss of 20 million euros against the Top Column Module cash-generating unit (see Note 6.4.2, page 349). An impairment loss previously recognized against assets in Brazil was also reversed for 17 million euros, thereby increasing the carrying amount of the assets to the value that would have been determined (net of amortization and depreciation) had no impairment loss been recognized (see Note 6.4.7, page 351).

At December 31, 2022, the Group recognized an impairment loss of 43 million euros to reflect the impacts of international sanctions applied against Russia in response to the military conflict in Ukraine.

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

5.1 Headcount

Including temporary staff, the Group's headcount is as follows:

	2023	2022
Total employees at December 31	112,700	109,900
Average employees during the year	112,275	107,250

5.2 Employee benefits

Employee benefits are measured in accordance with IAS 19. They comprise both short- and long-term benefits.

Group employees are entitled to short-term benefits such as paid annual leave, paid sick leave, bonuses and other benefits (other than termination benefits), payable within 12 months of the end of the period in which the corresponding services are rendered.

These benefits are shown in current liabilities and expensed in the period in which the related service is rendered by the employee.

Long-term benefits cover two categories of employee benefits:

- post-employment benefits, which include statutory retirement bonuses, supplementary pension benefits, and coverage of certain medical costs for retirees and early retirees;
- other long-term benefits payable (during employment), corresponding primarily to long-service bonuses.

Benefits offered to each employee depend on local legislation, collective bargaining agreements, or other agreements in place in each Group entity.

These benefits are broken down into:

- defined contribution plans, under which the employer pays fixed contributions on a regular basis and has no legal or constructive obligation to pay further contributions. These are recognized in expenses based on calls for contributions;
- defined benefit plans, under which the employer guarantees a future level of benefits. An obligation under defined benefit plans (see Note 5.3, pages 333 to 339) is recognized in liabilities in the statement of financial position.

The statement of income presents personnel expenses by function. They include the following items:

(in millions of euros)	2023	2022
Wages and salaries(1)	3,755	3,433
Social security charges	762	702
Share-based payment	25	21
Pension expenses under defined contribution plans	182	167
TOTAL	**4,724**	**4,323**

(1) Including temporary staff.

Pension expenses under defined benefit plans are set out in Note 5.3, pages 333 to 339.

Provisions for restructuring plans and employee disputes are set out in Note 7.1, pages 352 to 353.

5.3 Provisions for pensions and other employee benefits

As indicated in Note 5.2, page 332, long-term benefits arising under defined benefit plans give rise to an obligation which is recognized in provisions for pensions and other employee benefits.

The pension provision is equal to the present value of Valeo's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. An asset is only recognized on overfunded plans if it represents future economic benefits that are available to the Group.

The provision for other long-term benefits is equal to the present value of the future benefit obligation. The expected cost of these benefits is recorded in personnel expenses over the employee's working life in the Company.

The calculation of these provisions is based on valuations performed by independent actuaries using the projected unit credit method and end-of-career salaries. These valuations incorporate both macroeconomic assumptions specific to each country in which the Group operates (discount rate, increases in salaries and medical costs) and demographic assumptions, including rate of employee turnover, retirement age and life expectancy.

Discount rates are determined by reference to market yields at the valuation date on high-quality corporate bonds (rated AA) with a term consistent with that of the employee benefits concerned. In countries where the market for investment-grade corporate bonds is insufficient, discount rates are determined by reference to the yield on government bonds.

The effects of differences between previous actuarial assumptions and what has actually occurred (experience adjustments) and the effect of changes in actuarial assumptions (assumption adjustments) give rise to actuarial gains and losses. Actuarial gains and losses arising on long-term benefits payable during employment are recognized immediately in income. However, actuarial gains and losses arising on post-employment benefits are taken directly to other comprehensive income net of deferred tax.

Past service costs resulting from the adoption of a new defined benefit plan or amendments to an existing defined benefit plan are recognized immediately in income.

The expense recognized in the statement of income includes:

- service cost for the period, past service costs, actuarial gains and losses arising on long-term benefits payable during employment and the impact of any plan curtailments, amendments or settlements;
- net interest cost on pension obligations recognized in financial income (including the impact of unwinding) and the expected yield on hedging assets.

5.3.1 Description of the plans in force within the Group

The Group has set up a large number of defined benefit plans covering most of its current and former employees. The specific characteristics of these plans (benefit formula, funded status) vary depending on the laws and regulations prevailing in each country in which its employees work. At December 31, 2023, 91% of provisions are related to post-employment benefits, while the remaining 9% cover other long-term benefits.

The main post-employment defined benefit plans concern:

- supplementary pension benefits in Germany, the United States, Japan and the United Kingdom, which top up the statutory pension plans in force in those countries:
  - pension entitlement is calculated based on end-of-career salaries and number of years' service within the Group. Certain plans are pre-funded due to local legal requirements in some countries (United States/South Korea/United Kingdom) or as a result of the choice made by the company on setting up the plan (Japan),
  - most plans in the United States have been frozen and no longer give rise to any additional benefits;
- retirement termination benefits in France or severance benefits in South Korea, Mexico and Italy:
  - these benefits are fixed amounts and are calculated depending on the number of years' service and the employee's annual compensation, either at the retirement date (as in France) or at the date the employee leaves the company for whatever reason (retirement, resignation or redundancy) (as in South Korea, Mexico and Italy);
- health cover during retirement in the United States:
  - Valeo pays into health plans and life insurance plans for certain retired employees in the United States. These plans are not funded and have all been frozen (the last plan was frozen as of January 1, 2012). Accordingly, no additional benefits have since been offered by these plans to plan participants still working for the Group;

- top-up retirement plans for certain Group managers and executives in France:
  - these plans are now closed to new entrants (the last plan in force concerning a specific level of Valeo management *(cadres hors catégorie)* was closed to new entrants on June 30, 2017). With effect from July 3, 2019, no further conditional top-up pension rights may accrue under these defined benefit plans in respect of employment periods beyond January 1, 2020. For retirees, these plans are covered by an insurance company. A provision has been recognized in respect of the related obligation based on the probable present value of the future benefits payable, determined considering the number of years' service at the year-end relative to the number of years' service at retirement, it being specified that the beneficiaries must still finish their careers at Valeo,
  - the portion of the obligation relating to the Group's executive managers is detailed in Note 5.5, page 341.

New laws amending the retirement age of certain employees were adopted in France and Turkey in the first half of 2023. In France, the minimum legal retirement age was raised to 64, with special provisions for employees who started working before the age of 21. Under the new law in Turkey, employees who started paying contributions before September 1999 and who have completed more than 20 years of employment for women and more than 25 years for men are eligible for retirement. The impact of the new laws on the Group's provisions for pensions and other employee benefits at December 31, 2023 was not material.

The table below shows the average duration of the Group's main plans and the employees covered by these plans in each region at December 31, 2023:

	France	Other European countries	North America	Asia	Total
Active Valeo employees	11,721	21,753	11,908	8,350	53,732
Active employees having left the Group	—	3,069	836	587	4,492
Retirees	2	5,243	5,060	1,370	11,675
TOTAL EMPLOYEES	**11,723**	**30,065**	**17,804**	**10,307**	**69,899**
Average duration of post-employment benefit plans *(in years)*	9	15	9	9	11

The Group also grants other long-term benefits, chiefly long-service bonuses or loyalty awards, mainly in France, Germany, South Korea and Japan.

All of these plans are accounted for as described above.

5.3.2 Actuarial assumptions

The discount rates used to measure obligations in the countries representing the Group's most significant obligations were as follows:

Country	December 31, 2023	December 31, 2022
Eurozone	3.20	3.75
United Kingdom	4.50	4.80
United States	5.00	5.35
Japan	1.80	1.30
South Korea	4.80	5.75

The weighted average long-term salary inflation rate was around 3% at December 31, 2023, stable compared to December 31, 2022.

The sensitivity of the Group's main obligations to a 1-point rise or fall in discount rates and the inflation rate is set out in Note 5.3.7, page 338.

5.3.3 Breakdown and movements in obligations

Pension obligations and provisions break down as follows by major geographic area:

2023

(in millions of euros)	France	Other European countries	North America[(1)]	Asia	Total
Present value of unfunded obligations	142	457	105	108	812
Present value of funded obligations	32	147	311	140	630
Market value of plan assets	(18)	(97)	(309)	(165)	(589)
NET PROVISIONS RECOGNIZED AT DECEMBER 31, 2023	**156**	**507**	**107**	**83**	**853**
Permanent employees at December 31, 2023[(2)]	12,263	36,356	15,318	21,704	85,641

(1) Unfunded pension obligations in North America include medical plans in the United States representing 47 million euros.
(2) Permanent employees shown in the table above do not include permanent staff in South America, for which no obligation was recognized in respect of pensions or other long-term benefits. The Group's pension obligations in North America are significant with regard to the Group's permanent employees in this region, since a large portion of these obligations relates to retired personnel or employees having left the Group.

2022

(in millions of euros)	France	Other European countries	North America[(1)]	Asia	Total
Present value of unfunded obligations	135	398	95	111	739
Present value of funded obligations	31	134	320	135	620
Market value of plan assets	(12)	(92)	(312)	(168)	(584)
NET PROVISIONS RECOGNIZED AT DECEMBER 31, 2022	**154**	**440**	**103**	**78**	**775**
Permanent employees at December 31, 2022[(2)]	12,195	35,126	14,935	21,417	83,673

(1) Unfunded pension obligations in North America include medical plans in the United States representing 49 million euros.
(2) Permanent employees shown in the table above do not include permanent staff in South America, for which no obligation was recognized in respect of pensions or other long-term benefits. The Group's pension obligations in North America are significant with regard to the Group's permanent employees in this region, since a large portion of these obligations relates to retired personnel or employees having left the Group.

Movements in obligations in 2023 and 2022 are shown in the tables below by major geographic area:

2023

(in millions of euros)	France	Other European countries	North America	Asia	Total
BENEFIT OBLIGATIONS AT JANUARY 1, 2023	**166**	**532**	**415**	**246**	**1,359**
Actuarial gains and losses recognized in other comprehensive income	5	62	19	15	101
Benefits paid	(15)	(28)	(35)	(29)	(107)
Translation adjustment	—	(1)	(15)	(22)	(38)
Changes in scope	—	—	—	(5)	(5)
Reclassifications	—	—	—	8	8
Expenses (income) for the year:	18	39	32	35	124
• *Service cost*	*14*	*17*	*5*	*27*	*63*
• *Interest cost*	*7*	*19*	*22*	*6*	*54*
• *Other[(1)]*	*(3)*	*3*	*5*	*2*	*7*
BENEFIT OBLIGATIONS AT DECEMBER 31, 2023	**174**	**604**	**416**	**248**	**1,442**

(1) The "Other" line mainly includes actuarial gains and losses recognized immediately in income, the impacts of past service costs and gains on settlements.

Actuarial losses totaling 101 million euros in 2023 primarily resulted from lower discount rates, particularly in the eurozone, the United States, the United Kingdom and South Korea.

2022

(in millions of euros)	France	Other European countries	North America	Asia	Total
BENEFIT OBLIGATIONS AT JANUARY 1, 2022	**220**	**738**	**522**	**322**	**1,802**
Actuarial gains and losses recognized in other comprehensive income	(40)	(215)	(129)	(24)	(408)
Benefits paid	(27)	(24)	(34)	(60)	(145)
Translation adjustment	—	(5)	35	(15)	15
Changes in scope	2	15	—	1	18
Reclassifications[(1)]	—	—	—	(8)	(8)
Expenses (income) for the year:	11	23	21	30	85
• *Service cost*	*19*	*16*	*5*	*28*	*68*
• *Interest cost*	*2*	*9*	*13*	*3*	*27*
• *Other*[(2)]	*(10)*	*(2)*	*3*	*(1)*	*(10)*
BENEFIT OBLIGATIONS AT DECEMBER 31, 2022	**166**	**532**	**415**	**246**	**1,359**

(1) Benefit obligations relating to the Mirror business were reclassified within liabilities held for sale at December 31, 2022.
(2) The "Other" line mainly includes actuarial gains and losses recognized immediately in income, the impacts of past service costs and gains on settlements.

Actuarial gains totaling 408 million euros in 2022 primarily reflected the increase in discount rates in most regions of the world.

5.3.4 Movements in provisions

Movements in provisions in 2023 and 2022, including assets relating to pensions and other employee benefits, are shown in the table below:

(in millions of euros)	France	Other European countries	North America	Asia	Total
NET PROVISIONS AT JANUARY 1, 2022	**205**	**620**	**107**	**111**	**1,043**
Actuarial gains and losses recognized in other comprehensive income	(39)	(177)	(17)	(16)	(249)
Amounts utilized during the year	(25)	(23)	(7)	(31)	(86)
Translation adjustment	—	(1)	8	(7)	—
Changes in scope	2	—	—	1	3
Reclassifications[(1)]	—	—	—	(8)	(8)
Expenses (income) for the year:	11	21	12	28	72
• *Service cost*	*19*	*16*	*4*	*28*	*67*
• *Net interest cost*	*2*	*6*	*5*	*1*	*14*
• *Other*	*(10)*	*(1)*	*3*	*(1)*	*(9)*
NET PROVISIONS AT DECEMBER 31, 2022	**154**	**440**	**103**	**78**	**775**
Actuarial gains and losses recognized in other comprehensive income	5	62	—	9	76
Amounts utilized during the year	(20)	(28)	(9)	(32)	(89)
Translation adjustment	—	(2)	(4)	(7)	(13)
Reclassifications	—	—	—	4	4
Expenses (income) for the year:	17	35	17	31	100
• *Service cost*	*14*	*17*	*5*	*27*	*63*
• *Net interest cost*	*6*	*15*	*7*	*2*	*30*
• *Other*	*(3)*	*3*	*5*	*2*	*7*
NET PROVISIONS AT DECEMBER 31, 2023	**156**	**507**	**107**	**83**	**853**
Of which current portion (less than one year)	22	27	13	17	79

(1) Benefit obligations relating to the Mirror business were reclassified within liabilities held for sale at December 31, 2022.

An expense of 100 million euros was recognized in 2023 in respect of pensions and other employee benefits (up compared to 2022), of which 69 million euros was included in operating margin, 30 million euros in other financial income and expenses and income of 1 million euros in other income and expenses.

5.3.5 Breakdown and movements in plan assets

The breakdown of plan assets at December 31, 2023 and 2022 is shown in the tables below:

2023

(in millions of euros)	France	Other European countries(1)	North America	Asia(1)	Total
Cash at bank	—	1	6	36	43
Shares	18	8	122	27	175
Government bonds	—	51	131	65	247
Corporate bonds	—	35	50	30	115
Real estate	—	—	—	1	1
Other	—	2	—	6	8
BREAKDOWN OF PLAN ASSETS AT DECEMBER 31, 2023	**18**	**97**	**309**	**165**	**589**

(1) At December 31, 2023, plans in Japan, South Korea and Europe were overfunded, with the fair value of the plan assets exceeding the amount of the obligation. The Group therefore recognized non-current financial assets for the amount of the surplus, i.e., 45 million euros, as it considers the right to a refund is unconditional for each plan within the meaning of IFRIC 14.

2022

(in millions of euros)	France	Other European countries(1)	North America	Asia(1)	Total
Cash at bank	—	1	3	59	63
Shares	12	8	131	29	180
Government bonds	—	51	132	65	248
Corporate bonds	—	30	46	12	88
Real estate	—	—	—	1	1
Other	—	2	—	2	4
BREAKDOWN OF PLAN ASSETS AT DECEMBER 31, 2022	**12**	**92**	**312**	**168**	**584**

(1) At December 31, 2022, plans in Japan, South Korea and Europe were overfunded, with the fair value of the plan assets exceeding the amount of the obligation. The Group therefore recognized non-current financial assets for the amount of the surplus, i.e., 49 million euros, as it considers the right to a refund is unconditional within the meaning of IFRIC 14.

These assets are managed by specialized asset management companies.

In managing the risk arising on these assets, the diversification of the funds among the different asset classes (equities, bonds, cash equivalents or other) is defined by the investment committees or trustees specific to each country concerned, acting on recommendations from external advisors. Asset allocation decisions depend on the market outlook and the characteristics of the pension obligations. These committees carry out regular reviews of the investments made and of their performance.

Movements in the value of plan assets in 2023 and 2022 can be analyzed as follows:

2023

(in millions of euros)	France	Other European countries	North America	Asia	Total
PLAN ASSETS AT JANUARY 1, 2023	**12**	**92**	**312**	**168**	**584**
Expected return on plan assets	1	4	15	4	24
Contributions paid to external funds	6	3	—	14	23
Benefits paid	(1)	(3)	(26)	(11)	(41)
Actuarial gains and losses	—	—	19	6	25
Translation adjustment	—	1	(11)	(15)	(25)
Changes in scope	—	—	—	(5)	(5)
Reclassifications	—	—	—	4	4
PLAN ASSETS AT DECEMBER 31, 2023	**18**	**97**	**309**	**165**	**589**

The increase in the fair value of plan assets in 2023 is chiefly attributable to a good fund performance. The actual return on plan assets in the year represented a gain of 49 million euros.

Contributions totaling 23 million euros were paid to external funds in 2023, down 3 million euros compared to estimates. Contributions are estimated at 10 million euros for 2024.

2022

(in millions of euros)	France	Other European countries	North America	Asia	Total
PLAN ASSETS AT JANUARY 1, 2022	**15**	**118**	**415**	**211**	**759**
Expected return on plan assets	—	2	9	2	13
Contributions paid to external funds	10	4	—	14	28
Benefits paid	(12)	(5)	(27)	(43)	(87)
Actuarial gains and losses	(1)	(38)	(112)	(8)	(159)
Translation adjustment	—	(4)	27	(8)	15
Changes in scope	—	15	—	—	15
PLAN ASSETS AT DECEMBER 31, 2022	**12**	**92**	**312**	**168**	**584**

The decrease in the fair value of plan assets in 2022 was chiefly attributable to a weaker fund performance. The actual return on plan assets in the year represented a loss of 146 million euros.

5.3.6 Data for previous years

Benefit obligations, financial assets and actuarial gains and losses for previous years can be analyzed as follows:

(in millions of euros)	2023	2022	2021	2020	2019
Benefit obligations	1,442	1,359	1,802	1,829	1,933
Financial assets	(589)	(584)	(759)	(716)	(692)
NET BENEFIT OBLIGATIONS	**853**	**775**	**1,043**	**1,113**	**1,241**
Actuarial (losses) gains recognized in other comprehensive income	(76)	249	71	(18)	94

Actuarial losses recognized in other comprehensive income in 2023 reflected:

- 44 million euros in net actuarial losses on changes in financial assumptions, mainly related to the decrease in discount rates in most countries and comprising 69 million euros in actuarial losses on changes in assumptions on obligations and 25 million euros in actuarial gains on the return on plan assets;
- 32 million euros in actuarial losses resulting from experience adjustments.

5.3.7 Sensitivity of obligations

The discount rates and inflation rates applied in each geographic area or country have a significant impact on the amount of the Group's benefit obligations.

A 1-point increase or decrease in these rates would have the following impact on the projected benefit obligation at December 31, 2023:

(in millions of euros)	France	Other European countries	North America	Asia	Total
Discount rate					
Impact of a 1-point increase	(14)	(79)	(36)	(18)	(147)
Impact of a 1-point decrease	15	91	37	19	162
Salary inflation rate					
Impact of a 1-point increase	15	1	2	8	26
Impact of a 1-point decrease	(12)	(1)	(3)	(7)	(23)

At December 31, 2023, the value of the Group's benefit obligation is less sensitive to changes in the salary inflation rate than to changes in the discount rate, particularly in the United States and the United Kingdom. This is due to the existence of plans that have now been frozen and that only bear obligations in relation to the Group's former employees.

Changes in the discount and inflation rates only have a limited impact on 2023 service cost. A 1-point decrease in the discount rate would have led to an additional expense of 5 million euros, while a 1-point increase in the discount rate would have reduced the expense by 5 million euros.

5.3.8 Estimated payouts over the next ten years

Payouts due over the next ten years by the Group in respect of pension plans and other employee benefits can be estimated as follows:

(in millions of euros)	France	Other European countries	North America	Asia	Total
2024	18	24	11	5	58
2025	10	22	11	7	50
2026	12	24	11	8	55
2027	9	25	11	10	55
2028	15	27	12	8	62
2029/2033	101	141	60	38	340
TOTAL	**165**	**263**	**116**	**76**	**620**

5.4 Share-based payment

Some Group employees receive equity-settled compensation in the form of share-based payment.

Free share plans

The fair value of the benefit granted to employees within the scope of free share plans is estimated based on the share price at the grant date, taking into account a discount corresponding to the dividends forfeited over the vesting period and a discount to reflect the lock-up period requirement when the shares are subject to post-vesting transfer restrictions.

The overall cost of equity-settled plans is calculated and fixed at the grant date of the plan concerned. The number of instruments that Valeo expects to remit to beneficiaries factors in the turnover of the beneficiary populations concerned by each plan.

Since the final allotment of free shares is subject to a presence condition, this personnel expense is recognized against equity on a straight-line basis over the vesting period of the rights. The Group periodically reviews the number of free shares to be allotted in light of expectations as regards the achievement of performance conditions. Where appropriate, the consequences of revising the number of free shares are reflected in the statement of income. The number of free shares that may be allotted based on total shareholder return (TSR) is determined on the date on which the plan is approved by the Board of Directors.

Free shares are included in the calculation of diluted earnings per share, as described in Note 10.2, page 376.

An expense of 25 million euros was recognized in 2023 in respect of free share plans, compared to an expense of 21 million euros in 2022.

5.4.1 Free share plans

The terms and conditions of the shareholder-approved employee free share plans operated by the Valeo Group at December 31, 2023 were as follows:

Year in which plan was set up	Number of free shares authorized	*of which subject to conditions*[(1)]	December 31, 2023	Year of vesting[(2)]
2019	1,699,281	*779,496*	241,811	2022/2024
2020	2,342,306	*1,134,116*	259,786	2023/2025
2021	2,070,829	*904,339*	1,478,912	2024/2026
2022	2,308,057	*1,143,042*	2,153,694	2025/2027
2023	2,794,057	*1,295,347*	2,749,714	2026
TOTAL	**11,214,530**	***5,256,340***	**6,883,917**	

(1) These free shares are subject to the Group meeting performance conditions over the three years following their allotment.
(2) For the 2019 to 2021 plans, only free shares allotted to the former Chairman of the Board of Directors and to the Chief Executive Officer are subject to a two-year holding period. As from the 2022 plan, this holding period applies to free shares granted to the Chief Executive Officer.

At the date it was set up, the fair value of the 2023 free share plan was measured based on a par value of 16.18 euros per share allocated. This amount was determined based on a share price of 18.52 euros at the date on which the plan was set up and a risk-free interest rate of 3.42%.

5.4.2 Movements in free share plans

Movements in free share plans in 2023 are detailed below:

	Number of free shares
FREE SHARES OUTSTANDING AT JANUARY 1, 2023	**6,208,967**
Free shares granted	2,794,057
Free shares canceled	(409,422)
Free shares remitted	(1,716,360)
Free shares – Changes related to performance conditions	6,675
FREE SHARES OUTSTANDING AT DECEMBER 31, 2023	**6,883,917**

5.4.3 Employee share ownership plan: Shares4U

In countries that meet the Group's eligibility criteria and where permitted by local laws and regulations, Valeo offers eligible employees the opportunity to become shareholders through an employee share issue carried out specifically for this purpose.

As has been the case since 2016, a new standard plan was offered to employees during second-half 2023, under which Valeo shares could be subscribed to directly or through a Company mutual fund, at a subscription price set by the Group's Chief Executive Officer acting on the authority of the Board of Directors on September 15, 2023. The subscription price of 14.24 euros corresponds to the average of the Group's opening share price on the 20 trading days preceding the date of the decision, less a 20% discount. The shares are locked up for five years (except in the case of an early release event provided for by the applicable local law).

Employees bear the risk of fluctuations in the share price relative to the subscription price.

By subscribing to shares within the scope of the Group Employee Savings Plan (*Plan d'Épargne de Groupe* – PEG), employees can benefit from a contribution from their employer. Outside France, employees are allotted free shares subject to certain conditions, governed by the regulations applicable to the Group-approved free share plan. The free shares allotted are existing Valeo shares repurchased on the market.

In all, 1,131,560 shares were subscribed at a price of 14.24 euros each, representing a 16 million euro capital increase on November 15, 2023 (see Note 10.1, pages 375 to 376).

The assumptions used to value the equity instruments were as follows:

	2023	2022
Date rights granted	October 6	October 7
Reference price *(in euros)*	17.80	18.96
Face value discount *(in %)*	20	20
Subscription price *(in euros)*	14.24	15.17
Beneficiary's 5-year interest rate *(in %)*	N/A	6.00
Risk-free interest rate *(in %)*	3.40	3.10
Credit spread for "A-"-rated financial institution *(in %)*	0.90	N/A
Repo rate *(in %)*	0.57	0.80

The total cost of the Shares4U 2023 plan was 12 million euros, of which 5 million euros was recognized in personnel expenses for 2023 (including social security charges).

5.5 Executive compensation (related party transactions)

The Group's key management personnel include the Chairman of the Board of Directors, the Chief Executive Officer, the members of the Board of Directors (corporate officers) and the members of the Executive Committee. At December 31, 2023, the Operations Committee had 14 members (including the Chief Executive Officer).

Corporate officer compensation is presented in Chapter 3 of the 2023 Universal Registration Document, "Corporate Governance" on pages 103 to 184.

Expenses linked to compensation and other benefits accruing to the corporate officers and to the members of the Executive Committee in respect of their duties in the Group can be analyzed as follows:

(in millions of euros)	2023	2022
SHORT-TERM BENEFITS		
• Fixed, variable, exceptional and other compensation	14	14
• Director's compensation[1]	1	1
OTHER BENEFITS		
• Post-employment benefits[2]	2	(2)
• Share-based compensation	4	2

(1) Executive corporate officers do not receive any compensation for their position as directors of Valeo SE.
(2) At December 31, 2023, provisions included in the Group's statement of financial position in respect of pension obligations accruing to executive managers amounted to 10 million euros, as in 2022.

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 Goodwill

Goodwill is initially recognized on business combinations as described in Note 2.1.3, pages 315 to 316.

Goodwill is not amortized but is tested for impairment at least once a year and whenever there is an indication that it may be impaired. In 2023, impairment tests were carried out as described in Note 6.4, pages 347 to 351.

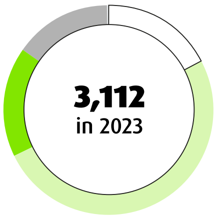
Changes in goodwill in 2023 and 2022 are analyzed below:

(in millions of euros)	2023	2022
NET CARRYING AMOUNT AT JANUARY 1	**3,245**	**2,552**
Acquisitions during the year	—	697
Disposal during the year	(13)	—
Translation adjustment	(63)	(1)
Other	(57)	(3)
NET CARRYING AMOUNT AT DECEMBER 31	**3,112**	**3,245**
Including accumulated impairment losses at December 31	—	—

The decrease in goodwill in 2023 is due to (i) the reclassification of goodwill allocated to the Thermal Commercial Vehicles Product Group to assets held for sale in an amount of 59 million euros (see Note 2.2.2.1, page 318) and (ii) currency effects. These translation adjustments represent a loss of 63 million euros, including 26 million euros arising on the depreciation of the Japanese yen and 15 million euros on the depreciation of the South Korean won between December 31, 2022 and December 31, 2023.

The increase in goodwill in 2022 was mainly due to the takeover of Valeo eAutomotive and Kuantic.

Goodwill can be broken down by Business Group as follows:



(in millions of euros)		December 31, 2023	December 31, 2022
17%	Comfort & Driving Assistance Systems	544	571
50%	Powertrain Systems	1,571	1,585
17%	Thermal Systems	522	599
15%	Visibility Systems	469	484
1%	Other	6	6
	GOODWILL	**3,112**	**3,245**

6.2 Other intangible assets

Separately acquired intangible assets are initially recognized at cost. Intangible assets acquired as part of a business combination are recognized at fair value, separately from goodwill. Intangible assets are subsequently carried at cost, less accumulated amortization and impairment losses. They are tested for impairment using the methodology described in Note 6.4, pages 347 to 351.

Capitalized development expenditure recognized within other intangible assets in the statement of financial position corresponds to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization described in Note 4.5.1.1, page 326.

Costs incurred before the formal decision to develop the product are included in expenses for the period. Costs incurred after the launch of series production are considered production costs.

Intangible assets are amortized on a straight-line basis over their expected useful lives:

- software — 3 to 5 years
- patents and licenses — based on their useful lives or duration of protection
- capitalized development expenditure — 4 years
- customer relationships acquired — up to 25 years
- other intangible assets — 3 to 5 years

Other intangible assets can be analyzed as follows:

(in millions of euros)	December 31, 2023 Gross carrying amount	December 31, 2023 Amortization and impairment losses	December 31, 2023 Net carrying amount	December 31, 2022 Net carrying amount
Software	483	(422)	61	52
Patents and licenses	556	(259)	297	288
Capitalized development expenditure	6,042	(3,625)	2,417	2,008
Customer relationships and other intangible assets	659	(377)	282	426
OTHER INTANGIBLE ASSETS	**7,740**	**(4,683)**	**3,057**	**2,774**

Changes in intangible assets in 2023 and 2022 are analyzed below:

2023

(in millions of euros)	Software	Patents and licenses	Capitalized development expenditure	Customer relationships and other intangible assets	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2023(1)	**485**	**554**	**5,303**	**756**	**7,098**
Accumulated amortization and impairment	(433)	(206)	(3,295)	(392)	(4,326)
NET CARRYING AMOUNT AT JANUARY 1, 2023	**52**	**348**	**2,008**	**364**	**2,772**
Acquisitions	33	1	995	2	1,031
Reversals of/(additions to) impairment	—	(2)	16	(9)	5
Amortization	(27)	(47)	(554)	(44)	(672)
Translation adjustment	—	(3)	(36)	(15)	(54)
Reclassifications(2)	3	—	(12)	(16)	(25)
NET CARRYING AMOUNT AT DECEMBER 31, 2023	**61**	**297**	**2,417**	**282**	**3,057**

(1) For 2023, the opening gross carrying amounts of the "Patents and licenses" and "Customer relationships and other intangible assets" items have been modified compared to those shown for December 31, 2022 in the 2022 consolidated financial statements published in February 2023 in order to reflect the final purchase price allocation for Valeo eAutomotive (see Note 2.2.1.1, page 317).

(2) The "Reclassifications" line mainly includes the assets of the Thermal Commercial Vehicles business reclassified as assets held for sale at December 31, 2023 (see Note 2.2.2.1, page 318).

2022

(in millions of euros)	Software	Patents and licenses	Capitalized development expenditure	Customer relationships and other intangible assets	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2022	**438**	**246**	**4,708**	**656**	**6,048**
Accumulated amortization and impairment	(392)	(172)	(2,775)	(342)	(3,681)
NET CARRYING AMOUNT AT JANUARY 1, 2022	**46**	**74**	**1,933**	**314**	**2,367**
Acquisitions	20	4	657	10	691
Disposals	—	—	(2)	—	(2)
Changes in scope	8	243	1	169	421
Reversals of/(additions to) impairment	—	—	27	—	27
Amortization	(26)	(34)	(614)	(54)	(728)
Translation adjustment	—	1	6	(9)	(2)
Reclassifications	4	—	—	(4)	—
NET CARRYING AMOUNT AT DECEMBER 31, 2022	**52**	**288**	**2,008**	**426**	**2,774**

6.3 Property, plant and equipment

Separately acquired property, plant and equipment are initially recognized at cost. Cost includes expenses directly attributable to the acquisition of the asset and the estimated cost of the Group's obligation to rehabilitate certain assets, where appropriate. Property, plant and equipment acquired as part of a business combination are recognized at fair value, separately from goodwill.

Property, plant and equipment are subsequently carried at cost, less accumulated depreciation and impairment losses. Material revaluations, recorded in accordance with the laws and regulations applicable in the countries in which the Group operates, have been eliminated in order to ensure that consistent valuation methods are used for all capital assets in the Group.

Any subsequent costs incurred in respect of property, plant and equipment are expensed as incurred, unless they are designed to extend the asset's useful life.

Property, plant and equipment are tested for impairment using the methodology described in Note 6.4, page 346 to 351.

Depreciation method and useful life

All property, plant and equipment except land are depreciated over their estimated useful lives using the components approach.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

- buildings 20 years
- fixtures and fittings 8 years
- machinery and industrial equipment 8 to 15 years
- other property, plant and equipment 3 to 8 years

Tooling

Depending on its nature, tooling specific to a given project is subject to an economic analysis of the contractual relationship with the automaker in order to determine if control of the tooling is transferred to that automaker. Tooling is capitalized in the consolidated statement of financial position when Valeo has control of the tooling, or is otherwise carried in inventories (until control is transferred).

Any financing received from customers in respect of capitalized tooling is recognized under liabilities in the statement of financial position and taken to income under sales in line with the depreciation charged against the related assets.

Tooling is depreciated on a straight-line basis over its estimated useful life, not exceeding four years.

Tax credits

In certain countries, the government can contribute to the Group's investment expenditure in the form of tax credits. The tax credits received are analyzed to determine whether they fall within the scope of IAS 12 – "Income Taxes" or whether they should be considered as a government subsidy. In the latter case, the tax credit is recognized in income over the period during which the subsidized assets are depreciated, as a deduction from depreciation expense.

Property, plant and equipment can be analyzed as follows:

	December 31, 2023			December 31, 2022
(in millions of euros)	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	Net carrying amount
Land	309	(22)	287	306
Buildings	2,752	(1,682)	1,070	1,149
Machinery and industrial equipment	10,210	(7,163)	3,047	3,235
Specific tooling	2,617	(2,221)	396	372
Other property, plant and equipment	839	(599)	240	221
Property, plant and equipment in progress	27	(2)	25	26
PROPERTY, PLANT AND EQUIPMENT	**16,754**	**(11,689)**	**5,065**	**5,309**

Certain items of property, plant and equipment were pledged as security at December 31, 2023 (see Note 6.5.2, page 352).

Changes in property, plant and equipment in 2023 and 2022 are analyzed below:

2023

(in millions of euros)	Land	Buildings	Machinery and industrial equipment	Specific tooling	Other property, plant and equipment	Property, plant and equipment in progress	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2023	**329**	**2,740**	**10,122**	**2,573**	**835**	**26**	**16,625**
Accumulated depreciation and impairment	(23)	(1,591)	(6,887)	(2,201)	(614)	—	(11,316)
NET CARRYING AMOUNT AT JANUARY 1, 2023	**306**	**1,149**	**3,235**	**372**	**221**	**26**	**5,309**
Acquisitions	12	177	697	165	126	5	1,182
Disposals	(5)	(15)	(22)	(4)	(3)	(1)	(50)
Changes in scope	10	—	(2)	—	(2)	—	6
Reversals of/(additions to) impairment	(1)	(19)	(76)	4	(1)	—	(93)
Depreciation	(2)	(179)	(692)	(169)	(77)	—	(1,119)
Translation adjustment	(15)	(30)	(78)	(9)	5	(1)	(128)
Reclassifications(1)	(18)	(13)	(15)	37	(29)	(4)	(42)
NET CARRYING AMOUNT AT DECEMBER 31, 2023	**287**	**1,070**	**3,047**	**396**	**240**	**25**	**5,065**

(1) The "Reclassifications" line mainly includes the assets of the Thermal Commercial Vehicles business reclassified as assets held for sale at December 31, 2023 (see Note 2.2.2.1, page 318).

2022

(in millions of euros)	Land	Buildings	Machinery and industrial equipment	Specific tooling	Other property, plant and equipment	Property, plant and equipment in progress	Total
GROSS CARRYING AMOUNT AT JANUARY 1, 2022	**331**	**2,519**	**9,120**	**2,424**	**779**	**26**	**15,199**
Accumulated depreciation and impairment	(20)	(1,443)	(6,151)	(2,050)	(573)	—	(10,237)
NET CARRYING AMOUNT AT JANUARY 1, 2022	**311**	**1,076**	**2,969**	**374**	**206**	**26**	**4,962**
Acquisitions	5	121	624	139	105	7	1,001
Disposals	(1)	(11)	(14)	(4)	(5)	(1)	(36)
Changes in scope	2	148	319	10	13	2	494
Reversals of/(additions to) impairment	(1)	(10)	(12)	—	(1)	—	(24)
Depreciation	(3)	(173)	(650)	(195)	(69)	—	(1,090)
Translation adjustment	(7)	(3)	23	—	—	(1)	12
Reclassifications	—	1	(24)	48	(28)	(7)	(10)
NET CARRYING AMOUNT AT DECEMBER 31, 2022	**306**	**1,149**	**3,235**	**372**	**221**	**26**	**5,309**

Leases

For leases falling within the scope of IFRS 16 – "Leases", the lessee recognizes:

- a financial liability representing its obligation to pay for the right to use the asset, in the consolidated statement of financial position;
- a non-current asset representing its right to use the leased asset, in the consolidated statement of financial position;
- depreciation of the right-of-use asset and interest expenses on the lease liability, in the consolidated statement of income.

Lease liabilities

At the lease commencement date, the lease liability is measured at the present value of the minimum lease payments outstanding at that date, plus payments under any options that the lessee is reasonably certain to exercise.

The lease term used to calculate the lease liability is determined based on an economic analysis of any early termination, extension or renewal options or any options to purchase the underlying asset included in the enforceable term of the lease.

This amount is then measured at amortized cost using the effective interest rate. The carrying amount of the lease liability is subsequently increased by the interest due on the lease liability and reduced by the lease payments made.

The discount rates are determined based on the Group's incremental borrowing rate, plus a margin to reflect the economic conditions in each country, the currency, and the lease term.

Right-of-use assets

At the lease commencement date, the right-of-use asset is measured at cost. The cost of the right-of-use asset comprises (i) the initial lease liability, (ii) any prepaid lease payments made, less any lease incentives received, (iii) any initial direct costs incurred by the lessee in establishing the lease, and (iv) an estimate of costs to be incurred by the lessee in dismantling or rehabilitating the underlying asset as required by the terms and conditions of the lease.

It is subsequently reduced by depreciation and any impairment losses. The right-of-use asset is depreciated on a straight-line basis. Any non-removable leasehold improvements are depreciated over either the adopted lease term or the estimated period of use, whatever is shorter.

If the lease transfers ownership of the underlying asset to the lessee or when the lease includes a purchase option that the lessee is reasonably certain to exercise, the right-of-use asset is depreciated over the useful life of the underlying asset under the same conditions as those applied to assets owned by the lessee. In all other cases, the right-of-use asset is depreciated over the reasonably certain useful life of the underlying asset.

Subsequently, the lease liability and the right-of-use asset are remeasured to reflect the following:

- changes in the lease term;
- changes in the assessment of an option;
- changes in the amounts expected to be payable under residual value guarantees;
- changes in the rates or indexes used to determine the lease payments;
- changes in the lease payments.

The main exemptions provided under IFRS 16 and adopted by the Group are:

- exclusion of short-term leases;
- exclusion of leases of low-value assets.

Lease payments on leases falling outside the scope of IFRS 16 and any variable payments not included in the initial measurement of the lease liability are recognized in operating expenses and presented within net cash flows from operating activities in the consolidated statement of cash flows.

For leases falling within the scope of IFRS 16, payments for the interest portion of the lease liability and payments for the principal portion are recorded under cash flows from financing activities in the consolidated statement of cash flows. Payments for the principal portion of the lease liability are added back to calculate free cash flow.

Movements in right-of-use assets included within property, plant and equipment can be analyzed as follows:

	RIGHT-OF-USE ASSETS					
(in millions of euros)	**Land**	**Buildings**	**Machinery and industrial equipment**	**Specific tooling**	**Other property, plant and equipment**	**Total**
GROSS CARRYING AMOUNT AT JANUARY 1, 2023	**22**	**685**	**94**	**17**	**111**	**929**
Accumulated depreciation and impairment	(7)	(232)	(38)	(17)	(53)	(347)
NET CARRYING AMOUNT AT JANUARY 1, 2023	**15**	**453**	**56**	**—**	**58**	**582**
New contracts/Renewals/ Modifications	—	70	16	—	31	117
Depreciation	(1)	(89)	(12)	—	(26)	(128)
Reversals of/(additions to) impairment	—	(6)	—	—	—	(6)
Changes in scope	—	(1)	—	—	—	(1)
Translation adjustment	(1)	(10)	(2)	—	(1)	(14)
Reclassifications[1]	—	(12)	—	—	(2)	(14)
NET CARRYING AMOUNT AT DECEMBER 31, 2023	**13**	**405**	**58**	**—**	**60**	**536**

(1) The "Reclassifications" line mainly includes the assets of the Thermal Commercial Vehicles business reclassified as assets held for sale at December 31, 2023 (see Note 2.2.2.1, page 318).

In 2023, the expenses recorded with respect to payments on leases excluded from the scope of IFRS 16 and any variable payments amounted to 55 million euros.

6.4 Impairment of fixed assets

Intangible assets and property, plant and equipment with definite useful lives are tested for impairment whenever objective indicators exist that they may be impaired. Goodwill and intangible assets not yet ready to be brought into service are tested for impairment at least once a year and whenever there is an indication that they may be impaired.

Cash-generating units (CGUs) and goodwill

CGUs are operating entities that generate independent cash flows. Based on the Group's organizational structure, CGUs generally correspond to groups of plants belonging to the same Product Line or Product Group. At December 31, 2023, there was a total of 20 CGUs.

CGUs represent the level at which all intangible assets and property, plant and equipment are tested for impairment if there is an indication that they may be impaired. However, specific impairment tests may be carried out on certain idle intangible assets and property, plant and equipment. Valeo may review the value in use of certain assets and recognize non-recurring impairment losses where appropriate, if significant, prolonged adverse factors arise for the Group such as a deterioration in a country's economic environment or in one of the Group's plants, or contractual disputes.

Goodwill is tested for impairment at the level of the Business Groups, as set out in Note 3 "Segment reporting" on pages 318 to 321. The Business Groups are groups of CGUs and correspond to the level at which management monitors goodwill.

At the end of the year, goodwill is tested for impairment using the same methodology and assumptions as those used for CGUs and as described below.

Impairment tests

Impairment tests compare the recoverable amount of a fixed asset with its net carrying amount. If the asset's carrying amount is greater than its recoverable amount, it is written down to its recoverable amount. The recoverable amount of an asset or group of assets is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is determined using available information allowing Valeo to establish a best estimate of the selling price net of the costs necessary to make the sale, between knowledgeable, willing parties in an arm's length transaction.

Value in use corresponds to the present value of the future cash flows expected to be derived from an asset or group of assets, taking into account its residual value.

Since there is seldom a reliable basis to measure the fair value less costs to sell of a group of assets belonging to Valeo, the Group uses value in use for CGU and goodwill impairment tests to determine the recoverable amount of an asset or group of assets, unless otherwise specified.

The value in use of CGUs and goodwill is determined as follows:

- post-tax cash flow projections covering a period of five years, prepared on the basis of medium-term business plans drawn up by Group entities and approved by General Management, are discounted;
- cash flows beyond the five-year period are extrapolated by applying a perpetuity growth rate to normative forecast cash flows, corresponding to the last year of the medium-term business plan adjusted where applicable for non-recurring items;
- cash flows are discounted based on a rate which reflects current market assessments of the time value of money and the risks specific to the asset (or group of assets). This rate corresponds to the post-tax weighted average cost of capital (WACC). The use of a post-tax rate applied to post-tax cash flows results in recoverable amounts that are similar to those that would have been obtained by applying pre-tax rates to pre-tax cash flows.

In certain circumstances in which this method is not appropriate for determining the value in use of a CGU or item of goodwill, cash flow projections beyond a five-year period may be used. This may be the case for fast-growing markets that will not have reached maturity at the end of the business plan period, as well as for activities that have a finite timeframe. When this method is applied, business plan projections beyond five years are based on the most reliable market data available.

Leases falling within the scope of IFRS 16 – "Leases" are accounted for as follows:

- capital employed tested for impairment includes right-of-use assets;
- the recoverable amount is calculated using post-tax cash flows, which include investment flows resulting from setting up new leases;
- post-tax WACC is determined taking into account lease liabilities.

Impairment losses recognized for goodwill cannot be reversed.

Impairment losses recognized for assets other than goodwill may only be reversed if there are indications that the impairment may no longer exist or may have decreased. If this is the case, the carrying amount of the asset is increased to its revised estimated recoverable amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

6.4.1 Impairment testing

The tests are carried out using the following assumptions:

- the projections used are based on past experience, macroeconomic data for the automotive market, order intake and products under development;
- a perpetuity growth rate of 1.5%, which is the same as that used in 2022 and is in line with the average long-term growth rate for the Group's business sector;
- a post-tax discount rate (WACC) of 10.0%, calculated using the discount rate method reviewed by an independent expert, which is the same as that used in 2022. The main components of WACC are a market risk premium, a risk-free rate corresponding to the average yield on long-term government bonds, and beta calculated based on a sample of companies in the industry, which came out at 0.97 (1.05 in 2022). The rise in interest rates observed in 2023 was offset by a fall in the market risk premium over the same period.

The key assumptions underpinning the perpetuity growth rate and the discount rate are the same for each group of CGUs to which goodwill has been allocated. Business Groups were created in the organization set up to adapt to the increasing globalization of automotive markets and customers. Business Groups are largely similar in terms of market and positioning, and enjoy a global geographic base as well as relations with the world's leading automakers.

To prepare the medium-term business plans used to perform impairment tests on CGUs and goodwill, the Group based itself on projected data for the automotive market, as well as its order intake and its development prospects on emerging markets.

Forecasts are made at the smallest level (for each CGU), based on detailed projections of the automotive market by automaker, country, model and powertrain, taking into account expected product developments in the CGU's official and potential order intake. Valeo is committed to addressing the challenges currently shaping the automotive industry, with the aim of meeting the expectations of consumers and international regulators in terms of reducing CO_2 emissions, implementing ADAS, and increasing the use of interior and exterior lighting. The medium-term business plan is based on the assumption that the share of electrification and ADAS solutions in the Group's sales will increase throughout the term of the plan.

The medium-term business plans for 2024-2028 are underpinned by the following assumptions:

- global automotive production of 88.3 million light vehicles in 2024 and 95.2 million light vehicles in 2028, representing average annual growth of 0.7% for 2023-2026 and 1.7% for 2026-2028. This production assumption is consistent with those underlying several independent external forecasts and has been revised upwards slightly compared with the forecasts used in 2022 for the 2023-2027 medium-term business plan. At the end of the period covered by the new business plan, Asia and the Middle East should represent 59% of global production, Europe and Africa 20%, North America 17% and South America 4%;
- a growing share of electrification solutions in the Group's market and sales forecasts over the term of the medium-term business plan;
- inflation assumptions based on (i) forecasts by a panel of banks and the International Monetary Fund for general price inflation, and (ii) on internal estimates of market prices for raw materials, electronic components, energy and transportation; The medium-term business plan was prepared on the assumption that (i) raw materials, electronic components and transportation costs will remain high, with a moderate increase over the period 2024-2028, (ii) inflation in labor and energy costs will be high, and (iii) compensation will be obtained from customers for the increase in the cost of sales;
- exchange rate assumptions based on projections of a panel of banks at the time the business plan is drawn up. The exchange rates used for the main currencies featured in the business plan are 1 euro for: 1.12 US dollars, 7.45 Chinese renminbi, 140 Japanese yen, 1,366 South Korean won and 5.77 Brazilian real at the end of the plan;
- Group sales were forecast based on the orders known at the time the business plan was drawn up and by reference to an estimate of the orders to be taken over the term of the business plan. The order book at December 31, 2023 already represents 69% of cumulative original equipment sales for the next five years, and around 51% of sales for the final year of the plan.

6.4.2 Intangible assets and property, plant and equipment (excluding goodwill)

The Group carries out impairment tests on CGUs that (i) have been written down in previous periods and remain sensitive to the criteria set out in Note 6.4.3, pages 349 to 350, and (ii) present an indication of impairment.

The main impairment indicators used by the Group as the basis for impairment tests of CGUs are a negative operating margin for 2023, a fall of more than 20% in 2023 sales compared to 2022, and a recurring substantial shortfall with respect to the objectives set in the medium-term business plans. Any CGUs experiencing strong growth and whose value in use was significantly above their capital employed were excluded from the scope of the impairment tests.

Based on the above, seven CGUs were tested for impairment at December 31, 2023:

- the Valeo Telematics & Acoustics Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Switches & Smart Controls Product Line (part of the Comfort & Driving Assistance Systems Business Group);
- the Top Column Module Product Line, which has formed a separate CGU since 2019, when the Group decided to withdraw from this business;
- the Thermal Powertrain Product Group (part of the Thermal Systems Business Group);
- the Thermal Front End Product Group (part of the Thermal Systems Business Group);
- the Thermal Climate Control Product Group (part of the Thermal Systems Business Group);
- the Special Products – Lighting Systems Product Line (part of the Visibility Systems Business Group).

In 2023, following the impairment tests performed on the CGUs, an impairment loss of 20 million euros was recognized against the Top Column Module Product Line CGU in other income and expenses (see Note 4.6.2.4, page 331), in addition to the 41 million euro impairment loss recognized in 2020.

6.4.3 Sensitivity of CGU impairment tests

Changes in the following assumptions were used to determine the sensitivity of CGU impairment tests assuming an infinite time period (Valeo Telematics & Acoustics Product Line, Switches and Smart Controls Product Line, Thermal Powertrain Product Group, Thermal Front-End Product Group, Thermal Climate Control Product Group and Special Products – Lighting Systems Product Line):

- 1-point increase in the discount rate;
- 0.5-point decrease in the perpetuity growth rate;
- 1-point decrease in the rate of operating income over sales used to calculate the terminal value.

The headroom of the tests, representing the difference between value in use and net carrying amount, as well as the impacts of changes in key assumptions on this headroom, are presented in the table below:

	Headroom of the test	Impact on the headroom of the test			
(in millions of euros)	Based on 2023 assumptions	WACC of 11% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pts)	1-pt decrease in the rate of operating income used to calculate the terminal value	Combination of all three factors
Valeo Telematics & Acoustics Product Line CGU	53	(40)	(13)	(40)	(83)
Switches & Smart Controls Product Line CGU	382	(76)	(29)	(61)	(148)
Thermal Climate Control Product Group CGU	973	(147)	(62)	(126)	(297)
Thermal Front End Product Group CGU	123	(26)	(11)	(30)	(59)
Thermal Climate Control Product Group CGU	905	(119)	(50)	(124)	(259)
Special Products – Lighting Systems Product Line CGU	423	(63)	(28)	(55)	(131)

Since the impairment test on the Top Column Module Product Line CGU assumes a finite time period, its sensitivity to changes in the following assumptions was verified:

- 1-point increase in the discount rate;
- 5% fall in sales for each year of the plan;
- 0.5-point decrease in the materials consumption rate for each year of the plan.

	Headroom of the test	Impact on the headroom of the test			
(in millions of euros)	Based on 2023 assumptions	WACC of 11% (+1 pt)	5% fall in sales for each year	0.5-pt decrease in the materials consumption rate	Combination of all three factors
Top Column Module Product Line CGU	—	—	—	(2)	(3)

6.4.4 Goodwill

No impairment losses were recognized against goodwill in 2023 as a result of the impairment tests carried out at the level of the Business Groups in line with the methodology described above. This was also the case in 2022.

6.4.5 Sensitivity of goodwill impairment tests

A one-year pushback in medium-term business plans would have no impact on the results of goodwill impairment tests.

The following changes in the three main assumptions were also used to check the sensitivity of goodwill impairment tests:

- 1-point increase in the discount rate;
- 0.5-point decrease in the perpetuity growth rate;
- 1-point decrease in the rate of operating income over sales used to calculate the terminal value.

No additional impairment losses would be recognized as a result of these changes in assumptions, either individually or taken as a whole.

The headroom of the tests, representing the difference between the value in use and the net carrying amount, as well as the impacts of changes in key assumptions on this headroom, are presented by Business Group in the table below:

	Headroom of the test	Impact on the headroom of the test			
(in millions of euros)	Based on 2023 assumptions	WACC of 11% (+1 pt)	Perpetuity growth rate of 1% (-0.5 pts)	1-pt decrease in the rate of operating income used to calculate the terminal value	Combination of all three factors
Comfort & Driving Assistance Systems Business Group	1,277	(471)	(206)	(474)	(1,017)
Powertrain Systems Business Group	3,463	(720)	(310)	(611)	(1,460)
Thermal Systems Business Group	960	(252)	(111)	(306)	(588)
Visibility Systems Business Group	3,322	(554)	(252)	(504)	(1,162)

6.4.6 Sensitivity of impairment tests to the impacts of climate change

Climate change could have various impacts on the value of Valeo's assets. The Group's consideration of physical risks when measuring its assets is described in Note 1.3, pages 313 to 314.

The main transition risk facing the automotive industry results from the gradual shift to electric mobility. The Group has long prepared for this profound transformation of its industry and this is reflected in its medium-term business plan, which is used as the basis for its impairment tests on non-current assets.

As part of impairment testing of CGUs and goodwill, an impairment test simulation was carried out based on a pessimistic scenario. For those businesses most affected by electrification, this scenario assumes a rapid, sharp decline in sales of internal combustion engine vehicles worldwide coupled with much slower than expected growth in sales of products for electric vehicles due to an unfavorable customer mix and a smaller addressable market for automotive suppliers.

When testing the Powertrain Systems Business Group for impairment, this scenario simulated:

- a 10% drop in sales compared with the forecasts in the Business Group's medium-term plan, leading to a 1% reduction in the percent operating margin;
- a perpetuity growth rate of zero beyond the projected cash flow in the last year of the plan.

In this very pessimistic simulation, an impairment loss would not have been recognized. The headroom of the impairment test on the Powertrain Systems Business Group would fall by around 60%.

On the other hand, using an optimistic scenario, a sharper and faster decline in worldwide sales of internal combustion engine vehicles and an acceleration in electrification could also lead to higher sales and profitability growth than is currently expected by Valeo for the Powertrain Systems Business Group.

Thermal management equipment is being adapted to meet the specific requirements of electrically powered vehicles, in particular to guarantee their efficiency. However, some thermal management components and processes are common to both internal combustion and electric vehicles. In addition, no risk of the value chain transferring from automotive suppliers to automakers is identified in this market. As a result, the value in use of the Thermal Systems Business Group is less sensitive to the electrification of mobility.

6.4.7 Impairment of Brazilian assets

In the 2020 consolidated statement of income, the Group recognized a 49 million euro impairment loss against its Brazilian assets, within other income and expenses. Since then, the Group has undertaken a range of actions that have enabled its Brazilian operations to return to profitability. As a result of the improvement in the profitability outlook, as highlighted by the 2023 results in Brazil, the Group has revised the recoverable amount of its assets there. This resulted in a 17 million euro reversal of the impairment loss recognized in 2020, thereby increasing the carrying amount of the assets to the value that would have been determined (net of the amortization and depreciation that would have been recorded) had no impairment loss been recognized. The reversal was recognized in other income and expenses in the consolidated statement of income (see Note 4.6.2.4, page 331).

6.5 Off-balance sheet commitments relating to leases and investments

Binding asset purchase commitments, including those on leases signed but not yet commenced, are up compared with December 31, 2022, mainly reflecting the rise in investment efforts to fulfill the sharp increase in order intake over the past two years.

6.5.1 Leases

At December 31, 2023, future minimum commitments on outstanding leases excluded from the scope of IFRS 16 and on leases signed but not yet in force are as follows:

(in millions of euros)	December 31, 2023	December 31, 2022
Less than 1 year	35	18
1 to 5 years	97	4
More than 5 years	30	—
TOTAL	**162**	**22**

6.5.2 Other commitments given

Valeo had given binding asset purchase commitments totaling 910 million euros at December 31, 2023, versus 620 million euros at December 31, 2022, as well as other commitments relating to operating activities in the amount of 7 million euros.

At December 31, 2023, no Group assets were pledged. At December 31, 2022, the total amount pledged was 7 million euros.

NOTE 7 OTHER PROVISIONS AND CONTINGENT LIABILITIES

7.1 Other provisions

A provision is recognized when:

- the Group has a present legal, contractual or constructive obligation resulting from a past event;
- it is probable that future outflows of resources embodying economic benefits will be necessary to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Provisions are measured in accordance with IAS 37 and take into account assumptions deemed most probable at the end of the reporting period.

Provisions for customer warranties are set aside to cover the estimated cost of returns of goods sold and are computed either on a statistical basis or based on specific quality risks. Statistical warranty provisions cover risks related to contractual warranty obligations, and are determined based on both historical data and probability calculations. The provision for specific quality risks covers costs arising in specific situations not covered by usual warranties. The corresponding expense is recognized in cost of sales.

Commitments resulting from restructuring plans are recognized when an entity has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or by announcing its main features.

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group under said contracts.

Provisions intended to cover commercial, tax and employee-related risks and disputes arising in the ordinary course of operations are also included in this caption.

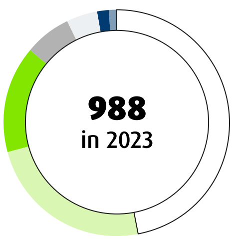
When the Group expects all or part of the expenditure required to settle a provision to be reimbursed, it recognizes a receivable, if and only if the reimbursement is virtually certain.

Provisions relating to events that are expected to materialize in more than one year or whose timing cannot be reliably determined are classified within other provisions – long-term portion.

Movements in other provisions in 2023 are shown in the table below:

(in millions of euros)	Provisions for product warranties	Provisions for onerous contracts	Provisions for restructuring costs	Other provisions for contingencies and disputes	Total
PROVISIONS AT JANUARY 1, 2023	**460**	**329**	**51**	**336**	**1,176**
Additions	236	46	45	94	421
Amounts utilized during the year	(166)	(68)	(26)	(68)	(328)
Reversals	(47)	(68)	(2)	(139)	(256)
Changes in scope	(3)	—	—	(1)	(4)
Reclassifications	(6)	—	—	—	(6)
Translation adjustment	(9)	(3)	—	(3)	(15)
PROVISIONS AT DECEMBER 31, 2023	**465**	**236**	**68**	**219**	**988**
Of which current portion (less than one year)	257	99	36	110	502

At December 31, 2023 and 2022, provisions break down as follows:



(in millions of euros)		December 31, 2023	December 31, 2022
47%	Provisions for product warranties	465	460
24%	Provisions for onerous contracts	236	329
15%	Provisions for employee-related and other disputes	150	110
7%	Provisions for restructuring costs	68	51
4%	Provisions for unfavorable contracts(1)	42	186
2%	Provisions for tax-related disputes	18	25
1%	Provisions for environmental risks	9	15
	TOTAL OTHER PROVISIONS	**988**	**1,176**

(1) Provisions for unfavorable contracts recognized as part of the allocation of the purchase price of Valeo eAutomotive (see Note 2.2.1.1, page 317).

Provisions for product warranties are set aside to cover the estimated cost of returns of goods sold, either as a result of contractual warranty obligations or arising in specific situations not covered by standard warranties. At December 31, 2023, the Group recognized material accrued income that will offset expected outflows of resources in respect of product warranties.

Expected future losses on customer contracts fell in 2023, leading to a reduction in provisions for onerous contracts. This is due in particular to a decrease in the volumes remaining to be delivered on the contracts as they are executed, which accounted for 68 million euros in provision utilizations during the year. Provisions reversals also amounted to 68 million euros, mainly attributable to higher sales prices and other compensation obtained from customers, as well as the impact of cost reduction measures. These reversals were partially offset by additions to provisions of 46 million euros.

Provisions for employee-related and other disputes, which totaled 150 million euros at December 31, 2023, cover risks arising in connection with former employees (in particular relating to asbestos), intellectual property disputes and various other disputes related to Valeo's operating activities across the globe. Each known dispute was reviewed at the date on which the consolidated financial statements were authorized for issue. Based on the advice of the Group's legal counsels, where appropriate, the provisions deemed necessary were set aside to cover the estimated outflows of resources. The 40 million euro increase in these provisions over the year was mainly due to amounts set aside in respect of commercial disputes.

The increase in provisions for restructuring costs is due to the announcement of new restructuring plans, mainly in Europe (see Note 4.6.2.3, page 331).

Provisions for unfavorable contracts had been accrued in connection with the takeover of the Valeo Siemens eAutomotive joint venture in July 2022. The amounts accrued have been reviewed in light of negotiations with customers.

7.2 Antitrust investigations

At the end of July 2011, antitrust investigations were initiated against several automotive suppliers (including Valeo) by the US and European antitrust authorities related to components and systems supplied to the automotive industry.

In the United States, the Department of Justice and Valeo's Japanese subsidiary, Valeo Japan Co. Ltd, reached a settlement of the Department of Justice's investigation into conduct involving thermal systems products on September 20, 2013, as part of which Valeo Japan Co. Ltd agreed to pay a fine of 13.6 million US dollars. This settlement agreement, which was ratified by the United States District Court for the Eastern District of Michigan on November 5, 2013, terminated any proceedings instituted or likely to be instituted by the US federal authorities against the Valeo Group for practices that came to light during their investigations. Separately, the Department of Justice investigated conduct involving access mechanism products, but granted Valeo immunity and so did not fine Valeo for this conduct.

Following on from the agreements signed with the Department of Justice, Valeo reached settlement agreements putting an end to all class action and prospective class action lawsuits with car dealers, direct purchasers and/or automotive end-payers.

Class actions filed against Valeo Group companies in British Columbia, Quebec and Ontario in Canada were settled with the plaintiffs in 2023, pending approval by the competent court.

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

Valeo terminated a certain number of claims for damages and interest from automakers resulting from the European Commission's proceedings, and remains in contact with others. An automaker's claim before a UK court was still pending at December 31, 2023. Valeo considers that this claim is unfounded and that the amounts being requested are disproportionate.

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

7.3 Contingent liabilities

Unlike a provision (see definition above), a contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

The Group has contingent liabilities relating to legal, arbitration or regulatory proceedings arising in the normal course of its business. Known or ongoing claims and litigation involving Valeo or its subsidiaries were reviewed at the date on which the consolidated financial statements were authorized for issue. Based on the advice of legal counsels, all provisions deemed necessary have been made to cover the related risks.

7.4 Subsequent events

In January 2024, the Group presented its plan to reorganize the operations of the Powertrain Systems and Thermal Systems Business Groups and the resulting impact on jobs to the European Works Council. The aim of this project is to create a new Business Group focused on electrification technologies and the overhaul of conventional technologies for internal combustion engines. The reorganization will take place in the first half of 2024 and will entail the loss of 1,150 jobs around the world, including 735 in Europe. As the employee representative bodies were informed of this project in January 2024, no provision was recognized in the Group's financial statements at December 31, 2023 in respect of the reorganization.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial assets and liabilities

Financial assets and liabilities mainly comprise:

- long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term financing and bank overdrafts, which make up gross debt (see Note 8.1.2, pages 357 to 362);
- long-term loans and receivables (see Note 8.1.3.1, page 363);
- cash and cash equivalents (see Note 8.1.3.2, page 363);
- derivative instruments (see Note 8.1.4, pages 364 to 369);
- other current and non-current financial assets and liabilities (see Note 8.1.5, page 370).

8.1.1 Fair value measurement of financial assets and liabilities

8.1.1.1 Measurement methods

(in millions of euros)	2023 carrying amount under IFRS 9			December 31, 2023	December 31, 2022
	Amortized cost	Fair value through OCI	Fair value through income	Carrying amount	Carrying amount
ASSETS					
Non-current financial assets:					
• Long-term investments	—	29	292	321	366
• Long-term loans and receivables (including accrued interest)	—	—	—	—	3
• Deposits and guarantees	33	—	—	33	33
• Other non-current financial assets	7	—	—	7	7
• Hedging derivatives	—	29	—	29	73
• Trading derivatives	—	—	2	2	1
Assets relating to pensions and other employee benefits	—	45	—	45	49
Accounts and notes receivable	2,734	—	—	2,734	2,759
Other current financial assets:					
• Hedging derivatives	—	80	—	80	44
• Trading derivatives	—	—	32	32	41
• Accrued interest and other current financial assets	—	—	26	26	11
Cash and cash equivalents	—	—	3,025	3,025	3,329
LIABILITIES					
Non-current financial liabilities:					
• Hedging derivatives	—	—	—	—	25
• Trading derivatives	—	—	1	1	10
Bonds	3,936	—	—	3,936	3,807
Schuldschein loans (German private placements)	552	—	—	552	887
European Investment Bank (EIB) loan	587	—	—	587	582
Bilateral bank loans	250	—	—	250	100
Other long-term debt	689	—	—	689	727
Liabilities associated with put options granted to holders of non-controlling interests	—	—	—	—	12
Accounts and notes payable	5,449	—	—	5,449	5,586
Other current financial liabilities:					
• Hedging derivatives	—	8	—	8	14
• Trading derivatives	—	—	51	51	28
Short-term financing	922	—	—	922	1,162
Bank overdrafts	—	—	135	135	77

8.1.1.2 Fair value estimates

IFRS 13 establishes a hierarchy of valuation techniques for financial instruments based on the following categories:

- Level 1: inputs directly based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: prices established using valuation techniques drawing on non-observable inputs.

The fair value of bonds is calculated based on prices quoted on an active bond market. This method corresponds to Level 1 in the fair value hierarchy.

For the *Schuldschein* private placements, the European Investment Bank (EIB) loans and the bilateral bank loans, fair value is measured by discounting future cash flows at the market interest rate at the reporting date. This method corresponds to Level 2 in the fair value hierarchy.

Since they fall due in the short term, the fair value of other components of Group debt, as well as of accounts and notes payable and receivable, is deemed equal to their carrying amount.

	December 31, 2023			December 31, 2022		
(in millions of euros)	Carrying amount	Fair value	Level	Carrying amount	Fair value	Level
ASSETS						
Cash and cash equivalents	3,025	3,025	1	3,329	3,329	1-2
Derivative financial instruments(1)	143	143	2	159	159	2
LIABILITIES						
Bonds	3,936	3,899	1	3,807	3,694	1
Schuldschein loans (German private placements)	552	562	2	887	870	2
European Investment Bank (EIB) loan	587	548	2	582	491	2
Bilateral bank loans	250	251	2	100	92	2
Other long-term debt	689	689	2	727	727	2
LOANS RECOGNIZED AT AMORTIZED COST	**6,014**	**5,949**		**6,103**	**5,874**	
Short-term financing	922	922	2	1,162	1,162	1-2
Bank overdrafts	135	135	1	77	77	1
Derivative financial instruments	60	60	2	77	77	2
Put options granted to holders of non-controlling interests	—	—	—	12	12	3

(1) *The method used to estimate the fair value of derivative financial instruments recorded in assets and liabilities corresponds to Level 2 in the fair value hierarchy for derivatives hedging foreign currency, commodity and interest rate risks.*

IFRS 13 prescribes the methods for assessing fair value and for taking into account the credit risk on derivatives, through:

- a Credit Valuation Adjustment (CVA), which is a component of the market value of a derivative financial instrument that reflects the exposure in the event of counterparty default;
- a Debit Valuation Adjustment (DVA), which is a component of the market value of a derivative financial instrument that reflects the entity's own credit risk.

The credit risk on derivatives is calculated according to historical probabilities of default and a recovery rate, as observed on the market.

At December 31, 2022 and 2023, this has only a minimal impact on the Group.

8.1.2 Gross debt

Gross debt includes long-term debt, liabilities associated with put options granted to holders of non-controlling interests, short-term financing and bank overdrafts.

At December 31, 2023, the Group's gross debt can be analyzed as follows:

	December 31, 2023			December 31, 2022		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Long-term debt	5,057	957	6,014	5,074	1,029	6,103
Put options granted to holders of non-controlling interests	—	—	—	7	5	12
Short-term financing	—	922	922	—	1,162	1,162
Bank overdrafts	—	135	135	—	77	77
GROSS DEBT	**5,057**	**2,014**	**7,071**	**5,081**	**2,273**	**7,354**

8.1.2.1 Long-term debt

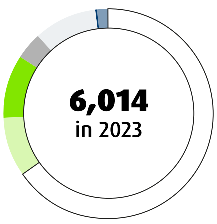
Long-term debt primarily includes bonds, private placements, European Investment Bank (EIB) loans, lease liabilities and other borrowings.

Bonds and other borrowings are valued at amortized cost. The amount of interest recognized in financial expenses is calculated by multiplying the loan's effective interest rate by its carrying amount. Any difference between the expense calculated using the effective interest rate and the actual interest payment impacts the value at which the loan is recognized.

When a fixed-rate loan is designated as a hedged item in a fair value hedging relationship, its carrying amount is adjusted at each reporting date to reflect the change in fair value attributable to the hedged risk.

Lease liabilities are measured as described in Note 6.3, pages 344 to 347.

Breakdown of long-term debt



(in millions of euros)			December 31, 2023	December 31, 2022
	66%	Bonds	3,936	3,807
	9%	*Schuldschein* loans (German private placements)	552	887
	10%	European Investment Bank (EIB) loan	587	582
	4%	Bilateral bank loans	250	100
	10%	Lease liabilities	581	617
	0%	Other borrowings	23	45
	1%	Accrued interest	85	65
		LONG-TERM DEBT	**6,014**	**6,103**

Change in and characteristics of long-term debt

(in millions of euros)	Bonds	*Schuldschein* loans (German private placements)	European Investment Bank (EIB) loans	Bilateral bank loans	Lease liabilities	Other borrowings	Accrued interest	Total
CARRYING AMOUNT AT JANUARY 1, 2023	**3,807**	**887**	**582**	**100**	**617**	**45**	**65**	**6,103**
Increases/Subscriptions	596	—	—	150	—	2	—	748
New contracts/Renewals/ Modifications	—	—	—	—	112	—	—	112
Redemptions/Repayments	(500)	(336)	—	—	(115)	(20)	—	(971)
Changes in scope	—	—	—	—	(1)	(1)	—	(2)
Value adjustments	33	1	5	—	—	(1)	—	38
Translation adjustment	—	—	—	—	(17)	(2)	—	(19)
Other movements	—	—	—	—	(15)	—	20	5
CARRYING AMOUNT AT DECEMBER 31, 2023	**3,936**	**552**	**587**	**250**	**581**	**23**	**85**	**6,014**

The Group completed several financing transactions in 2023:

- in January 2023, the Group redeemed the 500 million euro bond issued in 2017 under the Euro Medium Term Note program;
- in April 2023, the Group redeemed tranches 1 and 2 of the *Schuldschein* loan (German private placement) issued in 2019 for nominal amounts of 115 million euros and 221 million euros, respectively;
- in October 2023, as part of the Euro Medium Term Note financing program, Valeo issued 600 million euros' worth of six-year bonds maturing in April 2029 and paying a fixed coupon of 5.875%. This is the first benchmark issuance under Valeo's Green and Sustainability-Linked Financing Framework, with the funds intended to finance activities satisfying the EU Green Taxonomy. Following this green bond issue, the Group canceled its 650 million euro bridge-to-bond facility that had been available to it since July 2022;
- bilateral bank loans were taken out for a total of 150 million euros.

At December 31, 2023, the key terms and conditions of long-term debt were as shown below:

Type	Outstanding at December 31, 2023 *(in millions of euros)*	Issuance	Maturity	Nominal amount outstanding *(in millions of euros)*	Currency	Nominal interest rate
BONDS						
EMTN program	699	January 2014	January 2024	700	EUR	3.25%
EMTN program	599	June 2018	June 2025	600	EUR	1.50%
EMTN program	598	March 2016	March 2026	600	EUR	1.625%
EMTN program(1)	697	July 2021	August 2028	700	EUR	1.00%
EMTN program(1)(2)	747	November 2022	May 2027	750	EUR	5.375%
EMTN program	596	October 2023	April 2029	600	EUR	5.875%
***SCHULDSCHEIN* LOAN ISSUED IN 2019**						
Tranche 3	90	April 2019	April 2025	90	EUR	1.291%
Tranche 4(3)	122	April 2019	April 2025	122	EUR	6-month Euribor + 1.15%
***SCHULDSCHEIN* LOAN ISSUED IN 2022**						
Tranche 1	30	October 2022	October 2025	30	EUR	4.95%
Tranche 2	148	October 2022	October 2025	149	EUR	6-month Euribor + 1.90%
Tranche 3(1)	30	October 2022	October 2027	30	EUR	5.251%
Tranche 4(1)	52	October 2022	October 2027	52	EUR	6-month Euribor + 2.10%
Tranche 5(1)	30	December 2022	October 2027	30	EUR	6-month Euribor + 2.10%
Tranche 6(1)	5	October 2022	October 2029	5	EUR	5.503%
Tranche 7(1)	45	December 2022	October 2029	45	EUR	6-month Euribor + 2.30%
EUROPEAN INVESTMENT BANK (EIB) LOAN						
Tranche 1(4)	296	June 2021	June 2029	300	EUR	0.885%
Tranche 2(5)	291	February 2022	February 2030	300	EUR	1.083%
OTHER						
Lease liabilities	581	—	—	581	—	—
Bilateral bank loans	250	—	—	250	—	—
Other long-term debt(6)	108	—	—	108	—	—
LONG-TERM DEBT	**6,014**					

(1) Indexed to a 2025 carbon footprint objective.
(2) Fixed-rate coupons partly exchanged for floating-rate coupons indexed to six-month Euribor via interest rate swaps with a notional amount of 600 million euros.
(3) Variable-rate coupons exchanged for fixed-rate coupons via interest rate swaps.
(4) Reduced-rate loan repayable in six annual installments of 50 million euros as from June 2024.
(5) Reduced-rate loan repayable in six annual installments of 50 million euros as from February 2025.
(6) Other long-term debt chiefly comprises accrued interest for 85 million euros.

At December 31, 2023, the Group had drawn an amount of 3.95 billion euros (up 100 million euros compared with December 31, 2022) under its Euro Medium Term Note (EMTN) financing program capped at 5 billion euros.

The Group also has confirmed bank credit lines with an average maturity of 2.8 years, representing an aggregate amount of 1.7 billion euros. None of these credit lines had been drawn down at December 31, 2023. These bilateral credit lines were taken out with ten banks with an average rating of A from S&P and A1 from Moody’s.

Maturity of long-term debt

(in millions of euros)	Carrying amount	Maturity <1 year	≥1 year and ≤5 years 2025	2026	2027	2028	>5 years 2029 and beyond
Bonds	3,936	699	599	598	747	697	596
Schuldschein loans (German private placements)	552	—	390	—	112	—	50
European Investment Bank (EIB) loan	587	49	98	98	98	98	146
Lease liabilities	581	107	92	74	60	53	195
Bilateral bank loans	250	—	—	100	50	100	—
Other borrowings	23	17	4	1	1	—	—
Accrued interest	85	85	—	—	—	—	—
LONG-TERM DEBT	**6,014**	**957**	**1,183**	**871**	**1,068**	**948**	**987**

Contractual maturity of long-term debt

In managing its liquidity risk, the Group seeks to ensure a balanced long-term debt repayment profile. At December 31, 2023, the average maturity of Valeo's (the parent company) debt was three years, unchanged from end-2022.

The future cash outflows presented below, comprising both interest payments and principal repayments, are not discounted. The forward interest rate curve at December 31, 2023 was used for variable-rate interest.

(in millions of euros)	Carrying amount	Contractual cash flows <1 year	≥1 year and ≤5 years 2025	2026	2027	2028	>5 years 2029 and beyond	Total
Bonds	3,936	806	701	692	833	742	635	4,409
Schuldschein loans (German private placements)	552	26	411	8	120	2	52	619
Bilateral bank loans	250	13	10	109	56	104	—	292
European Investment Bank (EIB) loan	587	56	105	104	103	103	152	623
Lease liabilities	581	128	107	87	72	61	224	679
Other borrowings	23	17	4	1	1	—	—	23
Accrued interest(1)	85	—	—	—	—	—	—	—
LONG-TERM DEBT	**6,014**	**1,046**	**1,338**	**1,001**	**1,185**	**1,012**	**1,063**	**6,645**

(1) *Cash flows relating to accrued interest are included in the short-term (i.e., less than one year) contractual cash flows of the debt to which they relate.*

Off-balance sheet commitments relating to Group financing

Certain financing contracts include early repayment clauses in the event of failure to comply with specified financial ratios. The table below sets out the main covenant:

Financing agreements	Ratio	Thresholds	Ratio at December 31, 2023(1)
Credit lines European Investment Bank (EIB) loan Bilateral bank loans *Schuldschein* loans (German private placements)	Consolidated net debt/consolidated EBITDA	<3.5	1.5

(1) *Calculated over 12 months.*

Bonds issued within the scope of the Euro Medium Term Note (EMTN) financing program and most bank credit lines include an option granted to bondholders who can request early repayment or redemption of their bonds in the event of a change of control at Valeo leading to a withdrawal of the rating or a downgrade in the rating to below investment grade (assuming that the bonds were previously rated investment grade). If Valeo's bonds had previously been rated below investment grade, bondholders may request the early repayment or redemption of their bonds in the event of a change of control at Valeo resulting in a one-category downgrade in the rating (e.g., from Ba1 to Ba2).

The *Schuldschein* loans (German private placements) and the European Investment Bank (EIB) loan also include a change of control clause under which investors can request early repayment.

The credit lines set up by the Group's subsidiaries include early repayment clauses in the event of failure to comply with specified financial ratios. Based on the due diligence performed, the Group believes that the subsidiaries concerned complied with these covenants at December 31, 2023.

The Group's bank credit lines and long-term debt include "cross default" clauses. This means that if a given amount of debt is deemed to be in default, then the other debt amounts may also be deemed to be in default.

At the date these consolidated financial statements were authorized for issue, the Group expects to comply with all debt covenants over the next few months.

Group credit ratings

The Group is rated by several credit rating agencies. Moody's rating confirms Valeo's investment grade status.

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard & Poor's	July 25, 2023	BB+	Stable	B
Moody's	October 19, 2023	Baa3	Negative	P-3

Subsequent events

On January 22, 2024, Valeo redeemed the 700 million euro bond issued in 2014 under the Euro Medium Term Note (EMTN) financing program.

8.1.2.2 Liabilities associated with put options granted to holders of non-controlling interests

The Group may grant put options to third parties holding non-controlling interests, on all or some of their shares. These puts are considered by the Group as non-interest bearing debt.

This debt is recognized at the present value of the option exercise price. The offsetting entry for the debt associated with these commitments is a decrease in stockholders' equity – non-controlling interests.

The difference between the present value of the exercise price of the options granted and the carrying amount of non-controlling interests is recorded in stockholders' equity as a deduction from consolidated retained earnings.

The amount of the debt is adjusted at the end of each period in order to reflect changes in the option exercise price and a corresponding entry is recorded in stockholders' equity.

(in millions of euros)	Total	Spheros Climatização do Brasil SA	Asaphus Vision GmbH
LIABILITIES AT JANUARY 1, 2022	**17**	**12**	**5**
Fair value adjustments recognized against non-controlling interests	2	2	—
Fair value adjustments recognized in retained earnings	(7)	(7)	—
LIABILITIES AT DECEMBER 31, 2022	**12**	**7**	**5**
Fair value adjustments recognized against non-controlling interests	3	3	—
Fair value adjustments recognized in retained earnings	6	6	—
Exercise of options(1)	(5)	—	(5)
Reclassifications	(16)	(16)	—
LIABILITIES AT DECEMBER 31, 2023	**—**	**—**	**—**

(1) At December 31, 2023, the payment relating to the exercise of the put option on Asaphus Vision GmbH is recorded within repayment of long-term debt in the consolidated statement of cash flows.

At December 31, 2023, Valeo and Marco Polo owned 60% and 40%, respectively, of Spheros Climatização do Brasil SA. Marco Polo has been granted a put option which it may exercise at any time following an agreed period of one year. Following the Group's decision to sell the Thermal Commercial Vehicles Product Group, the fair value of this put option was reclassified to liabilities held for sale in the consolidated statement of financial position.

On December 10, 2021, Valeo acquired a 60% controlling interest in Asaphus Vision GmbH, along with a call option for the remaining 40%. In 2023, Valeo acquired the additional 40% of the company's share capital.

8.1.2.3 Short-term financing and bank overdrafts

Short-term debt mainly includes Negotiable European Commercial Paper (NEU CP) (previously "commercial paper") issued by Valeo for its short-term financing needs. NEU CP has a maturity of between one and twelve months and is valued at amortized cost.

In order to reflect the Group's cash requirements, short-term financing is presented in net cash flows from financing activities in the consolidated statement of cash flows.

(in millions of euros)	December 31, 2023	December 31, 2022
Negotiable European Commercial Paper	698	1,059
Other short-term financing	224	103
Bank overdrafts	135	77
SHORT-TERM FINANCING AND BANK OVERDRAFTS	**1,057**	**1,239**

Valeo has a short-term commercial paper financing program for a maximum amount of 2.5 billion euros. At December 31, 2023, a total of 698 million euros had been drawn on this program, compared with 1,059 million euros at December 31, 2022.

8.1.3 Net debt

Net debt comprises all long-term debt, liabilities associated with put options granted to holders of non-controlling interests (see Note 8.1.2.2, pages 361 to 362), short-term financing and bank overdrafts (see Note 8.1.2.3, page 362), less loans and other long-term financial assets, cash and cash equivalents and the fair value of derivative instruments hedging the foreign currency and interest rate risks associated with these items (see Note 8.1.4, pages 364 to 369).

	December 31, 2023			December 31, 2022		
(in millions of euros)	Non-current	Current	Total	Non-current	Current	Total
Long-term debt	5,057	957	6,014	5,074	1,029	6,103
Put options granted to holders of non-controlling interests	—	—	—	7	5	12
Short-term financing	—	922	922	—	1,162	1,162
Bank overdrafts	—	135	135	—	77	77
GROSS DEBT	**5,057**	**2,014**	**7,071**	**5,081**	**2,273**	**7,354**
Long-term loans and receivables (including accrued interest)	—	—	—	(3)	—	(3)
Accrued interest	—	(26)	(26)	—	(11)	(11)
Cash and cash equivalents	—	(3,025)	(3,025)	—	(3,329)	(3,329)
Derivative instruments associated with interest rate and foreign currency risks(1)	(6)	14	8	11	(20)	(9)
NET DEBT	**5,051**	**(1,023)**	**4,028**	**5,089**	**(1,087)**	**4,002**

(1) At end-December 2023 and end-December 2022, the fair value of derivative instruments associated with an item of net debt reflects the fair value of currency and interest rate instruments hedging assets and liabilities relating to the Group's financing activities.

8.1.3.1 Long-term loans and receivables

This category consists essentially of long-term loans, which are measured on an amortized cost basis using the effective interest rate. They are shown in the statement of financial position as other non-current financial assets.

8.1.3.2 Cash and cash equivalents

Cash and cash equivalents are comprised of marketable securities such as money market and short-term money market funds, deposits and very short-term risk-free securities which can be readily sold or converted into cash, and cash at bank.

The cash equivalents included in this line are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. These current financial assets are carried at fair value through income and are held with a view to meeting short-term cash requirements.

(in millions of euros)	December 31, 2023	December 31, 2022
Marketable securities	2,286	640
Cash and other liquid resources	739	2,689
CASH AND CASH EQUIVALENTS	**3,025**	**3,329**

Cash and cash equivalents totaled 3,025 million euros at December 31, 2023, consisting of 2,286 million euros of marketable securities with a low price volatility risk, and 739 million euros in cash. Marketable securities consist solely of money market mutual funds (FCP).

These items were measured using Level 1 inputs of the fair value hierarchy.

Short-term liquidity management

Cash is pooled whenever this is permitted by local legislation. In such cases, subsidiaries' surplus cash or financing requirements are pooled and invested or funded by Valeo, the parent company. The Group has set up a cross-border, multi-currency cash pooling arrangement in euros, Hungarian forint and Czech koruna for European subsidiaries, in US dollars for US subsidiaries, and in Chinese renminbi for Chinese subsidiaries. This arrangement enables day-to-day cash to be managed on a centralized basis. In other countries, local cash pooling arrangements exist and loans and borrowings are regularly taken out with the parent company (Valeo). In some countries, these cross-border transactions can give rise to tax issues or may be subject to specific regulations and require approval from the local tax authorities.

The Group also manages liquidity by ensuring that dividends from subsidiaries are transferred to Valeo.

Bank counterparty risk management

The Group invests its surplus liquidity with asset management companies that are subsidiaries of leading banks. Securities are held by leading custodians.

8.1.3.3 Analysis of net debt by currency

Net debt can be analyzed as follows by currency:

(in millions of euros)	December 31, 2023	December 31, 2022
Euro	4,046	4,094
US dollar	138	129
Japanese yen	26	48
Brazilian real	(72)	(73)
South Korean won	(134)	(112)
Chinese renminbi	22	(89)
Other currencies	2	5
TOTAL	**4,028**	**4,002**

8.1.4 Derivative financial instruments

The Group uses derivative financial instruments to manage and reduce its exposure to foreign exchange, commodity and interest rate risks.

Derivatives are recognized in the statement of financial position at fair value under other non-current financial assets or other non-current financial liabilities when the underlying transaction matures beyond one year, and under other current financial assets or other current financial liabilities when the underlying transaction matures within one year.

The accounting impact of changes in the fair value of these derivative instruments depends on whether or not hedge accounting is applied.

When hedge accounting is applied:

- for fair value hedges of assets and liabilities recognized in the statement of financial position, the hedged item of these assets or liabilities is stated at fair value. Changes in fair value are recognized through income and offset (for the effective portion of the hedge) by symmetrical changes in the fair value of the derivative;
- for future cash flow hedges, changes in the fair value of the derivatives relating to the effective portion of the hedge are recognized directly in other comprehensive income, while the ineffective portion is taken to other financial income and expenses. The amounts recognized in other comprehensive income are recycled to income when the hedged risk itself affects income.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized within other financial income and expenses in the statement of income.

Foreign currency derivatives

Although they may act as hedges, foreign currency derivatives hedging balance sheet positions in foreign currencies are not always designated as part of a hedging relationship for accounting purposes. In these cases, changes in the fair value of the derivatives are recognized in financial income and expenses and are generally offset by the impact of remeasuring the underlying foreign currency receivables and payables. However, foreign currency hedges of long-term foreign currency financing are designated as fair value hedges in order to be eligible for the option available under IFRS 9 whereby forward points are amortized (on a straight-line basis over the term of the hedge) and recognized in the statement of income within cost of net debt.

Foreign currency derivatives hedging highly probable future transactions that are generally material and will impact operating margin are classified as hedges. In these cases, changes in the fair value of the derivatives are recognized in other comprehensive income for the effective portion of the hedge, and subsequently taken to operating income when the hedged item itself affects operating income. The ineffective portion of the hedge is recognized in other financial income and expenses.

Commodities

In principle, the Group applies cash flow hedge accounting to commodity derivatives. Gains and losses relating to the effective portion of the hedge are reclassified from other comprehensive income to operating margin when the hedged position itself affects income. Gains and losses relating to the ineffective portion of the hedge are recognized in other financial income and expenses. When a forecast transaction is no longer highly probable, the cumulative gains and losses carried in other comprehensive income are transferred immediately to other financial income and expenses.

Interest rate derivatives

The Group may need to protect itself against fluctuations in cash flows relating to interest payments on variable-rate borrowings. These hedges are eligible for cash flow hedge accounting.

Hedging instruments are measured at fair value and recognized in the statement of financial position. When there is a designated cash flow hedging relationship, changes in the fair value of the instrument relating to the effective portion of the hedge are recognized in other comprehensive income, while changes relating to the ineffective portion are recognized in other financial income and expenses in the statement of income. Amounts carried in other comprehensive income in respect of the effective portion of the hedge are taken to income as and when the hedged interest expenses themselves affect income.

The Group's operating entities are responsible for identifying and measuring financial risks. However, the Group's Finance Department is responsible for hedging and managing these risks using derivatives on behalf of subsidiaries with risk exposure.

At monthly Treasury Committee meetings, the main risks and exposures are assessed, the required hedges are approved (in accordance with the strategy described below), and the results of these hedges are analyzed.

To reduce its exposure to market risk, the Group uses derivative financial instruments which had the following fair values at December 31, 2023 and 2022:

(in millions of euros)	Accounting classification	Nominal purchase price(1)	Nominal sale price(1)	OCI reserves	Other financial assets Non-current	Other financial assets Current	Other financial liabilities Non-current	Other financial liabilities Current	December 31, 2023 Total	December 31, 2022 Total
Forward foreign currency contracts	Cash flow hedge	1,006	(291)	92	24	76	—	(7)	93	81
Forward foreign currency contracts	Trading	358	(439)	—	—	3	—	(8)	(5)	(7)
OPERATING FOREIGN CURRENCY DERIVATIVES		**1,364**	**(730)**	**92**	**24**	**79**	**—**	**(15)**	**88**	**74**
Swaps	Trading	1,311	(1,311)	—	2	26	(1)	(35)	(8)	20
Forward foreign currency contracts	Trading	195	(63)	—	—	3	—	(2)	1	—
Cross-currency swaps	Trading	182	(182)	—	—	—	—	(6)	(6)	(8)
FINANCIAL FOREIGN CURRENCY DERIVATIVES		**1,688**	**(1,556)**	**—**	**2**	**29**	**(1)**	**(43)**	**(13)**	**12**
Swaps	Cash flow hedge	192	(3)	3	—	4	—	(1)	3	(1)
COMMODITY DERIVATIVES		**192**	**(3)**	**3**	**—**	**4**	**—**	**(1)**	**3**	**(1)**
Swaps	Cash flow hedge	123	(123)	5	5	—	—	—	5	10
Swaps	Fair value hedge	600	(600)	—	—	—	—	—	—	(15)
Cross-currency swaps	Cash flow hedge	159	(159)	—	—	—	—	—	—	3
Cross-currency swaps	Trading	23	(23)	—	—	—	—	—	—	(1)
INTEREST RATE DERIVATIVES		**905**	**(905)**	**5**	**5**	**—**	**—**	**—**	**5**	**(3)**
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS					**31**	**112**	**(1)**	**(59)**	**83**	**82**

(1) The nominal amounts of the derivatives are expressed in euros.

Bank counterparty risk management

The Group contracts derivatives with leading banks and sets limits for each counterparty, taking into account ratings provided by rating agencies. Special reports are drawn up enabling counterparty risk on each market to be monitored.

8.1.4.1 Fair value of foreign currency derivatives

Operational currency risk management

The Group's subsidiaries are exposed to foreign currency risk arising within the scope of their industrial and commercial activities. These risks and the related hedges are monitored by the Financing and Treasury Department.

The Group systematically hedges statement of financial position exposures (non-financial foreign currency receivables and payables). Subsidiaries primarily hedge their transactions with Valeo, the parent company, which then hedges net Group positions with external counterparties. As the corresponding foreign currency derivatives are not designated as part of a hedging relationship for accounting purposes, they are accounted for as derivatives held for trading.

The Group also hedges its operating margin against foreign currency risk, on a regular basis over the budget period and on an exceptional basis over a contractual period (beyond one year) for specific major contracts. The principal hedging instruments used by the Group are forward purchases and sales of foreign currencies. In this case, the Group applies cash flow hedge accounting to commodity derivatives.

The fair value of these derivatives is computed as follows: future cash flows are calculated using forward exchange rates at the end of the reporting period and are then discounted using the interest rate of the functional currency. This method corresponds to Level 2 in the fair value hierarchy.

At December 31, 2023, the ineffective portion of these hedges represented an unrealized loss of 1 million euros, compared to a negligible loss at December 31, 2022.

Financial currency risk management

Centralizing cash surpluses, the financing needs of foreign subsidiaries and certain Group financing transactions exposes the Group to financial currency risk. This risk corresponds to the risk of changes in the value of financial receivables or payables denominated in currencies other than the functional currency of the borrowing or lending entity. This currency risk is primarily hedged by currency swaps.

The Group tends to finance its subsidiaries in their local currencies and systematically enters into hedges to protect itself against the resulting currency risk.

The Group's borrowings are generally denominated in euros, in particular for debt issues under the Euro Medium Term Note financing program.

The unrealized loss of 13 million euros mainly concerns currency swaps relating to hedges of intragroup loans and borrowings.

Analysis of the Group's overall net exposure

The Group's overall net exposure (on its balance sheet positions) at December 31, 2023, based on notional amounts, arises on the following main currencies (excluding entities' functional currencies):

	December 31, 2023					December 31, 2022
(in millions of euros)	USD	JPY	EUR	Other currencies	Total	Total
Accounts and notes receivable	362	29	584	34	1,009	809
Other financial assets	199	39	223	1,220	1,681	1,404
Accounts and notes payable	(413)	(62)	(810)	(106)	(1,391)	(1,387)
Long-term debt	(903)	(163)	(178)	(1,463)	(2,707)	(2,064)
GROSS EXPOSURE	**(755)**	**(157)**	**(181)**	**(315)**	**(1,408)**	**(1,238)**
Forward sales	(140)	(87)	(112)	(1,243)	(1,582)	(1,235)
Forward purchases	937	229	186	1,409	2,761	2,164
NET EXPOSURE	**42**	**(15)**	**(107)**	**(149)**	**(229)**	**(309)**

In the table above, the EUR column represents the net euro exposure of Group entities whose functional currency is not the euro. Exposure arises in particular on subsidiaries based in Central Europe and the Mediterranean area, which are financed in euros by Valeo.

Analysis of the sensitivity of net foreign currency risk exposure

The sensitivity analysis was based on an exchange rate of 1.105 US dollars and 156.33 Japanese yen to 1 euro at December 31, 2023 (1.0666 and 140.66, respectively, at December 31, 2022).

An increase of 10% in the value of the euro against these currencies at December 31, 2023 and 2022 would have had the following pre-tax impacts:

	December 31, 2023		December 31, 2022	
(in millions of euros)	Income Gain (loss)	Equity Gain (loss)	Income Gain (loss)	Equity Gain (loss)
Exposure to US dollar	(4)	(35)	5	(62)
Exposure to Japanese yen	2	(3)	(2)	(4)
Exposure to euro	(8)	4	(16)	4
TOTAL	**(10)**	**(34)**	**(13)**	**(62)**

For the purpose of these analyses, it is assumed that all other variables, particularly interest rates, remained unchanged.

Assuming that all other variables remained unchanged, a 10% fall in the value of the euro against these currencies at December 31, 2023 would have had the opposite impacts to the ones shown above.

Remaining contractual maturities of foreign currency derivatives

The European Central Bank (ECB) closing rates and forward rates at December 31, 2023 were used to value foreign currency derivatives.

		Contractual cash flows						
			≥1 year and ≤5 years				>5 years	
(in millions of euros)	Carrying amount	<1 year	2025	2026	2027	2028	2029 and beyond	Total
Forward foreign currency contracts used as hedges:								
• Assets	106	82	14	9	1	—	—	106
• Liabilities	(17)	(17)	—	—	—	—	—	(17)
Currency swaps used as hedges:								
• Assets	28	27	—	1	—	—	—	28
• Liabilities	(42)	(42)	—	—	—	—	—	(42)

8.1.4.2 Fair value of commodity (non-ferrous metals) derivatives

Commodity risk management

The Group manages its exposure to raw materials by using price indexation clauses in commercial contracts as far as possible. This is the case particularly for non-ferrous metals and steel, for which such clauses cover approximately three-quarters and one-half of the Group's exposure, respectively.

Residual exposure to non-ferrous metals listed on the London Metal Exchange (LME) and the Shanghai Futures Exchange, and to a lesser extent exposure to propylene, is hedged with leading banks using hedging instruments. These hedges are designed to limit the impact of fluctuations in commodity prices on the Group's earnings and to give Valeo the time it needs to negotiate the corresponding price rises with its customers.

The Group favors hedging instruments which do not involve physical delivery of the underlying commodity (primarily swaps on the average monthly price). These transactions are eligible for cash flow hedge accounting within the meaning of IFRS 9.

Steel, most plastics, and rare-earth metals cannot be hedged on the financial market as they are not listed on an organized exchange.

Inventory values in the Group's statement of financial position are not significantly affected by the rise in commodity prices because the rapid inventory turnover and optimization of logistics flows reduce the amount.

Volumes of non-ferrous metals hedged at December 31, 2023 and 2022 break down as follows:

(in metric tons)	December 31, 2023	December 31, 2022
Aluminum	52,230	41,515
Secondary aluminum	7,642	11,407
Copper	9,457	12,138
TOTAL	**69,329**	**65,060**

Base metals derivatives used by the Group are designated as cash flow hedges. An unrealized gain of 3 million euros relating to existing hedges was recognized in other comprehensive income for 2023.

The unrealized gain of less than 1 million euros recognized in other comprehensive income in 2022 and relating to existing hedges was reclassified in full to operating income in 2023.

Analysis of the sensitivity of the net exposure to metal price risk

The table below shows the pre-tax impact on equity and income of a 10% increase in metal futures prices at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
(in millions of euros)	Income Gain (loss)	Equity Gain (loss)	Income Gain (loss)	Equity Gain (loss)
Impact of a 10% rise in metal futures prices	—	16	—	17

At December 31, 2023, a 10% fall in metal futures prices would have had an unfavorable impact for the same amount.

For the purposes of the sensitivity analysis, it is assumed that all other variables remain unchanged over the period.

Remaining contractual maturities of commodity derivatives

Forward prices on the London Metal Exchange (LME) at December 31, 2023 were used to determine contractual maturities for commodity derivatives.

		Contractual cash flows						
			≥1 year and ≤5 years				>5 years	
(in millions of euros)	Carrying amount	<1 year	2025	2026	2027	2028	2029 and beyond	Total
Commodity derivatives:								
• Assets	4	4	—	—	—	—	—	4
• Liabilities	(1)	(1)	—	—	—	—	—	(1)

8.1.4.3 Fair value of interest rate derivatives

Interest rate risk management

The Group may use interest rate swaps to convert the contractual interest rates on its debt into either a variable or a fixed rate. Cash and cash equivalents are invested in both fixed- and variable-rate instruments. At December 31, 2023, 79% of long-term debt (i.e., due in more than one year) was at fixed rates, down compared to end-2022.

In March 2019, the Group converted the 159 million euro loan granted to one of its Czech subsidiaries into Czech koruna. At the same time, the Group set up a cross currency swap in Czech koruna for the same amount and with the same maturity. This swap is designated as a hedging instrument in a cash flow hedge.

In 2023, a Group subsidiary in Japan converted the 3.7 billion Japanese yen loan granted to one of its Indonesian subsidiaries into Indonesian rupiah. At the same time, the Japanese subsidiary set up two cross-currency swaps in Indonesian rupiah for the same total amount and with the same maturity. These derivatives are not designated as hedging instruments for accounting purposes.

The variable-rate tranche of the *Schuldschein* loan (German private placement) issued in April 2019 was hedged by an interest rate swap, which exchanged the variable coupon for a fixed rate. This instrument was designated as a hedging instrument in a cash flow hedge.

Two interest rate swaps for a total of 600 million euros were put in place in November 2022 to partially hedge the interest on the 750 million euro EMTN financing issued at the same time. These swaps are designated as hedging instruments in a fair value hedge.

	December 31, 2023		December 31, 2022	
(in millions of euros)	Nominal	Fair value	Nominal	Fair value
Interest rate swaps:				
• Loan in Czech koruna(1)	159	(6)	159	(7)
• Loan in Indonesian rupiah(1)	23	—	29	1
• *Schuldschein* loans (German private placement)	123	5	343	10
• EMTN due 2027	600	—	600	(15)
TOTAL	**905**	**(1)**	**1,131**	**(11)**

(1) The nominal amounts of the cross-currency swaps correspond to the non-exposed foreign currency leg, converted into euros using the December 31, 2023 exchange rates.

Analysis of the Group's net exposure

At the end of the reporting period, the Group's net interest rate position based on nominal values can be analyzed as follows:

2023

	Less than 1 year		1 to 5 years		More than 5 years		Total nominal amount		
(in millions of euros)	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Financial liabilities	2,010	6	3,485	603	950	45	6,445	654	7,099
Loans	—	—	—	—	—	—	—	—	—
Accrued interest	(26)	—	—	—	—	—	(26)	—	(26)
Cash and cash equivalents	(2,671)	(354)	—	—	—	—	(2,671)	(354)	(3,025)
NET POSITION BEFORE HEDGING	**(687)**	**(348)**	**3,485**	**603**	**950**	**45**	**3,748**	**300**	**4,048**
Derivative instruments	—	—	(477)	477	—	—	(477)	477	—
NET POSITION AFTER HEDGING	**(687)**	**(348)**	**3,008**	**1,080**	**950**	**45**	**3,271**	**777**	**4,048**

2022

	Less than 1 year		1 to 5 years		More than 5 years		Total nominal amount		
(in millions of euros)	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Financial liabilities	1,955	331	3,461	454	1,172	45	6,588	830	7,418
Loans	(3)	—	—	—	—	—	(3)	—	(3)
Accrued interest	(11)	—	—	—	—	—	(11)	—	(11)
Cash and cash equivalents	(1,152)	(2,177)	—	—	—	—	(1,152)	(2,177)	(3,329)
NET POSITION BEFORE HEDGING	**789**	**(1,846)**	**3,461**	**454**	**1,172**	**45**	**5,422**	**(1,347)**	**4,075**
Derivative instruments	221	(221)	(477)	477	—	—	(256)	256	—
NET POSITION AFTER HEDGING	**1,010**	**(2,067)**	**2,984**	**931**	**1,172**	**45**	**5,166**	**(1,091)**	**4,075**

Financial liabilities include the nominal amount of long-term debt, short-term financing and bank overdrafts.

Analysis of sensitivity to interest rate risk

At December 31, 2023, almost all long-term debt was at fixed rates. Fixed-rate debt carried at amortized cost is not included in the calculation of sensitivity to interest rate risk. The Group's exposure to interest rate risk therefore arises solely on its variable-rate debt.

The tables below show the pre-tax impact on income and other comprehensive income of a sudden 1% rise in the interest rates applied to variable-rate financial assets and liabilities, after hedging:

	December 31, 2023		December 31, 2022	
(in millions of euros)	Income Gain (loss)	Equity Gain (loss)	Income Gain (loss)	Equity Gain (loss)
Impact of a 1% rise in interest rates	(8)	—	11	—

At December 31, 2023, a sudden 1% fall in interest rates would have had a favorable impact for the same amount.

8.1.5 Other financial assets and liabilities

Other financial assets and liabilities mainly comprise the following current and non-current items:

- guarantee deposits, valued at amortized cost;
- derivative instruments (see Note 8.1.4, pages 364 to 369);
- long-term investments.

Long-term investments primarily include investments in non-consolidated companies and mutual funds, which are measured at fair value.

Changes in the fair value of investments in non-consolidated companies are recorded in the statement of income, unless the investment is neither held for trading nor contingent consideration is recognized by an acquirer as part of a business combination. In such cases, the Group may make an irrevocable election at initial recognition of each investment to present subsequent changes in fair value in other comprehensive income, and dividend income in the statement of income. Once this election has been made, unrealized gains and losses recognized in other comprehensive income may not subsequently be recycled to the statement of income, even in the event of disposal of the related investment.

The election described above for equity instruments is not available for mutual funds. Accordingly, changes in fair value are recognized under other financial income and expenses in the consolidated statement of income.

The fair value of securities listed on an active market is their stock market value.

Long-term investments totaled 321 million euros at end-December 2023 and can be analyzed as follows:

(in millions of euros)	2023	2022
LONG-TERM INVESTMENTS AT JANUARY 1	**366**	**290**
Acquisitions	9	61
Disposals	—	(2)
Changes in fair value recognized in equity	(1)	(4)
Changes in fair value recognized in income	(33)	28
Dividends paid by Company mutual funds	(13)	(7)
Translation adjustment	(7)	—
LONG-TERM INVESTMENTS AT DECEMBER 31	**321**	**366**

They mainly comprise investments in the following companies:

(in millions of euros)	December 31, 2023	December 31, 2022
Hubei Cathay China	52	66
Hubei Cathay China II	20	20
Sino-French Innovation Fund (Cathay)	80	105
Sino-French Innovation Fund II (Cathay)	31	38
Sino-French Innovation Fund III (Cathay)	29	30
Iris Capital	28	31
Aledia	20	20
Other long-term investments(1)	61	56
LONG-TERM INVESTMENTS AT DECEMBER 31	**321**	**366**

(1) Other investments in investment funds and in companies over which Valeo exercises neither control nor significant influence with an individual value of no more than 20 million euros.

8.1.6 Accounts and notes payable

Accounts and notes payable are initially recognized at fair value and subsequently carried at amortized cost. The fair value of accounts and notes payable is deemed to be their nominal amount, since payment periods are generally less than three months.

A reverse factoring program is available to Valeo's suppliers worldwide. Under the program, participating suppliers can sell receivables owed to them by Valeo to a financial institution ("factor") before their due date. Relations between the parties are structured based on two separate agreements:

- Valeo's suppliers enter into an agreement with the factor under which they sell to them the amounts owed from Valeo. The decision to sell receivables is entirely at the discretion of the suppliers, who bear the financial cost;
- Valeo enters into an agreement under which it pays the factor for amounts owed under supplier invoices at the date they fall due.

Receivables acquired by the factor through this program are allocated to a syndicate of several financial institutions (four at December 31, 2023), including the factor.

Two local reverse factoring programs are also available to Group suppliers in Japan.

At December 31, 2023, the amount owed to suppliers by Valeo that had been sold to the factor represented 9% of the Group's total accounts and notes payable. Given the characteristics of these programs, the sale of these accounts and notes payable does not change the substance of the liabilities concerned. As such, all amounts included in these programs are presented under accounts and notes payable, whether or not they have been sold.

8.2 Financial income and expenses

Net financial income comprises interest income, interest expense (cost of net debt) and other financial income and expenses.

Cost of net debt

Interest expense mainly corresponds to interest recognized on debt, while interest income corresponds to interest earned on cash and cash equivalents.

Other financial income and expenses

Other financial income and expenses notably include:

- the ineffective portion of gains and losses on interest rate hedging transactions;
- gains and losses on foreign exchange transactions or non-ferrous metals purchases that do not meet the definition of hedges of financial instruments;
- the cost of credit insurance and write-downs taken in respect of credit risk and losses on bad debts in the event of client default;
- the net interest cost arising on provisions for pensions and other employee benefits, which includes the impact of unwinding the discount on the obligations to take into account the passage of time, and financial income related to the expected return on plan assets;
- changes in the fair value of long-term investments held for trading.

(in millions of euros)	2023	2022
Cost of gross debt[(1)]	(340)	(189)
Interest income on cash and investments	97	58
COST OF NET DEBT	**(243)**	**(131)**
Net interest cost on provisions for pensions and other employee benefits[(2)]	(30)	(14)
Currency gains (losses)	14	(21)
Gains (losses) on commodity derivatives (ineffective portion)	—	(1)
Gains (losses) on interest rate derivatives (ineffective portion)	(1)	2
Gains (losses) on long-term investments held for trading[(3)]	(33)	28
Other[(4)]	3	2
OTHER FINANCIAL INCOME AND EXPENSES	**(47)**	**(4)**
NET FINANCIAL INCOME (EXPENSE)	**(290)**	**(135)**

(1) Including, in 2023, finance costs for 7 million euros on undrawn credit lines, interest on lease liabilities for 24 million euros and financial expenses for 20 million euros arising on discounting arrangements for accounts and notes receivable and amounts receivable under French research tax credits.
(2) See Note 5.3.4, page 336.
(3) See Note 8.1.5, page 370.
(4) Of which 4 million euros related to hyperinflation in Turkey.

The cost of net debt stood at 243 million euros at December 31, 2023, an increase of 112 million euros year on year, mainly due to the rise in interest rates, in particular for borrowings set up in the second half of 2022 and in 2023.

NOTE 9 INCOME TAXES

9.1 Income taxes

Income tax expense includes current income taxes and deferred taxes of consolidated companies.

Taxes relating to items reported directly in other comprehensive income are also reported in other comprehensive income and not in the statement of income.

9.1.1 Breakdown of income tax expense

(in millions of euros)	2023	2022
Current taxes	(244)	(247)
Deferred taxes	90	33
INCOME TAXES	**(154)**	**(214)**

The Group recognized an income tax expense of 154 million euros for 2023, corresponding to an effective tax rate of 35.2%.

9.1.2 Tax proof

(in millions of euros)	2023	2022
INCOME BEFORE INCOME TAXES EXCLUDING SHARE IN NET EARNINGS OF EQUITY-ACCOUNTED COMPANIES(1)	**437**	**571**
Standard tax rate in France	25.83%	25.83%
THEORETICAL INCOME TAX (EXPENSE)/BENEFIT	**(113)**	**(147)**
Impact of:		
• Unrecognized deferred tax assets and unused tax losses (current year)	(153)	(175)
• Recognition of previously unrecognized deferred tax assets	73	28
• Other income tax rates	43	1
• Utilization of prior-year tax losses	23	4
• Permanent differences between accounting income and taxable income	(27)	82
• Tax credits	5	2
• *Cotisation sur la valeur ajoutée des entreprises* (CVAE)	(5)	(9)
GROUP INCOME TAX (EXPENSE)/BENEFIT	**(154)**	**(214)**
Effective tax rate	35.2%	37.5%

(1) At December 31, 2022, this item included the remeasurement at fair value of the Group's previously-held interest in the Valeo Siemens eAutomotive joint venture, accounted for by the equity method up to June 30, 2022, for 181 million euros.

In particular, the tax expense for 2023 takes into account the recognition of deferred tax assets in Brazil for 40 million euros and the Czech Republic for 19 million euros due to the improved probability of recovering tax loss carryforwards in these countries.

The Group considers that the *Cotisation sur la valeur ajoutée des entreprises* (CVAE) tax on company value-added meets the definition of income tax set out in IAS 12. Income tax in 2023 therefore includes a net expense of 5 million euros in respect of the CVAE tax (9 million euros in 2022).

The favorable 43 million euro impact relating to tax rates that are different from the standard tax rate breaks down as follows:

Country	Current tax rate[(1)]	2023	2022
China	25.0%	19	—
Brazil	34.0%	(6)	(3)
Japan	31.7%	(3)	(2)
Ireland	12.5%	4	—
Poland	19.0%	4	—
Hungary	9.0%	4	(2)
Czech Republic	19.0%	2	(9)
South Korea	24.2%	2	2
Morocco	8.8%	1	(2)
United States	21.0%	6	4
Germany	27.8%	13	6
Other countries	N/A	(3)	7
TOTAL		**43**	**1**

(1) The current tax rate shown is the effective tax rate at the end of the reporting period. The tax rate used to calculate deferred taxes takes into account any changes adopted in the tax rate for the coming years.

9.2 Deferred taxes

Deferred taxes are accounted for using the liability method for all temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated financial statements, and for all tax loss carryforwards.

The main temporary differences relate to tax loss carryforwards, provisions for pensions and other employee benefits, other temporarily non-deductible provisions and capitalized development expenditure. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are only recognized to the extent that it appears probable that Valeo will generate future taxable profits against which these tax assets will be able to be recovered. The Group reviews the probability of future recovery of deferred tax assets on a periodic basis for each tax entity. This review can, where appropriate, lead the Group to derecognize deferred tax assets that it had recognized in prior years. The probability of recovery is assessed using the approach deemed most appropriate in light of the entity's legal and tax organization, tax history and projected taxable earnings outlook.

Each entity or tax consolidation group assesses the recoverability of its tax loss carryforwards annually using future taxable profit projections covering a period of five years, prepared on the basis of medium-term business plans drawn up by Group entities and approved by General Management. Where an entity or tax consolidation group reports a net deferred tax asset position, tax loss carryforwards may generally be recognized in the statement of financial position for a maximum period of five years. Taxes payable and tax credits receivable on planned dividend distributions by subsidiaries are recorded in the statement of income.

Deferred tax assets and liabilities are offset when a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities concern income taxes levied by the same taxation authority. In France, Valeo has elected for tax consolidation. The tax group includes the parent company and its principal French subsidiaries that are eligible for tax consolidation. Valeo has also elected for tax consolidation for its subsidiaries in other countries where this is permitted by local legislation (Germany, Spain, the United Kingdom and the United States).

Deferred taxes broken down by temporary differences are shown below:

(in millions of euros)	December 31, 2023	December 31, 2022
Loss carryforwards	1,576	1,498
Capitalized development expenditure	(339)	(286)
Pensions and other employee benefits	178	156
Other provisions	189	294
Inventories	112	102
Provisions for restructuring costs	7	4
Tooling	2	2
Non-current assets	21	(51)
Other	281	203
TOTAL DEFERRED TAXES, GROSS	**2,027**	**1,922**
Unrecognized deferred tax assets	(1,470)	(1,425)
TOTAL DEFERRED TAXES	**557**	**497**
Of which:		
• Deferred tax assets	603	555
• Deferred tax liabilities	(46)	(58)

At December 31, 2023, the main countries for which deferred tax assets were recognized in the statement of financial position for tax loss carryforwards are as follows:

(in millions of euros)	Loss carryforwards	Potential tax saving
United States	223	47
Germany(1)	198	55
Brazil	112	38
Czech Republic	84	16
MAIN COUNTRIES	**617**	**156**
Other countries		34
DEFERRED TAX ASSETS RECOGNIZED FOR TAX LOSS CARRYFORWARDS		**190**

(1) Tax loss carryforwards are recognized up to the amount of deferred tax liabilities.

At December 31, 2023, deferred tax assets not recognized by the Group can be analyzed as follows:

(in millions of euros)	Tax basis	Potential tax saving
Tax losses available for carryforward from 2024 through 2027	639	(80)
Tax losses available for carryforward in 2028 and thereafter	574	(100)
Tax losses available for carryforward indefinitely	4,983	(1,160)
CURRENT TAX LOSS CARRYFORWARDS	**6,196**	**(1,340)**
Unrecognized deferred tax assets on temporary differences		(130)
TOTAL		**(1,470)**

NOTE 10 STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1 Stockholders' equity

10.1.1 Change in share capital

10.1.1.1 Change in the number of shares outstanding

The number of shares outstanding and the number of treasury shares held at December 31, 2023 can be analyzed as follows:

	2023	2022
NUMBER OF SHARES OUTSTANDING AT JANUARY 1	**241,116,367**	**241,726,165**
Number of treasury shares purchased/sold under the liquidity agreement(1) or delivered following the exercise of free shares granted	1,673,193	1,494,228
Number of shares purchased under the share buyback program(2)	—	(3,031,189)
Number of shares issued under employee stock ownership plans: Shares4U(3)	1,131,560	927,163
NUMBER OF SHARES OUTSTANDING AT DECEMBER 31	**243,921,120**	**241,116,367**
Number of treasury shares held by the Group	712,384	2,385,577
NUMBER OF SHARES REPRESENTING THE COMPANY'S SHARE CAPITAL AT DECEMBER 31(4)	**244,633,504**	**243,501,944**

(1) See Note 10.1.1.2, page 375.
(2) See Note 10.1.1.3, page 375.
(3) As part of the Shares4U 2023 plan (see Note 5.4.3, page 340), a 16 million euro capital increase reserved for employees took place on November 15, 2023, issuing 1,131,560 new shares, each with a par value of 1 euro. This standard plan was offered to employees, under which they could subscribe to Valeo shares directly or through a Company mutual fund, at a subscription price set by the Group's Chief Executive Officer acting on the authority of the Board of Directors on September 15, 2023, at 14.24 euros. This gave rise to 15 million euros in additional paid-in capital.
(4) At December 31, 2023 and December 31, 2022, each share had a par value of 1 euro and was fully paid up.

10.1.1.2 Equity management

The Group seeks to maintain a solid capital base in order to retain the confidence of investors, creditors and the market, and to secure its future development. Its objective is to strike a balance between levels of debt and equity compatible with an investment grade rating.

The Group may be required to buy back treasury shares on the market to cover its obligations with regard to free share and employee stock ownership plans, as well as the liquidity agreement. The liquidity agreement, which is consistent with the Code of Ethics published by the French Association of Investment Firms (*Association Française des Entreprises d'Investissement* – AFEI), was signed with an investment services provider on March 25, 2019. At December 31, 2023, 17,032,618 euros had been allocated to the liquidity agreement compared with 17,385,306 euros at December 31, 2022.

10.1.1.3 Share buyback program

In 2022, Valeo bought back 3,031,189 shares under the buyback program set up in March. All of the shares acquired were allocated to cover free share plans designed to involve employees in the Company's growth, and Company savings plans. The cost of this share buyback program was 50 million euros.

10.1.2 Translation adjustment

Movements in the translation adjustment (attributable to the Group) in the year resulted in an unrealized loss of 336 million euros (unrealized gain of 189 million euros at December 31, 2022). This loss mainly reflects the unfavorable impact of the depreciation against the euro of the Chinese renminbi for 111 million euros, the Japanese yen for 70 million euros and the US dollar for 60 million euros.

10.1.3 Non-controlling interests

Changes in non-controlling interests can be analyzed as follows:

(in millions of euros)	2023	2022
NON-CONTROLLING INTERESTS AT JANUARY 1	**790**	**793**
Share in net earnings	79	65
Dividends paid	(33)	(52)
Changes in scope	2	(11)
Fair value adjustments to put options granted to holders of non-controlling interests(1)	(3)	(2)
Other movements	(4)	8
Translation adjustment	(46)	(11)
NON-CONTROLLING INTERESTS AT DECEMBER 31	**785**	**790**

(1) See Note 8.1.2.2, pages 361 to 362.

Non-controlling interests can be analyzed as follows:

	Percentage interest held by non-controlling interests *(in %)*		Stockholders' equity attributable to non-controlling interests *(in millions of euros)*	
	December 31, 2023	**December 31, 2022**	**2023**	**2022**
Pyeong Hwa Company[1]	50.0	50.0	574	583
Ichikoh China Alliance entities	5.8	5.8	37	35
Other Ichikoh entities	38.8	38.8	148	152
Other individually non-material interests	N/A	N/A	26	20
NON-CONTROLLING INTERESTS			**785**	**790**

(1) Pyeong Hwa Company is the longstanding partner in Valeo Pyeong Hwa and Valeo-Kapec, particularly in South Korea.

10.2 Earnings per share

Basic earnings per share is calculated by dividing consolidated net income by the weighted average number of shares outstanding during the year, excluding the average number of shares held in treasury stock.

Diluted earnings per share is calculated by dividing consolidated net income by the weighted average number of shares outstanding during the year, plus the weighted average number of ordinary shares that would be outstanding had all the potentially dilutive ordinary shares been converted.

Stock options and free shares have a dilutive impact when their exercise price is below market price. This calculation method – known as the treasury stock method – serves to determine the "unpurchased" shares to be added to the shares of common stock outstanding for the purposes of computing the dilution.

	2023	**2022**
Net income (loss) attributable to owners of the Company *(in millions of euros)*	221	230
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	242,936	241,072
ATTRIBUTABLE BASIC EARNINGS PER SHARE *(IN EUROS)*	**0.91**	**0.95**

	2023	**2022**
Weighted average number of ordinary shares outstanding *(in thousands of shares)*	242,936	241,072
Potential dilutive effect from free shares *(in thousands)*	1,698	2,430
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING ADJUSTED FOR IMPACT OF DILUTIVE SHARES *(in thousands of shares)*	**244,634**	**243,502**
ATTRIBUTABLE DILUTED EARNINGS PER SHARE *(IN EUROS)*	**0.90**	**0.94**

NOTE 11 BREAKDOWN OF CASH FLOWS

11.1 Expenses (income) with no cash effect

Expenses and income with no cash effect can be analyzed as follows in 2023 and 2022:

(in millions of euros)	2023	2022
Depreciation, amortization and impairment of fixed assets	1,835	1,782
Net additions to (reversals from) provisions	(155)	(349)
Losses (gains) on sales of fixed assets	(2)	(8)
Expenses related to share-based payment	25	21
Losses (gains) on long-term investments	33	(28)
Losses (gains) on assets held for sale	9	2
Losses (gains) on previously held interests	1	—
Other losses (gains) with no cash effect	(31)	7
TOTAL	**1,715**	**1,427**

11.2 Changes in working capital

Changes in the main components of working capital in 2023 and 2022 are shown in the table below:

(in millions of euros)	2023	2022
Inventories	(108)	(262)
Accounts and notes receivable and other operating receivables	(178)	(394)
Accounts and notes payable and other operating payables	564	887
TOTAL	**278**	**231**

The positive change in working capital in 2023 is notably due to an increase in contributions received from customers in respect of product development, and customer advances.

Accounts and notes receivable falling due after December 31, 2023 for which substantially all risks and rewards have been transferred and which are no longer carried in assets in the statement of financial position are detailed in Note 4.2, pages 323 to 324, for accounts and notes receivable and in Note 4.5.2, pages 327 to 328, for amounts receivable under French research and VAT tax credits.

11.3 Net change in non-current financial assets

The net change in non-current financial assets in 2023 is not material.

In 2022, it mainly reflected additional loans granted to the Valeo Siemens eAutomotive joint venture for 107 million euros during the first half and a 55 million euro cash outflow relating to the acquisition of a non-controlling interest in Valeo Shanghai Automotive Electric & Wiper Systems Co Ltd after the shareholder exercised its put option.

11.4 Acquisitions of investments with gain of control, net of cash acquired

No acquisitions of investments with gain of control impacted the Group's cash position in 2023.

In 2022, the net cash outflow of 352 million euros primarily related to the takeover of Valeo eAutomotive (350 million euros).

11.5 Disposals of investments with loss of control, net of cash transferred

In 2023, the positive impact of 38 million euros on the Group's net cash position corresponds mainly to the disposal of Ichikoh's Mirror business (see Note 2.2.1.3, page 317) and of Kuantic (see Note 2.2.1.5, page 317).

11.6 Issuance and repayment of long-term debt

In 2023, the Group issued a 600 million euro bond maturing in 2029, and also took out two bank loans for a total of 150 million euros (see Note 8.1.2.1, pages 357 to 361).

In parallel, in 2023 Valeo redeemed the 500 million euro bond issued in 2017 as part of the Euro Medium Term Note (EMTN) financing program, as well as tranches 1 and 2 of the *Schuldschein* loan (German private placement) issued in 2019 for a total amount of 336 million euros. The Group also repaid lease liabilities recognized in accordance with IFRS 16 – "Leases" in an amount of 115 million euros.

11.7 Free cash flow and net cash flow

Free cash flow corresponds to net cash from operating activities (excluding changes in non-recurring sales of accounts and notes receivable) after taking into account acquisitions and disposals of intangible assets and property, plant and equipment and payments for the principal portion of lease liabilities. This indicator reflects the Group's ability to generate cash from its operations and is taken into account by General Management to define its investment strategy and financing policy.

Net cash flow corresponds to free cash flow less (i) cash flows in respect of investing activities, relating to acquisitions and disposals of investments and to changes in certain items shown in non-current financial assets, (ii) cash flows in respect of financing activities relating to share capital, dividends paid, treasury share purchases and sales, interest paid and received, loan issuance costs and premiums and acquisitions of investments without gain of control, and (iii) changes in non-recurring sales of accounts and notes receivable.

Free cash flow and net cash flow can be reconciled as follows with the consolidated statement of cash flows between 2023 and 2022:

(in millions of euros)	2023	2022
Gross operating cash flows	2,409	1,968
Income taxes paid	(225)	(291)
Changes in working capital	278	231
NET CASH FLOWS FROM OPERATING ACTIVITIES	**2,462**	**1,908**
Net payments for purchases of intangible assets and property, plant and equipment	(1,925)	(1,409)
Net payments for the principal portion of lease liabilities[1]	(115)	(101)
Elimination of change in non-recurring sales of accounts and notes receivable[2]	(43)	(10)
FREE CASH FLOW	**379**	**388**
Change in non-recurring sales of accounts and notes receivable[2]	43	10
Net change in non-current financial assets[1]	(11)	(174)
Acquisitions of investments with gain of control, net of cash acquired	—	(352)
Acquisitions of investments in associates and/or joint ventures	(8)	—
Disposals of investments with loss of control, net of cash transferred	38	—
Acquisitions of investments without gain of control	(2)	—
Dividends paid to owners of the Company and to non-controlling interests of consolidated subsidiaries	(127)	(143)
Capital increase in cash	16	14
Sale (purchase) of treasury stock	—	(50)
Net interest paid/received	(209)	(100)
NET CASH FLOW	**119**	**(407)**

(1) In 2022, the net cash inflow of 8 million euros in respect of lease receivables was set off against payments for the principal portion of lease liabilities.

(2) Valeo carries out recurring and one-off sales of its accounts and notes receivable to banks. An agreement at a specific date is drawn up for one-off, or non-recurring, transactions of this type. An agreement spanning one or more years is drawn up for recurring transactions. Each contract is analyzed in light of IFRS 9 on the derecognition of financial assets in order to determine whether the risks and rewards inherent to ownership of the receivables has been transferred (see Note 4.2, pages 323 to 324).

NOTE 12 FEES PAID TO THE STATUTORY AUDITORS

Fees paid to the Group's Statutory Auditors (excluding their network) and recognized in the consolidated statement of income for the Valeo parent company and the French subsidiaries, are as follows:

	Ernst & Young		Mazars	
(in millions of euros)	2023	2022	2023	2022
AUDIT				
Statutory audit, certification and review of the individual and consolidated financial statements	1.9	1.8	1.6	1.5
Non-audit services	0.2	0.3	0.2	0.2
TOTAL FEES	**2.1**	**2.1**	**1.8**	**1.7**

Non-audit services provided by Ernst & Young et Autres and Mazars to the Group and the entities it controls generally concern (i) comfort letters in connection with bond issues, (ii) statements issued to validate information presented in expenditure reports relating to subsidized projects and in connection with sales of receivables, (iii) agreed-upon procedures in connection with a report certifying CSR information, and (iv) audits of the combined financial statements of some of the Group's operating structures.

NOTE 13 LIST OF CONSOLIDATED COMPANIES

	December 31, 2023		December 31, 2022	
Company	Consolidation method	% interest	Consolidation method	% interest
EUROPE				
FRANCE				
Valeo (parent company)				
DAV	FC	100	FC	100
Equipement 2	FC	100	FC	100
Equipement 11	FC	100	FC	100
SC2N	FC	100	FC	100
Valeo Bayen	FC	100	FC	100
Valeo Embrayages	FC	100	FC	100
Valeo Equipements Electriques Moteur	FC	100	FC	100
Valeo Finance	FC	100	FC	100
Valeo Management Services	FC	100	FC	100
Valeo Matériaux de Friction	FC	100	FC	100
Valeo Comfort and Driving Assistance	FC	100	FC	100
Valeo Service	FC	100	FC	100
Valeo Systèmes de Contrôle Moteur	FC	100	FC	100
Valeo Systèmes d'Essuyage	FC	100	FC	100
Valeo Systèmes Thermiques	FC	100	FC	100
Valeo Vision	FC	100	FC	100
Valeo eAutomotive France SAS	FC	100	FC	100
Kuantic(2)	-	-	FC	100
Valeo Detection Systems	FC	100	FC	100
Equipement 22	FC	100	FC	100
SPAIN				
Valeo Climatización, SAU(3)	-	-	FC	100
Valeo España, SAU	FC	100	FC	100
Valeo Service España, SAU	FC	100	FC	100
Valeo Termico, SAU	FC	100	FC	100
ITALY				
Valeo Service Italia, SpA	FC	100	FC	100
Valeo, SpA	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 2.1.1, pages 314 to 315).
(1) Creation during the year with no material impact on the consolidated financial statements.
(2) Disposals.
(3) Mergers and liquidations.
(4) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2023		December 31, 2022	
	Consolidation method	% interest	Consolidation method	% interest
GERMANY				
Valeo Auto-Electric GmbH(4)	FC	100	FC	100
Valeo GmbH(4)	FC	100	FC	100
Valeo Holding GmbH(4)	FC	100	FC	100
Valeo Klimasysteme GmbH(4)	FC	100	FC	100
Valeo Schalter und Sensoren GmbH(4)	FC	100	FC	100
Valeo Service Deutschland GmbH(4)	FC	100	FC	100
Valeo Wischersysteme GmbH(4)	FC	100	FC	100
Valeo Telematik und Akustik GmbH(4)	FC	100	FC	100
CloudMade Deutschland GmbH	EM	50	EM	50
Valeo Thermal Commercial Vehicles Germany GmbH(4)	FC	100	FC	100
Valeo eAutomotive GmbH(3)	-	-	FC	100
Valeo eAutomotive Germany GmbH(4)	FC	100	FC	100
Valeo eAutomotive BSAES Holding GmbH(4)	FC	100	FC	100
FTE Group Holding GmbH(3)	-	-	FC	100
FTE Verwaltungs GmbH(4)	FC	100	FC	100
FTE Automotive GmbH(3)	-	-	FC	100
Valeo Powertrain GmbH (formerly FTE Asia GmbH)(4)	FC	100	FC	100
FTE automotive systems GmbH(4)	FC	100	FC	100
FTE automotive Möve GmbH(4)	FC	100	FC	100
gestigon GmbH(4)	FC	100	FC	100
Asaphus Vision GmbH(4)	FC	100	FC	60
Valeo Detection Systems GmbH(4)	FC	100	FC	100
UNITED KINGDOM				
Valeo (UK) Limited	FC	100	FC	100
Valeo Climate Control Limited	FC	100	FC	100
Valeo Engine Cooling UK Limited	FC	100	FC	100
Valeo Management Services UK Limited	FC	100	FC	100
Valeo Service UK Limited	FC	100	FC	100
Valeo Air Management UK Limited	FC	100	FC	100
CloudMade Holdings Limited	EM	50	EM	50
CloudMade Limited	EM	50	EM	50
IRELAND				
Connaught Electronics Limited	FC	100	FC	100
HI-KEY Limited	FC	100	FC	100
Valeo Ichikoh Holding Limited	FC	94	FC	94

FC: Fully consolidated/EM: equity method (see Note 2.1.1, pages 314 to 315).
(1) Creation during the year with no material impact on the consolidated financial statements.
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(3) Mergers and liquidations.
(4) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2023 Consolidation method	% interest	December 31, 2022 Consolidation method	% interest
BELGIUM				
Valeo Service Belgique	FC	100	FC	100
Valeo Vision Belgique	FC	100	FC	100
LUXEMBOURG				
Coreval	FC	100	FC	100
FINLAND				
Valeo Thermal Commercial Vehicles Finland Oy (Ltd)	FC	100	FC	100
NETHERLANDS				
Valeo Sub-Holdings C.V.	FC	100	FC	100
Valeo Holding Netherlands BV	FC	100	FC	100
Valeo International Holding BV	FC	100	FC	100
Lucia Technologies B.V.	FC	100	FC	100
CZECH REPUBLIC				
Valeo Autoklimatizace k.s.	FC	100	FC	100
Valeo Compressor Europe s.r.o.	FC	100	FC	100
Valeo Vymeniky Tepla s.r.o.	FC	100	FC	100
FTE automotive Czechia s.r.o.	FC	100	FC	100
Valeo Detection Systems s.r.o	FC	100	FC	100
SLOVAKIA				
FTE automotive Slovakia s.r.o.	FC	100	FC	100
POLAND				
Valeo Autosystemy SpZOO	FC	100	FC	100
Valeo Electric and Electronic Systems SpZOO	FC	100	FC	100
Valeo Service Eastern Europe SpZOO	FC	100	FC	100
Valeo eAutomotive Poland SpZOO	FC	100	FC	100
HUNGARY				
Valeo Auto-Electric Hungary LLC	FC	100	FC	100
Valeo eAutomotive Hungary Kft.	FC	100	FC	100
ROMANIA				
Valeo Lighting Injection SA	FC	100	FC	100
Valeo Sisteme Termice SRL	FC	100	FC	100
RUSSIA				
Valeo Technology Rus Limited Liability Company	FC	100	FC	100
Valeo Service Limited Liability Company	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 2.1.1, pages 314 to 315).
(1) Creation during the year with no material impact on the consolidated financial statements.
(2) Disposals.
(3) Mergers and liquidations.
(4) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2023 Consolidation method	December 31, 2023 % interest	December 31, 2022 Consolidation method	December 31, 2022 % interest
UKRAINE				
CloudMade Ukraine LLC	EM	50	EM	50
Spheros-Elektron TzOV	EM	20	EM	20
TURKEY				
Valeo Otomotiv Sanayi ve Ticaret AS	FC	100	FC	100
Valeo Ticari Tasitlar Termo Sistemleri AS	FC	100	FC	100
AFRICA				
TUNISIA				
DAV Tunisie SA	FC	100	FC	100
Valeo Embrayages Tunisie SA	FC	100	FC	100
Valeo Tunisie SA	FC	100	FC	100
MOROCCO				
Valeo Vision Maroc, SA	FC	100	FC	100
EGYPT				
Valeo Internal Automotive Software Egypt	FC	100	FC	100
Valeo Detection Systems LLC	FC	100	FC	100
SOUTH AFRICA				
Valeo Systems South Africa (Proprietary) Ltd	FC	51	FC	51
Valeo Thermal Commercial Vehicles South Africa (Pty) Ltd	FC	100	FC	100
Valeo Thermal Systems East London (Pty) Ltd	FC	51	FC	51
NORTH AMERICA				
UNITED STATES				
Valeo North America, Inc.	FC	100	FC	100
Valeo Radar Systems, Inc.	FC	100	FC	100
Detroit Thermal Systems LLC	EM	49	EM	49
CloudMade, Inc.	EM	50	EM	50
Valeo Thermal Commercial Vehicles North America, Inc.	FC	100	FC	100
Valeo Kapec North America, Inc.	FC	50	FC	50
Valeo eAutomotive US, Inc.(3)	-	-	FC	100
Valeo Detection Systems Inc.	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 2.1.1, pages 314 to 315).

(1) Creation during the year with no material impact on the consolidated financial statements.
(2) Disposals.
(3) Mergers and liquidations.
(4) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2023 Consolidation method	December 31, 2023 % interest	December 31, 2022 Consolidation method	December 31, 2022 % interest
CANADA				
Valeo Canada, Inc.	FC	100	FC	100
MEXICO				
Delmex de Juarez, S de RL de CV	FC	100	FC	100
Valeo Sistemas Automotrices de México, SA de CV	FC	100	FC	100
Valeo Sistemas Electricos, SA de CV	FC	100	FC	100
Valeo Sistemas Electronicos, S de RL de CV	FC	100	FC	100
Valeo Termico Servicios, S de RL de CV	FC	100	FC	100
Valeo Mexico Tech Center, SA de CV	FC	100	FC	100
Valeo Thermal Commercial Vehicles Mexico, SA de CV	FC	60	FC	60
Valeo Telematica y Acustica, SA de CV	FC	100	FC	100
Valeo Kapec, SA de CV	FC	50	FC	50
FTE Mexicana, SA de CV	FC	100	FC	100
SOUTH AMERICA				
BRAZIL				
Valeo Sistemas Automotivos Ltda	FC	100	FC	100
Valeo climatizacao do Brasil – veiculos comerciais S/A	FC	60	FC	60
ARGENTINA				
Emelar Sociedad Anonima	FC	100	FC	100
Valeo Climatizacion de vehiculos comerciales SAS	FC	100	FC	100
COLOMBIA				
Spheros Thermosystems Colombia SAS	FC	50	FC	60
ASIA PACIFIC				
THAILAND				
Valeo Niles (Thailand) Co. Ltd	FC	100	FC	100
Valeo Siam Thermal Systems Co. Ltd	FC	74.9	FC	74.9
Valeo Comfort and Driving Assistance Systems (Thailand) Ltd	FC	100	FC	100
Ichikoh Industries (Thailand) Co. Ltd	FC	61.2	FC	61.2

FC: Fully consolidated/EM: equity method (see Note 2.1.1, pages 314 to 315).
(1) Creation during the year with no material impact on the consolidated financial statements.
(2) Disposals.
(3) Mergers and liquidations.
(4) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2023 Consolidation method	December 31, 2023 % interest	December 31, 2022 Consolidation method	December 31, 2022 % interest
SOUTH KOREA				
Valeo Automotive Korea Co. Ltd	FC	100	FC	100
Valeo Electrical Systems Korea, Ltd	FC	100	FC	100
Valeo Pyeong HWA Co. Ltd	FC	50	FC	50
Valeo Pyeong Hwa Automotive Components Co. Ltd	FC	50	FC	50
Valeo Pyeong HWA International Co. Ltd	FC	50	FC	50
Valeo Samsung Thermal Systems Co. Ltd	EM	50	EM	50
Valeo Pyeong HWA Metals Co. Ltd	EM	49	EM	49
Valeo Kapec Co. Ltd	FC	50	FC	50
Valeo PHC Co. Ltd	FC	50	FC	50
Valeo Detection Systems Korea Co. Ltd	FC	100	FC	100
Valeo PHC Thermal Systems Co. Ltd.(1)	EM	50	-	-
Valeo Mobility Korea Co. Ltd	FC	100	FC	100
INDONESIA				
PT Valeo AC Indonesia	FC	100	FC	100
PT VPH Asean Transmission	FC	50	FC	50
PT. Ichikoh Indonesia	FC	61.2	FC	61.2
MALAYSIA				
Valeo Malaysia SDN.BHD.	FC	100	FC	100
Ichikoh (Malaysia) SDN.BHD.	FC	42.8	FC	42.8
Valeo Malaysia CDA SDN.BHD.	FC	100	FC	100
UNITED ARAB EMIRATES				
Valeo Thermal Commercial Vehicles Middle East FZE	FC	100	FC	100
TAIWAN				
Niles CTE Electronic Co. Ltd(3)	-	-	FC	51
AUSTRALIA				
Valeo Service Australia Pty Ltd	FC	100	FC	100
Valeo Thermal Commercial Vehicles Australia Pty Ltd	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 2.1.1, pages 314 to 315).

(1) Creation during the year with no material impact on the consolidated financial statements.

(2) Disposals.

(3) Mergers and liquidations.

(4) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2023		December 31, 2022	
	Consolidation method	% interest	Consolidation method	% interest
JAPAN				
Ichikoh Industries Limited	FC	61.2	FC	61.2
Kyushu Ichikoh Industries Ltd	FC	61.2	FC	61.2
Misato Industries Co. Ltd(3)	-	-	FC	61.2
PIAA Corporation	FC	61.2	FC	61.2
Valeo Japan Co. Ltd	FC	100	FC	100
Valeo Kapec Japan K,K.	FC	50	FC	50
CloudMade Co. Ltd	EM	50	EM	50
CHINA				
Faw-Valeo Climate Control Systems Co. Ltd	EM	36.5	EM	36.5
Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd	FC	94.2	FC	94.2
Guangzhou Valeo Engine Cooling Co. Ltd	FC	100	FC	100
Huada Automotive Air Conditioner (Hunan) Co. Ltd	FC	66	FC	66
Nanjing Valeo Clutch Co. Ltd	FC	37.5	FC	37.5
Shanghai Valeo Automotive Electrical Systems Co. Ltd	EM	50	EM	50
Shenyang Valeo Auto Lighting Co. Ltd	FC	94.2	FC	94.2
Shenyang Valeo Pyeong-Hwa Transmission Systems Co. Ltd	FC	50	FC	50
Taizhou Valeo Wenling Automotive Systems Company Ltd	FC	100	FC	100
Valeo Auto Parts Trading (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Automotive Air Conditioning Hubei Co. Ltd	FC	100	FC	100
Valeo Kapec Torque Converters (Nanjing) Co. Ltd	FC	50	FC	50
Valeo Engine Cooling (Foshan) Co. Ltd	FC	100	FC	100
Valeo Compressor (Changchun) Co. Ltd	FC	100	FC	100
Valeo Friction Materials (Nanjing) Co. Ltd	FC	50	FC	50
Valeo Ichikoh (China) Auto Lighting Co. Ltd	FC	94.2	FC	94.2
Valeo Interior Controls (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Interior Controls (Shenzhen) Co. Ltd	FC	100	FC	100
Valeo Lighting Hubei Technical Center Co. Ltd	FC	94.2	FC	94.2
Valeo Management (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Comfort Driving Assistance Systems (Guangzhou) Co. Ltd	FC	100	FC	100

FC: Fully consolidated/EM: equity method (see Note 2.1.1, pages 314 to 315).
(1) Creation during the year with no material impact on the consolidated financial statements.
(2) Disposals.
(3) Mergers and liquidations.
(4) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.

Company	December 31, 2023		December 31, 2022	
	Consolidation method	% interest	Consolidation method	% interest
Valeo Shanghai Automotive Electric Motors & Wiper Systems Co. Ltd	FC	100	FC	100
Wuhu Valeo Automotive Lighting Systems Co. Ltd(3)	-	-	FC	94.2
Wuxi Valeo Automotive Components and System Co. Ltd	FC	100	FC	100
Changshu Valeo Automotive Wiper System Co. Ltd	FC	100	FC	100
Shanghai Valeo Pyeong Hwa International Co. Ltd	FC	50	FC	50
Valeo eAutomotive (Shenzhen) Co. Ltd	FC	100	FC	100
Valeo Automotive ePowertrain Systems (Shanghai) Co. Ltd	FC	100	FC	100
Valeo Bluepark Automotive E-Drive Systems (Changzhou) Co. Ltd	FC	60	FC	60
Foshan Valeo Electronic Auto Parts Co. Ltd	FC	100	FC	100
Valeo Thermal Commercial Vehicles System (Suzhou) Co. Ltd	FC	100	FC	100
Ichikoh (Wuxi) Automotive Parts Co. Ltd(3)	-	-	FC	61.2
Valeo Powertrain (Nanjing) Co. Ltd	FC	100	FC	100
Valeo Powertrain (Shanghai) Co. Ltd	FC	100	FC	100
Valeo ePowertrain (Tianjin) Co. Ltd.	FC	100	FC	100
Valeo eAutomotive (Changshu) Co. Ltd.	FC	100	FC	100
APG-FTE automotive Co. Ltd(3)	-	-	EM	49
Fawer Valeo eAutomotive Parts Changshu	EM	49.5	EM	49.5
FTE automotive (Taicang) Co. Ltd	FC	100	FC	100
Suzhou Valeo PyeongHwa Dongfeng Clutch Co. Ltd(3)	-	-	FC	26.25
Zhihui Valeo (Zhejiang) Auto Parts Co. Ltd(1)	EM	20	-	-
Valeo Mobility Systems (Shanghai) Co. Ltd(1)	FC	100	-	-
Valeo Detection Systems (Shenzhen) Co. Ltd	FC	100	FC	100
INDIA				
Amalgamations Valeo Clutch Private Ltd	EM	50	EM	50
Valeo Friction Materials India Ltd	FC	60	FC	60
Valeo India Private Ltd	FC	100	FC	100
Valeo Motherson Thermal Commercial Vehicles India Ltd	EM	51	EM	51

FC: Fully consolidated/EM: equity method (see Note 2.1.1, page 314 to 315).
(1) Creation during the year with no material impact on the consolidated financial statements.
(2) Disposals.
(3) Mergers and liquidations.
(4) These entities, which have been consolidated by the Valeo Group, have chosen to exercise their right under section 264 – sub-section 3 of the German Commercial Code (HGB) on exemption and preparation. The consolidated financial statements of Valeo include the financial statements of the identified entities. They will be published in the German Federal Gazette.

5.4.7 Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditor's report includes information required by French law, such as the verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

MAZARS

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92075 Paris-La Défense Cedex
S.A. à directoire et conseil de surveillance
au capital de € 8.320.000
784 824 153 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie régionale de
Versailles et du Centre

ERNST & YOUNG et Autres

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S.A.S à capital variable
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Commissaire aux Comptes
Membre de la compagnie régionale de
Versailles et du Centre

To the Shareholders of Valeo,

Opinion

In compliance with the engagement entrusted to us by your General Meeting of Shareholders, we have audited the accompanying consolidated financial statements of Valeo for the year ended 31 December 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2023 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*).

Justification of Assessments – Key Audit Matters

In accordance with the requirements of articles L. 821-53 and R. 821-180 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment tests of goodwill and cash-generating units (CGUs), capitalized development costs and specific fixed assets

Risk identified

As of December 31, 2023, goodwill amounted to 3,112 million euros and the other intangible and tangible assets amounted to 8,122 million euros, including 2,417 million euros in net capitalized development costs.

Tangible and intangible assets with a specified useful life are subject impairment-tested where there are objective impairment indicators exist. Goodwill and intangible fixed assets that are not yet ready to be brought online are the subject of impairment testing as soon as impairment indicators appear and, in any event, at least once per year.

These tests are carried out at the Business Group level, which correspond to groups of cash-generating units (CGUs) for goodwill, or directly at CGU level for all property, plant and equipment and intangible assets, except for those which are unused, which are subject to a specific impairment test.

The conditions for the tests performed and the details of the assumptions used are presented in Note 6.4.1 to the consolidated financial statements.

During fiscal year 2023, these tests were performed in an unsettled geopolitical and macroeconomic environment marked notably by the effects of the conflict in Ukraine, high inflation and raw material price volatility.

The impairment recognized by the Group after these tests is presented in Notes 4.5.1.1, 4.5.1.2, 6.4.2 and 6.4.4 to the consolidated financial statements, specifically for capitalized development costs, CGUs and goodwill.

We considered the recoverable amount of the goodwill, cash-generating units (CGUs), capitalized development costs and specific fixed assets, which represent a significant amount, constituted a key audit matter as the valuation of the recoverable amount of these assets, based on the value of discounted future cash flows, relies on significant assumptions, estimates or judgments made by the Company's management.

Our response

We performed the following procedures:

- Analyzed the consistency of the definition of CGUs, with regard to the rules set out in IAS 36;
- Analyzed the existence of impairment indicators causing impairment testing of goodwill, the CGUs, development costs and specific fixed assets.
- With the support help of our valuation experts, for all impairment tests including annual goodwill tests:
  - Reconciled the carrying amount of each Business Group and the and the assets of each CGU used for the tests with the consolidated financial statements, as well as the carrying amount of the capitalized development costs and specific fixed assets relating to contracts in progress;
  - Analyzed the internal control procedures and Management's involvement to ensure the quality of the preparation of key information;
  - Assessed the consistency of the cash flow projections with the most recent Management estimates as presented to the Board of Directors in the context of the preparation of a medium-term plan, the revised volume forecasts, and agreements or negotiations with automakers;
  - Analyzed business plans drawn up by the Management per Business Group and per CGU when these plans present a significant risk of impairment;
  - Analyzed forecasts of volume and internal costs for projects that present an impairment risk;
  - Analyzed the main valuation assumptions (discount rate and perpetual growth rate) which we compared to the amounts used by the main financial analysts;
  - Reviewed the conditions of implementation and the methods used to value recoverable amounts and the arithmetic accuracy of the calculations made;
  - Evaluated the impact of a variation in the discount rate and the main operational assumptions by means of sensitivity analyses.

Lastly, we reviewed the content of the information disclosed in Notes 6.4 and 4.5.1.2 to the consolidated financial statements concerning impairment of goodwill, CGU assets, capitalized development costs and specific fixed assets.

Assets and liabilities for specific quality issues

Risk identified

Provisions for customer guarantees are intended to cover the estimated cost of future returns of products sold. They notably include provisions for specific quality risks.

Said provisions cover the costs relating to occasional situations which exceed the framework of the legal or contractual guarantees.

The estimate of the costs to be borne in the context of specific quality risks are based on both historical data and probability calculations: the expected rates of return and estimated replacement/repair costs. The Group also analyzes the potential indemnities and records accrued income, net of any deductibles, if it is proven that some or all of the costs of implementing the guarantees is/are covered by your group's insurance policies or by suppliers concerned.

These provisions are discussed in Note 7.1 to the consolidated financial statements.

We considered the valuation of assets and liabilities relating to specific quality risks to be a key audit matter as this valuation requires your company's Management to make significant estimates and judgements.

Our response

We familiarized ourselves with the process for identifying the specific quality risks and for valuing the provisions and the corresponding accrued income.

Our work also consisted in:

- Analyzing the valuation methodology used by the Group;
- Verifying the completeness of the provisions for specific quality risks by interviewing managers from Business Group's quality departments and the site financial controllers, and by analyzing the Group's internal reporting;
- Analyzing the assumptions used to determine the provisions for specific quality risks, notably by considering the summary notes prepared by the Business Group's quality departments summarizing the main causes, as well as the main scenarios for correcting the technical problems identified;
- Familiarizing ourselves with the Group's insurance policy and the policies in place, by interviewing the Group's insurance department manager;
- Evaluating the available documentation, in particular the exchanges between the Group and its customers, as well as the exchanges between the Group and its insurers and/or providers to assess the existence and documented nature of the compensation expected when accrued income is recognized;
- Interviewing the site financial controllers and the finance departments at Business Group level to assess the main assumptions underlying the risk estimates and the corresponding accrued income where applicable.
- Lastly, assessing the content of the information disclosed in Note 7.1 to the consolidated financial statements concerning specific quality risks.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' management report.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the information pertaining to the Group presented in the management report includes the consolidated non-financial information statement required under article L. 225 102 1 of the French Commercial Code (*Code de commerce*). However, in accordance with the provisions of article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in the statement, which will be the subject of a report by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of preparation of the consolidated financial statements to be included in the annual financial report

In accordance with the professional standards applicable to the statutory auditors' procedures for annual and consolidated financial statements presented according to the European single electronic report format, we have also verified that the presentation of the consolidated financial statements to be included in the annual financial report referred to in Article L. 451-1-2, I of the French Monetary and Financial Code *(Code monétaire et financier*) and prepared under the responsibility of the Chief Executive Officer complies with the format defined by Delegated Regulation (EU) 2019/815 of 17 December 2018. As it relates to the consolidated financial statements, our work included verifying that the tagging in the financial statements comply with the format defined by the aforementioned Regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of consolidated financial statements in the European single electronic format, it is possible that the content of certain tagging in the notes are not reproduced identically to the accompanying consolidated financial statements.

Further, it is not our responsibility to ensure that the consolidated financial statements to be included by Valeo in the annual financial report filed with the AMF (*Autorité des marchés financiers*) correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Valeo by your Annual General Meeting held on 3 June 2010.

As at 31 December 2023, both our firms were in their fourteenth year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and Audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 821-55 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by articles L. 821-27 to L. 821-34 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, February 29, 2024

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Gonzague Senlis	Jean-Marc Deslandes	Philippe Berteaux	Guillaume Rouger

5.5 Analysis of Valeo's results AFR

Valeo is a European Company *(Societas Europaea)* providing holding and cash management services for the Group. It holds financial investments that give it direct or indirect control over the Group's companies and is the head of the tax consolidation group in France. Valeo also implements the financing policy and centralizes the management of the market risks to which the Group's subsidiaries are exposed.

Analysis of earnings

Valeo reported a net operating loss of 52 million euros in 2023, compared with a net operating loss of 5 million euros in 2022. This change is mainly due to the impact of movements in provisions for free share plans in an amount of 37 million euros.

Net financial income came in at 235 million euros for 2023, up versus the previous year (201 million euros). Dividends received by the Company represented 210 million euros, compared to 244 million euros one year earlier. The 2023 amount includes a 140 million euro dividend from Valeo International Holding BV (VIHBV), a 57 million euro dividend from Valeo Bayen and 13 million euros in dividends from South Korean subsidiaries. In 2022, the Company received an exceptional dividend of 116 million euros from Société de Participations Valeo, before it was dissolved ahead of term and all of its assets and liabilities were transferred to Valeo. Net financial income also includes a 2 million euro net addition to the impairment provision for (i) investments in subsidiaries and affiliates and (ii) loans and advances to subsidiaries and affiliates, compared to a net addition of 40 million euros in 2022. Valeo's cash management activity generated net interest income of 3 million euros in 2023, compared with a net interest expense of 4 million euros in the previous year. In addition, other financial income and expenses mainly comprised income of 19 million euros relating to the repayment of a loan granted to a joint venture, which had been written down in full, and a foreign exchange gain of 8 million euros in connection with the Group's pooled management of foreign currency risk. In 2022, other financial income and expenses amounted to 1 million euros.

Non-recurring income for 2023 amounted to 3 million euros, corresponding to an insurance indemnity.

Income tax for 2023 represented a tax benefit of 8 million euros arising on tax consolidation, up slightly versus 2022.

Net income came in at 194 million euros for 2023, compared with 203 million euros in 2022.

Analysis of the balance sheet

At December 31, 2023, Valeo's stockholders' equity stood at 4,243 million euros, an increase compared to the end-2022 figure of 4,125 million euros. This 118 million euro net increase mainly reflects net income of 194 million euros for the year 2023, the 16 million euro share capital increase reserved for employees as part of the 2023 employee share ownership plan (Shares4U), and the May 2023 payment to shareholders of a dividend totaling 92 million euros in respect of 2022 earnings. A dividend of 84 million euros was paid in 2022 in respect of 2021 earnings.

Analysis of cash and cash equivalents

Net changes in cash and cash equivalents represented a positive 480 million euros in 2023.
Net cash from operating activities increased by 54 million euros in 2023 compared with 2022, mainly due to a favorable change in working capital. Cash flow is stable compared with 2022.

Net cash from investing activities came in at 748 million euros in 2023, reflecting in particular the repayment of 960 million euros in loans during the year following the restructuring of financing at the level of German subsidiaries.

In 2022, net cash from investing activities represented an outflow of 59 million euros and included the effects of the transfer of Société de Participations Valeo assets and liabilities for 190 million euros, as well as the net repayment of 153 million euros in long-term financing granted to Group subsidiaries.

Net cash from financing activities represented an outflow of 472 million euros in 2023, including in particular the issuance in October 12, 2023 of 600 million euros' worth of bonds to replace the 500 million euros' worth of bonds that matured in January 2023. Valeo also redeemed 335 million euros of the 548 million euro *Schuldschein* loan (German private placement) taken out in April 2019. In addition, the Company took out bilateral bank loans for a total of 200 million euros. Net cash from financing activities also includes (i) a 361 million euro decrease in outstanding short-term debt with external counterparties (including Negotiable European Commercial Paper, or NEU CP (formerly *Billets de trésorerie*), which amounted to 698 million euros at December 31, 2023 (1,059 million euros at December 31, 2022) and a short-term bilateral loan of 50 million euros taken out in 2023), (ii) the payment of a 92 million euro dividend to Group shareholders, and (iii) a capital increase in cash reserved for employees in an amount of 16 million euros.

Information on payment terms

At December 31, 2023, trade payables due by that date excluding accrued payables totaled 74 thousand euros. At December 31, 2022, trade payables due by that date totaled 243 thousand euros.

Pursuant to Article D.441-4 of the French Commercial Code *(Code de Commerce)*, details of payment terms for the Company's suppliers and customers are provided below and include outstanding incoming and outgoing invoices as of December 31, 2023.

Suppliers

(in thousands of euros)	Article D.441 I – 1° of the French Commercial Code: Outstanding incoming invoices as of December 31, 2023					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91+ days	Total (1 day or more)
(A) BY AGING CATEGORY						
Number of invoices	5	24	5	1	44	74
Total amount of invoices (incl. VAT)	181	15	7	—	52	74
Percentage of total amount of purchases over the period (incl. VAT)	1.7%	0.1%	0.1%	—%	0.5%	0.7%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES						
Number of invoices excluded	None					
Total amount of invoices excluded	None					
(C) STANDARD PAYMENT TERMS USED						
Payment terms used to calculate late payments	The contractual period does not exceed net 60 days for French suppliers					

Customers

(in thousands of euros)	Article D.441 I – 2° of the French Commercial Code: Outstanding outgoing invoices as of December 31, 2023					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91+ days	Total (1 day or more)
(A) BY AGING CATEGORY						
Number of invoices	6	3	3	1	2	9
Total amount of invoices (incl. VAT)	1,189	1,461	54	11	37	1,563
Percentage of total sales over the period (incl. VAT)	3.5%	4.3%	0.2%	—%	0.1%	4.7%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES						
Number of invoices excluded	None					
Total amount of invoices excluded	None					
(C) STANDARD PAYMENT TERMS USED						
Payment terms used to calculate late payments	Contractual and statutory terms of 0 to 60 days					

Non tax-deductible expenses

Valeo did not recognize any sumptuary expenses that were not deductible for tax purposes in 2023. No overheads were added back to income for tax purposes in 2023.

5.6 2023 parent company financial statements AFR

In accordance with Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference in this Universal Registration Document:

- the parent company financial statements and the Statutory Auditors' report for the year ended December 31, 2022, set out on pages 434 to 457 and 457 to 660 of the Universal Registration Document filed with the French financial markets authority *(Autorité des marchés financiers – AMF)* on March 30, 2023 under number D.23-0200.
- the parent company financial statements and the Statutory Auditors' report for the year ended December 31, 2021, set out on pages 417 to 438 and 438 to 441 of the Universal Registration Document filed with the French financial markets authority *(Autorité des marchés financiers – AMF)* on April 7, 2022 under number D.22-0254.

5.6.1 Income statement

(in millions of euros)	Notes	2023	2022
Provision reversals	*3.1.2*	36	90
Other operating income	*4.1.1*	26	28
Expense transfers	*4.1.2*	5	11
TOTAL OPERATING INCOME		**67**	**129**
Other purchases and external charges	*4.1.3*	(43)	(39)
Personnel expenses	*3.2*	(31)	(51)
Other taxes		(2)	(2)
Depreciation and amortization	*4.1.4*	(13)	(12)
Provisions	*3.1.2*	(30)	(30)
TOTAL OPERATING EXPENSES		**(119)**	**(134)**
OPERATING LOSS		**(52)**	**(5)**
Net financial income	*7*	235	201
INCOME BEFORE TAX AND NON-RECURRING ITEMS		**183**	**196**
Non-recurring income (expense)		3	—
Income tax	*8.2*	8	7
NET INCOME FOR THE YEAR		**194**	**203**

The Notes are an integral part of these financial statements.

5.6.2 Balance sheet

(in millions of euros)	Notes	December 31, 2023 Gross	December 31, 2023 Depr., amort. & impairment losses	December 31, 2023 Net	December 31, 2022 Net
ASSETS					
Intangible assets		—	—	—	—
Property, plant and equipment		5	(4)	1	1
Long-term financial assets	*5*	7,281	(73)	7,208	7,939
TOTAL NON-CURRENT ASSETS		**7,286**	**(78)**	**7,208**	**7,940**
Prepaid and recoverable taxes	*8.4/10.1*	16	—	16	15
Other operating receivables		12	—	12	8
Financial receivables	*6.1.5*	5,472	—	5,472	3,906
Marketable securities and cash and cash equivalents	*6.1.6*	2,545	—	2,545	2,852
Accrued assets	*4.2.2*	21	—	21	32
TOTAL CURRENT ASSETS		**8,066**	**—**	**8,066**	**6,813**
TOTAL ASSETS		**15,352**	**(78)**	**15,274**	**14,753**

(in millions of euros)	Notes	December 31, 2023	December 31, 2022
EQUITY AND LIABILITIES			
Share capital	*9.1*	245	244
Additional paid-in capital	*9.2*	1,588	1,573
Legal reserve		25	25
Untaxed reserves		4	4
Other reserves		263	263
Retained earnings		1,924	1,813
Net income for the year		194	203
STOCKHOLDERS' EQUITY	*9*	**4,243**	**4,125**
Provisions for contingencies arising on free share plans	*3.1.2*	83	89
Provisions for pensions and other employee benefits	*3.3*	—	1
Other provisions for contingencies and charges	*4.2.1*	19	19
PROVISIONS FOR CONTINGENCIES AND CHARGES		**103**	**109**
Long-term portion of long-term debt	*6.1.3*	4,604	4,604
Current portion of long-term debt	*6.1.3*	830	890
Short-term debt	*6.1.4*	748	1,059
Other short-term debt	*6.1.4*	4,506	3,727
Operating payables	*10.1*	33	21
Other payables	*8.5/10.1*	207	218
Accrued liabilities		—	—
TOTAL LIABILITIES		**10,928**	**10,519**
TOTAL EQUITY AND LIABILITIES		**15,274**	**14,753**

The Notes are an integral part of these financial statements.

5.6.3 Statement of cash flows

(in millions of euros)	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		194	203
Expenses (income) with no cash effect:			
• depreciation and amortization/deferred charges		14	14
• net additions to impairment and provisions		(23)	(26)
• other expenses (income) with no cash effect		(5)	(11)
GROSS OPERATING CASH FLOWS		**180**	**180**
Changes in working capital:			
• operating receivables		(5)	(9)
• operating payables		12	(4)
• other receivables and payables		17	(17)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**204**	**150**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions, asset and liability transfer and capital increases in long-term financial assets	*5.2*	(36)	(212)
Change in loans and advances to subsidiaries and affiliates	*5.2*	784	153
Disposals and capital decreases in long-term financial assets	*5.2*	—	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**748**	**(59)**
NET CASH GENERATED (USED) BEFORE FINANCING ACTVITIES		**952**	**91**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	*9.4*	(92)	(84)
Change in share capital:			
• issuance of shares paid up in cash	*9.4*	16	14
Change in long-term debt:		—	—
• issuance of long-term debt	*6.1.3*	750	1,491
• repayment of long-term debt	*6.1.3*	(836)	(600)
Change in short-term debt	*6.1.4*	(310)	394
NET CASH FROM (USED IN) FINANCING ACTIVITIES		(472)	**1,215**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**480**	**1,306**
Net cash and cash equivalents at beginning of year	***6.1.2***	**3,031**	**1,725**
Net cash and cash equivalents at end of year	***6.1.2***	**3,511**	**3,031**

The Notes are an integral part of these financial statements.

5.6.4 Notes to the parent company financial statements

NOTE 1 DESCRIPTION OF THE COMPANY

Valeo is a European Company *(Societas Europaea)* subject to French law, whose registration number (SIREN) is 552 030 967. The Company's registered office is at 100, rue de Courcelles, 75017 Paris, France.

Valeo is the parent company of the Valeo Group and the head of the tax consolidation group in France.

It acts as a holding company by holding financial investments, which give it direct or indirect control over the Group's companies.

It also implements the Group financing policy and ensures that its subsidiaries' financing requirements are covered. It centralizes the management of market risks (changes in interest rates, exchange rates and listed commodity prices) to which Valeo and its subsidiaries are exposed.

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of Valeo (the Company) have been prepared in accordance with Standard No. 2019-09 issued by the ANC on December 18, 2019. Assets and liabilities are measured at historical cost, contribution value or revalued amount. The accounting principles and policies applied in order to prepare the 2023 parent company financial statements are consistent with those used to prepare the 2022 financial statements.

Figures in the financial statements are presented in millions of euros and are rounded to the nearest million.

Preparation of the financial statements requires Valeo to make estimates and assumptions which could have an impact on the reported amounts of assets and liabilities for both the Company and its subsidiaries and affiliates. These estimates and assumptions concern risks specific to the automotive supply business as well as more general risks to which Group companies are exposed on account of their industrial and commercial operations around the globe. The Group based the medium-term business plans and budgets on projected data for the automotive market, as well as on its order intake and its outlook for new markets thanks to new technologies. These business plans and budgets were used to measure investments in subsidiaries and affiliates (when these measurements are based on subsidiaries' projected data).

The medium-term business plan for 2024-2028 is underpinned by the following assumptions:

- global automotive production of 88.3 million light vehicles in 2024 and 95.2 million light vehicles in 2028, representing average annual growth of 0.7% for 2023-2026 and 1.7% for 2026-2028. This production assumption is consistent with those underlying several independent external forecasts and has been revised downwards slightly compared with the forecasts used in 2022 for the 2023-2027 medium-term business plan. At the end of the period covered by the new business plan, Asia and the Middle East should represent 59% of global production, Europe and Africa 20%, North America 17% and South America 4%;
- a growing share of electrification solutions in the Group's market and sales forecasts over the term of the medium-term business plan;
- inflation assumptions based on (i) forecasts by a panel of banks and the International Monetary Fund for general price inflation, and (ii) internal estimates of market prices for raw materials, electronic components, energy and transportation. The medium-term business plan was prepared assuming that the Group would obtain compensation from customers for the higher cost of sales; The medium-term business plan was prepared on the assumption that (i) raw materials, electronic components and transportation costs will remain high, with a moderate increase over the period 2024-2028, (ii) inflation in labor and energy costs will be high, and (iii) compensation will be obtained from customers for the increase in the cost of sales;
- exchange rate assumptions based on projections of a panel of banks at the time the business plan is drawn up. The exchange rates used for the main currencies featured in the business plan are 1 euro for: 1.12 US dollars, 7.45 Chinese renminbi, 140 Japanese yen, 1,366 South Korean won and 5.77 Brazilian real at the end of the plan;
- Group sales were forecast based on the orders known at the time the business plan was drawn up and by reference to an estimate of the orders to be taken over the term of the business plan. The order book at December 31, 2023 already represents 69% of cumulative original equipment sales for the next five years, and around 51% of sales for the final year of the plan.

The estimates and assumptions used are revised on an ongoing basis. In view of the uncertainties inherent in any assessment, the final amounts reported in future financial statements may differ from the amounts resulting from these estimates.

2.2 Foreign currency translation

Transactions in foreign currencies are translated using the exchange rates prevailing at the transaction date.

Assets and liabilities denominated in foreign currencies are translated using the year-end exchange rate.

If no foreign currency hedges are in place, the differences resulting from the translation of foreign currency receivables and payables at the year-end exchange rate are recognized within accruals in the balance sheet. Provisions are recognized for unrealized foreign exchange losses at the year-end to the extent of the unhedged risk. If foreign currency hedges are in place (see Note 6.3, pages 410), the remeasurement of foreign currency assets and liabilities at the year-end exchange rate is offset by the gains and losses arising on the derivative instruments.

NOTE 3 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

3.1 Free shares

Some Valeo Group employees of its direct and indirect subsidiaries receive equity-settled compensation, consisting of free share plans. Substantially all costs relating to these plans are recognized in Valeo's financial statements.

The different types of plans in place within the Group and their respective accounting treatment are described below.

3.1.1 Equity-settled plans involving the issuance of new shares

No provision has been recognized in respect of these plans pursuant to Article 624-6 of the French General Chart of Accounts. Shares subscribed by employees within the scope of the plans described in Note 9.1, page 413 fall within this category.

3.1.2 Free share plans involving the delivery of existing shares

At the date of the decision by Valeo's Board of Directors to allot shares, the Company has an obligation that results in an outflow of resources on the date the shares are delivered to the beneficiaries, with no equivalent consideration expected in return.

To determine the provision amount, plans are classified into one of two categories: exercisable or non-exercisable plans.

Plans are considered to be non-exercisable when performance and presence conditions are highly unlikely to be met for free share plans.

In the case of exercisable plans, a provision is recognized for treasury shares set aside to cover these plans, corresponding to:

- the number of shares to be allotted; multiplied by
- the cost of the shares at the date they are allocated to the plan.

When the vesting of free shares is explicitly dependent on the grantee remaining employed by Valeo over a certain future period ("vesting period"), the provision is recognized on a straight-line basis over this vesting period.

However, when the beneficiaries are employees of other Group companies, Valeo recognizes the entire expense when the decision to award the plan is made.

The amount of the provision recognized changes depending on whether or not treasury shares have been allocated to the relevant free share plans. These treasury shares are recognized within marketable securities in the balance sheet (see Note 6.1.6, page 408) at their repurchase price. When they are allocated to specific plans as from the acquisition date, the value of the shares in the balance sheet continues to be their repurchase price, until they are delivered to the beneficiaries: no impairment is therefore recognized if their acquisition price moves above their market price.

More generally, amounts set aside to these provisions for contingencies and charges are shown on the "Provisions" line within operating income for beneficiaries who are employees of other Group companies. When the shares are delivered to their beneficiaries, i.e., employees of other Group companies, the provision is reversed for the corresponding amount on the "Provision reversals" line within operating income. However, movements in these provisions for contingencies and charges are recorded under "Other personnel expenses" for beneficiaries who are employees of the Company, in the same way as the net carrying amount of the shares delivered. The balance of provisions recognized in respect of these plans is shown under "Provisions for contingencies arising on free share plans" in the balance sheet.

Movements in these provisions and in personnel expenses relating to the plans are set out below.

Terms and conditions of free share plans

The terms and conditions of the shareholder-approved free share plans for Valeo Group employees at December 31, 2023 were as follows:

Year in which plan was set up	Number of free shares authorized	*Of which subject to conditions*(1)	December 31, 2023	Year of vesting(2)
2019	1,699,281	*779,496*	241,811	2022/2024
2020	2,342,306	*1,134,116*	259,786	2023/2025
2021	2,070,829	*904,339*	1,478,912	2024/2026
2022	2,308,057	*1,143,042*	2,153,694	2025/2027
2023	2,794,057	*1,295,347*	2,749,714	2026
TOTAL	**11,214,530**	***5,256,340***	**6,883,917**	

(1) These free shares are subject to the Group meeting performance conditions over the three years following their allotment.

(2) The year of vesting varies depending on the country in which the beneficiaries of plans set up prior to 2019 are resident. For the 2020 to 2021 plans, only free shares allotted to the former Chairman of the Board of Directors and to the Chief Executive Officer are subject to a two-year holding period. As from the 2022 plan, this holding period applies to free shares granted to the Chief Executive Officer.

Provisions for contingencies arising on free share plans

Movements in provisions for contingencies arising on free share plans in 2022 and 2023 were as follows:

(in millions of euros)	2023	2022
PROVISIONS AT JANUARY 1	**90**	**96**
Utilizations	(28)	(60)
Reversals	(9)	(34)
Additions	30	30
Other movements	—	58
PROVISIONS AT DECEMBER 31	**83**	**90**
Of which current portion (less than 1 year)	19	29

The 28 million euro provision utilization in 2023 mainly reflected the delivery of shares (i) to beneficiaries under the entire 2020 free share plan, and (ii) shares to non-French beneficiaries under the 2018 Shares4U plan. Utilizations and reversals of provisions amounting to 37 million euros are recorded in the income statement under "Provision reversals" (35 million euros) and "Other personnel expenses" (1 million euros).

The 60 million euro provision utilization in 2022 mainly reflected the delivery of (i) performance shares to beneficiaries under the 2018 free share plan, (ii) shares to beneficiaries under the entire 2019 free share plan, and (iii) shares to non-French beneficiaries under the 2017 Shares4U plan.

3.2 Personnel expenses

(in millions of euros)	2023	2022
Employee compensation	(3)	(3)
Other personnel expenses	(28)	(48)
PERSONNEL EXPENSES	**(31)**	**(51)**

3.2.1 Employee compensation

This item includes compensation awarded to Valeo's Chairman and Valeo's Chief Executive Officer (see Note 3.4, page 401).

3.2.2 Other personnel expenses

In 2023, the Company delivered 1,694,893 shares, mainly 1,462,425 shares under the 2020 free share plan, and 170,446 shares under the 2018 Shares4U plan. The Company recognized an expense of 28 million euros and the provision set aside in respect of settled plans was also utilized in the same amount.

In 2022, the Company delivered 1,494,228 shares, including 435,150 shares under the 2018 free share plan (performance shares), 898,011 shares under the 2019 free share plan, and 121,181 shares to beneficiaries under the 2017 Shares4U plan. Valeo recognized an expense of 55 million euros corresponding to the net carrying amount of the treasury shares delivered in the year (see Note 3.1.2, pages 400 to 401). The provision set aside in respect of settled plans was also utilized in an amount of 60 million euros.

3.3 Provisions for pensions and other employee benefits

The Company accounts for its pension obligations in accordance with ANC Recommendation No. 2013-02 of November 7, 2013, as amended by the opinion dated November 5, 2021 on the measurement and recognition of pension and other employee benefit obligations.

These pension obligations solely correspond to supplementary pension benefits payable to former employees. No additional entitlement to these benefits was therefore recognized in 2023 or 2022.

These obligations are calculated on an actuarial basis at the end of each reporting period. The calculations were made using an annual discount rate of 3.20% at December 31, 2023 and 3.75% at December 31, 2022.

The provision amounted to 0.5 million euros at December 31, 2023 versus 1 million euros at December 31, 2022.

3.4 Other information

	2023	2022
Headcount at December 31	3	3
Compensation granted to the corporate officers *(in thousands of euros)*	(3,437)	(3,169)
Compensation granted to directors *(in thousands of euros)*(1)	(957)	(964)

(1) Compensation granted to directors is recorded on the "Other purchases and external charges" line in the income statement.

NOTE 4 OTHER OPERATING ITEMS

4.1 Other operating income items

4.1.1 Other operating income

(in millions of euros)	2023	2022
Trademark license fees	20	24
Other	6	4
OTHER OPERATING INCOME	**26**	**28**

Trademark license agreements, under which Valeo allows some of its French subsidiaries to benefit from the Group's expertise, values, business model and processes, generated income of 20 million euros in 2023.

The amount recorded under "Other" corresponds to rebillings to subsidiaries.

4.1.2 Expense transfers

Expense transfers represented 5 million euros in 2023 and mainly related to fees on the 600 million euro bond issued in the last quarter of 2023. Expense transfers represented 11 million euros in 2022 and related mainly to issuance fees on the *Schuldschein* loan and on the bonds issued in the last quarter of 2022 (respectively, 341 million euros and 750 million euros).

4.1.3 Other purchases and external charges

(in millions of euros)	2023	2022
Deferred charges	(5)	(11)
Other external charges	(38)	(28)
OTHER PURCHASES AND EXTERNAL CHARGES	**(43)**	**(39)**

Deferred charges of 5 million euros correspond to fees relating to the 600 million euro bond issued in the last quarter of 2023, and charges incurred to extend credit lines. These charges are spread over the term of the commitments.

Other external charges include fees, commissions and duties incurred by Valeo in the course of its activities. The increase in this item is primarily due to the 8 million euro increase in expenditure on special projects.

4.1.4 Amortization

Amortization expense totaling 13 million euros in 2023 relates to the deferred recognition of (i) 12 million euros in issuance fees on all long-term debt described in the long-term debt section (see Note 6.1.3, page 407), and (ii) 1 million euros in fees relating to the credit lines set up in 2022, which were extended, then expired in 2023.

Amortization expense totaling 12 million euros in 2022 included the deferred recognition of (i) 11 million euros of issuance fees on all of the bonds and the *Schuldschein* loan and (ii) 1 million euros in fees relating to the credit lines arranged in 2020 and extended in 2022.

4.2 Other provisions and accrued assets/liabilities

4.2.1 Other provisions for contingencies and charges

Breakdown of other provisions for contingencies and charges

(in millions of euros)	December 31, 2023	December 31, 2022
Provisions for contingencies related to subsidiaries	12	13
Provisions for disputes	7	6
OTHER PROVISIONS FOR CONTINGENCIES AND CHARGES	**19**	**19**

At December 31, 2023, other provisions for contingencies and charges comprise:

- a 12 million euro provision for contingencies intended to cover the negative net equity of certain subsidiaries in which Valeo holds a direct investment;
- a provision for disputes totaling 7 million euros, chiefly intended to cover disputes with employees as well as provisions for clean-up costs related to Valeo’s former plants.

Movements

Movements in other provisions for contingencies and charges in 2022 and 2023 are shown in the table below:

(in millions of euros)	2023	2022
OTHER PROVISIONS AT JANUARY 1	**19**	**13**
Utilizations	—	(1)
Reversals	(3)	(5)
Additions	3	12
OTHER PROVISIONS AT DECEMBER 31	**19**	**19**
Of which current portion (less than 1 year)	—	—

Other provisions were stable at December 31, 2023, since there were no material changes in the value of subsidiaries' shares (see Note 5, pages 404 to 405).

In 2022, an 11 million euro charge was accrued to provisions for contingencies relating to the subsidiary Valeo Service. A 5 million euro reversal of the provision for contingencies relating to the subsidiary Valeo Embrayages Tunisie was fully offset by a provision accrued for impairment of investments in subsidiaries and affiliates to reflect the capital increase carried out at this subsidiary in 2022.

The Group has contingent liabilities relating to legal, arbitration or regulatory proceedings arising in the normal course of its business. Known or ongoing claims and litigation involving the Company were reviewed at the date on which the financial statements were authorized for issue. Based on the advice of legal counsel, all provisions deemed necessary have been made to cover the related risks.

4.2.2 Accrued assets

At December 31, 2023, accrued assets totaling 21 million euros mainly include issuance fees and premiums on long-term borrowings for 20 million euros (31 million euros at end-2022).

NOTE 5 FINANCIAL ASSETS

Investments in subsidiaries and affiliates are initially recognized at cost, including transfer duties, fees and commission and legal costs.

At the end of the reporting period, the Company measures investments in subsidiaries and affiliates at their value in use, as calculated based on relevant criteria for each of the investments valued. The inputs for the value in use calculation include projected data from subsidiaries' medium-term business plans (see Note 2.1, page 399), as well as stockholders' equity and the Group's strategic interests.

The calculation of value in use based on projected data draws on various methods:

- first, post-tax cash flow projections covering a period of five years, prepared on the basis of medium-term business plans, are discounted at the post-tax weighted average cost of capital (WACC), while cash flows beyond the five-year period are extrapolated by applying a perpetuity growth rate to normative forecast cash flows, corresponding to the last year of the medium-term plan adjusted, where applicable, for non-recurring items. The discount rate and perpetuity growth rate assumptions are the same as those used for the Group's cash generating units (CGUs) and goodwill impairment tests, i.e., respectively 10% and 1.5% for 2023, unchanged from 2022;
- when value in use as determined on the basis described above falls below the carrying amount of the investments, it is based on an average of the discounted projected cash flows and the projected operating income multiple applied to the third year of the subsidiaries' medium-term business plans.

When value in use as determined on the basis described above falls below the carrying amount of the investments, an impairment provision is recorded corresponding to the difference between these two amounts. However, the carrying amount of the investments after impairment cannot be below the Company's share of the subsidiary or affiliate's equity.

5.1 Analysis by type

	December 31, 2023			December 31, 2022
(in millions of euros)	Gross	Impairment	Net	Net
Investments in subsidiaries and affiliates	5,254	(71)	5,183	5,149
Loans and advances to subsidiaries and affiliates	2,025	—	2,025	2,790
Other investment securities	2	(2)	—	—
LONG-TERM FINANCIAL ASSETS	**7,281**	**(73)**	**7,208**	**7,939**

Loans and advances to subsidiaries and affiliates comprise medium- and long-term loans granted to Valeo's direct and indirect subsidiaries, as well as to the Group's joint venture investees.

5.2 Movements

(in millions of euros)	Investments in subsidiaries and affiliates	Loans and advances to subsidiaries and affiliates	Other investment securities	Long-term financial assets
Net carrying amount at December 31, 2021	**4,968**	**2,945**	**1**	**7,914**
Asset and liability transfer	191	—	—	191
Acquisitions and increase in the share capital of subsidiaries	938	—	—	938
Disposals and decrease in the share capital of subsidiaries	(917)	—	—	(917)
Changes in impairment losses	(31)	(2)	(1)	(34)
Other movements	—	(153)	—	(153)
Net carrying amount at December 31, 2022	**5,149**	**2,790**	**—**	**7,939**
Acquisitions and increase in the share capital of subsidiaries	36	—	—	36
Changes in impairment losses	(2)	19	—	17
Other movements	—	(784)	—	(784)
Net carrying amount at December 31, 2023	**5,183**	**2,025**	**—**	**7,208**

In June 2023, Valeo recapitalized its subsidiary Valeo Service for an amount of 36 million euros.

The 784 million euro decrease in loans and advances to subsidiaries and affiliates in 2023 was mainly due the restructuring of German subsidiaries' financing, partially offset by new financing granted elsewhere in Europe.

At the end of the first half of 2022, Valeo, in its capacity as sole shareholder, decided to dissolve – ahead of term and without liquidation – the holding company Société de Participations Valeo by means of a transfer of all of its assets and liabilities. This led to the derecognition of 3,606 million euros in Société de Participations Valeo shares and the transfer of shares in Valeo Systèmes d'Essuyage (110 million euros) and Valeo Bayen (3,319 million euros), to which the 368 million euros technical loss on the merger was allocated. In June 2022, Valeo recapitalized its subsidiary Valeo Embrayages Tunisie for an amount of 6 million euros.

On December 2, 2022, the holding company Valeo International Holding BV decided to distribute a 16 million euros stock dividend consisting of the shares of the subsidiary Valeo Autosystemy Sp Z.o.o.

On December 14, 2022, Valeo transferred to Valeo Bayen the shares in its subsidiaries Valeo Vision, Valeo Systèmes d'Essuyage, Valeo Systèmes Thermiques, Valeo Matériaux de Friction, Valeo Embrayages, Valeo Systèmes de Contrôle Moteur and Valeo Autosystemy Sp Z.o.o. Consideration for this partial contribution of assets at the net carrying amount of the shares took the form of an issue of new Valeo Bayen shares (capital increase) for 916 million euros.

The value of the shares transferred to Valeo Bayen led to the accrual of 24 million euros to the provision for impairment of Valeo Embrayages shares. Following the completion of this transaction, the measurement of the portfolio of investments in subsidiaries and affiliates at the end of 2022 led the Company to recognize an accrual of 7 million euros to provisions for impairment of investments in subsidiaries and affiliates. This included a 1 million euro accrual in respect of the subsidiary Valeo Service, and a 6 million euro accrual in respect of the subsidiary Valeo Embrayages Tunisie.

NOTE 6 FINANCING AND RISK HEDGING

6.1 Net debt

6.1.1 Analysis of net debt

The Company's net debt at December 31, 2022 and 2023 can be analyzed as follows:

(in millions of euros)	Notes	December 31, 2023	December 31, 2022
Long-term portion of long-term debt	*6.1.3*	4,604	4,604
Current portion of long-term debt	*6.1.3*	830	890
Short-term debt	*6.1.4*	748	1,059
Other short-term debt	*6.1.4*	4,506	3,727
GROSS DEBT		**10,688**	**10,280**
Loans and advances to subsidiaries and affiliates(1)	*5*	(2,025)	(2,790)
Financial receivables	*6.1.5*	(5,472)	(3,906)
Marketable securities and cash and cash equivalents	*6.1.6*	(2,545)	(2,852)
NET DEBT		**646**	**732**

(1) *Loans and advances to subsidiaries and affiliates are included in the calculation of net debt.*

6.1.2 Analysis of net cash and cash equivalents

The Company's net cash and cash equivalents comprise marketable securities and cash and cash equivalents, financial receivables and other short-term debt.

(in millions of euros)	Notes	December 31, 2023	December 31, 2022
Other short-term debt	*6.1.4*	4,506	3,727
Financial receivables	*6.1.5*	(5,472)	(3,906)
Marketable securities and cash and cash equivalents	*6.1.6*	(2,545)	(2,852)
NET CASH AND CASH EQUIVALENTS		**(3,511)**	**(3,031)**

6.1.3 Analysis of long-term debt

	December 31, 2023				December 31, 2022
(in millions of euros)	Less than 1 year	1 to 5 years	More than 5 years	Total	Total
Bonds	700	2,650	600	3,950	3,850
Private placement	—	504	50	554	890
European Investment Bank (EIB) loans	50	400	150	600	600
Bilateral bank loans	—	250	—	250	100
Accrued interest	80	—	—	80	54
LONG-TERM DEBT	**830**	**3,804**	**800**	**5,434**	**5,494**

Valeo carried out the following operations under its Euro Medium Term Note financing program in 2023:

- redemption in January 2023 of the 500 million euros bond issued in 2017;
- issue on October 12, 2023 of 600 million euros' worth of green bonds maturing in April 2029 and paying a coupon of 5.875%.

The Company also redeemed the tranches maturing in April 2023 of the *Schuldschein* loan (German private placement) issued in 2019, representing a total amount of 335 million euros.

In July and December 2023, Valeo took out bilateral bank loans, breaking down as follows:

- a nominal amount of 50 million euros, maturing in July 2027 and bearing variable-rate interest of 3-month Euribor +2%;
- a nominal amount of 100 million euros, maturing in December 2028 and bearing variable-rate interest of 6-month Euribor +1.95%.

At December 31, 2023, the key terms and conditions of long-term debt were as shown below:

Type	Outstanding at December 31, 2023 *(in millions of euros)*	Issuance	Maturity	Nominal interest rate
BONDS				
EMTN program	700	January 2014	January 2024	3.25%
EMTN program	600	June 2018	June 2025	1.50%
EMTN program	600	March 2016	March 2026	1.625%
EMTN program(1)	700	July 2021	August 2028	1.00%
EMTN program(1)(2)	750	November 2022	May 2027	5.375%
EMTN program	600	October 2023	April 2029	5.875%
***SCHULDSCHEIN* LOAN ISSUED IN 2019**				
Tranche 1	90	April 2019	April 2025	1.291%
Tranche 2(3)	122	April 2019	April 2025	6-month Euribor +1.15%
***SCHULDSCHEIN* LOAN ISSUED IN 2022**				
Tranche 1	30	October 2022	October 2025	4.95%
Tranche 2	149	October 2022	October 2025	6-month Euribor +1.90%
Tranche 3(1)	30	October 2022	October 2027	5.251%
Tranche 4(1)	52	October 2022	October 2027	6-month Euribor +2.10%
Tranche 5(1)	5	December 2022	October 2027	5.503%
Tranche 6(1)	30	October 2022	October 2029	6-month Euribor +2.10%
Tranche 7(1)	45	December 2022	October 2029	6-month Euribor +2.30%
EUROPEAN INVESTMENT BANK (EIB) LOAN				
Tranche 1(4)	300	June 2021	June 2029	0.885%
Tranche 2(5)	300	February 2022	February 2030	1.083%
OTHER				
Bilateral bank loans	250	—	—	—
Accrued interest	80	—	—	—
TOTAL LONG-TERM DEBT	**5,434**			

(1) Indexed to a 2025 carbon footprint objective.
(2) Fixed-rate coupons partly exchanged for floating-rate coupons indexed to six-month Euribor via interest rate swaps with a notional amount of 600 million euros.
(3) Variable-rate coupons exchanged for fixed-rate coupons via interest rate swaps.
(4) Reduced-rate loan repayable in six annual installments of 50 million euros as from June 2024.
(5) Reduced-rate loan repayable in six annual installments of 50 million euros as from February 2025.

The current portion of long-term debt corresponds to the 700 million euro bond falling due in January 2024, as well as the payment of a 50 million euro installment on the first tranche of the EIB loan and interest accrued on borrowings.

6.1.4 Analysis of short-term debt

(in millions of euros)	December 31, 2023	December 31, 2022
Negotiable European Commercial Paper	698	1,059
Bilateral bank loan	50	—
SHORT-TERM DEBT	**748**	**1,059**
Current accounts and loans with Group subsidiaries	4,268	3,487
Bank borrowings	71	76
Other short-term debt	167	164
OTHER SHORT-TERM DEBT	**4,506**	**3,727**
SHORT-TERM DEBT	**5,254**	**4,786**

Short-term debt mainly consists of current accounts and loans with subsidiaries and banks and issuance of commercial paper.

At December 31, 2023, other short-term debt mainly reflects the carrying amount of:

- currency hedging instruments taken out as part of the Group's pooled management of currency risk, representing an unrealized loss of 118 million euros. Since the Company acts as an intermediary for the Group's subsidiaries, these liabilities are matched to currency hedging assets which have generated an unrealized gain of a similar amount (see Note 6.1.5, page 408);
- currency instruments hedging the Company's foreign currency loans and borrowings, representing an unrealized loss of 27 million euros.

At December 31, 2022, other short-term debt primarily included unrealized losses on forward financial instruments contracted for hedging purposes.

6.1.5 Analysis of financial receivables

(in millions of euros)	December 31, 2023	December 31, 2022
Current account advances	5,306	3,736
Other financial receivables	166	170
FINANCIAL RECEIVABLES	**5,472**	**3,906**

Financial receivables consist primarily of current account advances to subsidiaries.

At December 31, 2023, other financial receivables amounting to 166 million euros mainly consist of hedging instruments, chiefly including:

- currency hedging instruments taken out as part of the Group's pooled management of currency risk, representing an unrealized gain of 117 million euros (see Note 6.1.4, page 407);
- currency instruments hedging the Company's foreign currency loans and borrowings, representing an unrealized gain of 42 million euros.

At December 31, 2022, other financial receivables related mainly to hedging instruments for 170 million euros, chiefly including:

- currency hedging instruments taken out as part of the Group's pooled management of currency risk, representing an unrealized gain of 139 million euros;
- currency instruments hedging the Company's foreign currency loans and borrowings, representing an unrealized gain of 23 million euros.

6.1.6 Marketable securities and cash and cash equivalents

Marketable securities are stated at the lower of cost and market value when the related securities correspond to treasury shares purchased for the purpose of stabilizing the Company's share price or shares that have not been allocated to employee share plans.

(in millions of euros)	December 31, 2023	December 31, 2022
Marketable securities	2,274	651
Cash and cash equivalents	271	2,201
MARKETABLE SECURITIES AND CASH AND CASH EQUIVALENTS	**2,545**	**2,852**

The marketable securities portfolio at December 31, 2023 includes money-market mutual funds for 2,263 million euros, compared to 612 million euros at December 31, 2022.

It also includes 712,384 treasury shares with a carrying amount of 12 million euros at December 31, 2023. No impairment was recognized during the year.

At December 31, 2022, Valeo held 2,385,577 of its own shares with a carrying amount of 39 million euros.

Valeo may be required to buy back treasury shares on the market to cover its obligations with regard to free share and employee share ownership plans, as well as the liquidity agreement.

No share buyback programs other than buybacks under the liquidity agreement were launched in 2023.

The liquidity agreement was signed with an investment services provider on March 25, 2019 pursuant to the Code of Ethics published by the French Association of Investment Firms (*Association Française des Entreprises d'Investissement* – AFEI). At December 31, 2023 and December 31, 2022, no resources had been allocated to this liquidity agreement.

In 2023, the Company purchased 4,125,640 and sold 4,103,940 of its own shares under this agreement.

For shares allocated to free share plans, the Company applies ANC Standard No. 2014-03. This Standard sets out the methods for recognizing provisions over the vesting period of plans served by existing shares (see Note 3.1.2, pages 400 to 401).

In 2023, the Company delivered 1,694,893 shares under free share plans. In 2022, 1,494,228 shares were delivered.

6.2 Liquidity reserve and covenants

6.2.1 Credit lines

At December 31, 2023, Valeo had confirmed bank credit lines with an average maturity of 2.8 years, representing an aggregate amount of 1.7 billion euros. None of these credit lines were drawn down during 2023. These bilateral credit lines were taken out with ten leading banks with an average rating of A from S&P and A1 from Moody's.

6.2.2 Financing programs

At December 31, 2023, the Group had drawn an amount of 3.95 billion euros (up 100 million euros compared with December 31, 2022) under its Euro Medium Term Note financing program capped at 5 billion euros.

6.2.3 Negotiable European Commercial Paper (NEU CP)

Valeo has a short-term Negotiable European Commercial Paper financing program for a maximum amount of 2.5 billion euros. At December 31, 2023, a total of 698 million euros (1,059 million euros at December 31, 2022) had been drawn on this program.

6.2.4 Debt rating

The Group is rated by several credit rating agencies. Moody's rating confirms Valeo's investment grade status.

Rating agency	Publication date	Long-term debt	Outlook	Short-term debt
Standard & Poor's	July 25, 2023	BB+	Stable	B
Moody's	October 19, 2023	Baa3	Negative	P-3

6.2.5 Covenants

Certain financing contracts include early repayment clauses in the event of failure to comply with specified financial ratios. The table below sets out the main covenant:

Financing agreements	Ratio	Thresholds	Ratio at December 31, 2023(1)
Credit lines EIB (European Investment Bank) loan Bilateral bank loan *Schuldschein* loans (German private placements)	Consolidated net debt/consolidated EBITDA	<3.5	1.52

(1) Calculated over 12 months.

Bonds issued within the scope of the Euro Medium Term Note financing program and most bank credit lines include an option granted to bondholders who can request early repayment or redemption of their bonds in the event of a change of control at Valeo leading to a withdrawal of the rating or a downgrade in the rating to below investment grade (assuming that the bonds were previously rated investment grade). If Valeo's bonds had previously been rated below investment grade, bondholders may request the early repayment or redemption of their bonds in the event of a change of control at Valeo resulting in a one-category downgrade in the rating (e.g., from Ba1 to Ba2).

The *Schuldschein* loans and the European Investment Bank loan also include a change of control clause under which investors can request early repayment.

The Group's bank credit lines and long-term debt include cross-default clauses. This means that if a given amount of debt is deemed to be in default, then the other debt amounts may also be deemed to be in default.

At the date the consolidated financial statements were authorized for issue, the Group expects to comply with all debt covenants over the next few months.

6.3 Foreign currency, commodity and interest rate risk hedging

Since Valeo acts as a holding company, it is not exposed to operational foreign currency or commodity risk.

As part of the pooled management of market risk (foreign currency, commodity and interest rate risks), Group subsidiaries hedge the forex and commodity risk exposure arising on their industrial and commercial activities with the parent company, which enters into derivatives with banks. Gains and losses on such derivatives are passed on to the subsidiaries requesting the hedge.

The Company contracts derivatives to hedge the foreign currency risk on its financing and liquidity pooling activities carried out on behalf of the Group. The remeasurement of foreign currency balance sheet positions (intercompany loans and borrowings, debt with external counterparties, current accounts and bank accounts) at the year-end exchange rate is offset by gains and losses on foreign currency derivatives. Swap points arising on derivatives are recognized over the term of the hedge within financial income.

Financial income and expenses relating to interest rate hedges are recognized on a symmetrical basis with the income and expenses resulting from the remeasurement of the hedged items.

6.3.1 Currency risk hedging

Operational currency risk

The principal hedging instruments used by the Company are forward purchases and sales of foreign currencies.

Financial currency risk

Pooling foreign currency cash surpluses, the financing needs of foreign subsidiaries and certain Group financing transactions exposes the Company to financial currency risk. This risk corresponds to the risk of changes in the value of foreign currency financial receivables or payables. This currency risk is primarily hedged by currency swaps.

The Company tends to finance its subsidiaries in their local currencies and systematically enters into hedges to protect itself against the resulting currency risk.

The Company's external borrowings and investments are generally denominated in euros, in particular for debt issues under the Euro Medium Term Note financing program.

At December 31, 2023, Valeo's forex position in the main foreign currencies was as follows:

	December 31, 2023						December 31, 2022
(in millions of euros)	USD	CZK	CNY	PLN	Other	Total	Total
Forward sales with subsidiaries	(584)	(244)	(18)	(395)	(113)	(1,354)	(1,904)
Forward purchases	283	182	16	167	34	682	683
DERIVATIVES WITH SUBSIDIARIES	**(301)**	**(62)**	**(2)**	**(228)**	**(79)**	**(672)**	**(1,221)**
Forward sales with external	(218)	(634)	(84)	(398)	(228)	(1,562)	(1,301)
Forward purchases with external	1,289	248	1,177	377	322	3,413	3,362
DERIVATIVES WITH EXTERNAL	**1,071**	**(386)**	**1,093**	**(21)**	**94**	**1,851**	**2,061**
NET POSITION ON DERIVATIVES	**770**	**(448)**	**1,091**	**(249)**	**15**	**1,179**	**840**
Balance sheet exposure	(759)	436	(1,089)	178	(73)	(1,307)	(814)
TOTAL NET POSITION	**11**	**(12)**	**2**	**(71)**	**(58)**	**(128)**	**26**

Net positions in foreign currencies on currency derivatives are match-funded to Valeo's intercompany loans and borrowings and cash positions.

The market value of currency hedging instruments included in the net position with external counterparties represented an unrealized gain of 82 million euros at December 31, 2023 (unrealized gain of 91 million euros at December 31, 2022).

6.3.2 Commodity risk hedging

The Company favors commodity hedging instruments which do not involve physical delivery of the underlying commodity (primarily swaps on the average monthly price).

Volumes of non-ferrous metals hedged at December 31, 2023 and 2022 break down as follows:

(in metric tons)	December 31, 2023	December 31, 2022
Aluminum	34,810	31,850
Secondary aluminum	7,642	11,344
Copper	8,083	11,302
Zinc	—	—
Polypropylene	—	—
TOTAL	**50,535**	**54,496**

Commodities hedged at December 31, 2023 and 2022 were as follows:

	December 31, 2023			December 31, 2022
(in millions of euros)	With subsidiaries	With external	Total	Total
Forward sales	145	2	147	175
Forward purchases	(2)	(145)	(147)	(175)
TOTAL NET POSITION	**143**	**(143)**	**—**	**—**

The market value of instruments hedging metals prices included in the net position with external counterparties represented an unrealized gain of 1 million euros at December 31, 2023 (unrealized loss of less than 1 million euros at December 31, 2022).

6.3.3 Interest rate risk hedging

Valeo uses interest rate swaps to manage its interest rate risk. These swaps convert the interest rates on its debt into a variable or a fixed rate, either at the origination of the loan or during its term. No new interest rate hedges were put in place in 2023.

The variable-rate tranche of the *Schuldschein* loan (German private placement) issued in April 2019 was hedged by an interest rate swap, which exchanged the variable coupon for a fixed rate.

In March 2019, the Group converted the 159 million euros loan to one of its Czech subsidiaries into Czech koruna. At the same time, the Group set up a cross currency swap in Czech koruna for the same amount and with the same maturity.

In November 2022, two interest rate swaps were contracted for a total of 600 million euros, exchanging a fixed coupon for a variable coupon in order to hedge the fixed interest rate on the new bond issue.

The two interest rate swaps and the cross currency swap were still outstanding at December 31, 2023.

At December 31, 2023, 88% of long-term debt was at fixed rates (87% at December 31, 2022).

	Less than 1 year		1 to 5 years		More than 5 years		Total nominal amount		
(in millions of euros)	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Fixed portion	Variable portion	Total
Financial liabilities	(2,665)	(3,420)	(3,200)	(604)	(755)	(45)	(6,620)	(4,068)	(10,688)
Financial receivables and loans and advances to subsidiaries and affiliates	2,266	5,231	—	—	—	—	2,266	5,231	7,497
Marketable securities and cash and cash equivalents	2,274	271	—	—	—	—	2,274	271	2,545
NET POSITION BEFORE HEDGING	**1,875**	**2,082**	**(3,200)**	**(604)**	**(755)**	**(45)**	**(2,080)**	**1,434**	**(646)**
Derivative instruments	—	—	(477)	477	—	—	(477)	477	—
NET POSITION AFTER HEDGING	**1,875**	**2,082**	**(3,677)**	**(127)**	**(755)**	**(45)**	**(2,557)**	**1,911**	**(646)**

NOTE 7 NET FINANCIAL INCOME

(in millions of euros)	2023	2022
Dividends	210	244
Interest income	336	165
Interest expense	(333)	(169)
Net (additions to)/reversals from provisions for impairment and for investments in subsidiaries and affiliates	(2)	(40)
Other financial income and expenses	24	1
NET FINANCIAL INCOME	**235**	**201**

Dividend income amounted to 210 million euros in 2023, a decrease compared with 2022. This amount includes a 140 million euro dividend from Valeo International Holding BV, a 57 million euro dividend from Valeo Bayen, and 13 million euros in dividends from Korean subsidiaries.

In 2022, dividend income mainly included a 100 million euro dividend from Valeo International Holding BV, a 116 million euro dividend from Société Participation Valeo (in 2022, in its capacity as sole shareholder, Valeo decided to dissolve this company ahead of term and without liquidation by means of a transfer to Valeo of all its assets and liabilities), 23 million euros in dividends from Korean subsidiaries and 5 million euros in dividends from Indian subsidiaries.

Interest income chiefly relates to financing granted to Group subsidiaries and investment income. The 171 million euros increase in interest income versus 2022 is mainly due to the higher interest rates applicable to this financing.

In 2023, 170 million euros of interest expense related to external financing (75 million euros in 2022), while 163 million euros related to the interest paid on subsidiaries' cash surpluses and expenses associated with the hedging of foreign currency transactions (94 million euros in 2022).

In 2023, following the measurement of the portfolio of investments in subsidiaries and affiliates, the Company recorded a 2 million euro net addition to provisions for contingencies (see Note 4.2.1, page 403).

At end-2022, the Company recognized a 24 million euros accrual to the impairment provision for Valeo Embrayages shares, before transferring them to Valeo Bayen. In 2022, following the measurement of the portfolio of investments in subsidiaries and affiliates, the Company recorded a 9 million euro net addition to impairment provisions for (i) investments in subsidiaries and affiliates and (ii) loans and advances to subsidiaries and affiliates, as well as a 7 million euro net addition to provisions for contingencies.

In 2023, other financial income and expenses mainly comprised income of 19 million euros relating to the repayment of a loan granted to a joint venture, which had been written down in full, and the Group's pooled management of foreign currency risk, representing a realized gain of 8 million euros. In 2022, other financial income and expenses mainly included the ineffective portion of the interest rate hedge on the *Schuldschein* loans.

NOTE 8 INCOME TAXES

8.1 Tax group and taxable income

Valeo has elected for tax consolidation. The tax group includes the parent company and its principal French subsidiaries.

At December 31, 2023, the amount of tax losses stood at 1,625 million euros (1,408 million euros at December 31, 2022). If a subsidiary returns to profit, it will utilize the previous tax losses and Valeo will be required to pay over the corresponding tax savings to the French State. In light of the tax consolidation agreement, Valeo does not recognize a provision for repayment of tax losses to subsidiaries. However, if a subsidiary leaves the tax consolidation group, Valeo may be required to pay over the related tax savings to this subsidiary, based on the terms and conditions stipulated in the sale agreement.

8.2 Income tax

(in millions of euros)	2023	2022
Net tax benefit arising on tax consolidation	8	7
INCOME TAX	**8**	**7**

The net tax benefit receivable from subsidiaries as a result of tax consolidation in 2023 amounts to 8 million euros, up 1 million euros compared to 2022.

The Company will not incur any tax expense for 2023, taking into account both its individual tax loss and that of the tax consolidation group.

8.3 Items that could result in a decrease or increase in Valeo's future tax liability

Tax loss carryforwards make up the main items that could result in a decrease or increase in Valeo's tax liability. Temporary differences between the recognition of income and expenses for accounting and tax purposes are not material at the level of the legal entity.

	December 31, 2023		December 31, 2022	
(in millions of euros)	Tax basis	Corresponding tax	Tax basis	Corresponding tax
Tax loss carryforwards	1,625	420	1,408	364
Total tax loss carryforwards	**1,625**	**420**	**1,408**	**364**

8.4 Prepaid and recoverable taxes

At December 31, 2023, prepaid and recoverable taxes totaling 16 million euros included the tax benefit of 8 million euros arising on the tax consolidation. The research tax credit receivable at the so-called "seed" stage in respect of 2023 was sold by Valeo at a discount to a bank during the year, for 53 million euros. This receivable had been derecognized on the balance sheet, with an adjusting entry recorded in cash received.

In 2022, the research tax credit receivable at the so-called "seed" stage was sold by Valeo to a bank for 45 million euros.

8.5 Other payables

At December 31, 2023, other payables included the 207 million euros owed to subsidiaries that are members of the tax consolidation group in respect of the research tax credit for years 2020 to 2023.

At December 31, 2022, other payables represented the 218 million euros owed to subsidiaries that are members of the tax consolidation group in respect of the research tax credit for years 2019 to 2022.

NOTE 9 STOCKHOLDERS' EQUITY

9.1 Share capital

In countries that meet the Group's eligibility criteria and where permitted by local laws and regulations, Valeo offers its employees the possibility of becoming shareholders through an employee share issue carried out specifically for this purpose.

As in 2022, a new plan was offered to employees in the second half of 2023. This plan allows employees to subscribe to Valeo shares directly or through a Company mutual fund, at a subscription price set on September 15, 2023 by the Group's Chief Executive Officer, acting on the authority of the Board of Directors. The 2023 subscription price of 14.24 euros is the average of the Group's opening share price on the 20 trading days between August 19, 2023 and September 15, 2023 inclusive, less a 20% discount. The shares are locked up for five years (except in the case of an early release event provided for by the applicable local law). Employees bear the risk of fluctuations in the share price relative to the subscription price. By subscribing to shares within the scope of the Group Employee Savings Plan (*Plan d'Épargne de Groupe* – PEG), employees can benefit from a contribution from their employer. Outside France, employees were awarded free shares subject to certain conditions, governed by the regulations applicable to the Group-approved free share plan. The free shares allotted are existing Valeo shares repurchased on the market. At the end of the subscription period, which ran from September 19, 2022 to October 7, 2022, 1,131,560 shares were subscribed at a price of 14.24 euros each, resulting in a capital increase of 1 million euros on November 15, 2023.

At December 31, 2023, Valeo's share capital totaled 245 million euros, divided into 244,633,504 shares of common stock with a par value of 1 euro each, all fully paid-up. Shares that have been registered in the name of the same holder for at least four years carry double voting rights (6,473,234 shares at December 31, 2023). Share capital stood at 244 million euros at December 31, 2022.

9.2 Additional paid-in capital

Additional paid-in capital represents the net amount received by the Company, either in cash or in assets, in excess of the par value on issuance of Valeo shares.

The employee share subscription offer launched in 2023 generated additional paid-in capital of 15 million euros in the year. Additional paid-in capital was 13 million euros for the employee share subscription offer launched in 2022.

9.3 Reserves

Reserves available for distribution amounted to 2,369 million euros at December 31, 2023 (2,240 million euros at December 31, 2022) before appropriation of income for the year and after deduction of the net carrying amount of treasury shares held at December 31, 2023 (12 million euros versus 39 million euros at December 31, 2022).

9.4 Movements

(in millions of euros)	Share capital	Additional paid-in capital	Reserves and other	Stockholders' equity
STOCKHOLDERS' EQUITY AT DECEMBER 31, 2021	**243**	**1,560**	**2,251**	**4,054**
Dividends paid	—	—	(84)	(84)
Capital increase	1	13	—	14
Other movements	—	—	(62)	(62)
Net income for the year	—	—	203	203
STOCKHOLDERS' EQUITY AT DECEMBER 31, 2022	**244**	**1,573**	**2,308**	**4,125**
Dividends paid	—	—	(92)	(92)
Capital increase	1	15	—	16
Net income for the year	—	—	194	194
STOCKHOLDERS' EQUITY AT DECEMBER 31, 2023	**245**	**1,588**	**2,410**	**4,243**

NOTE 10 OTHER INFORMATION

10.1 Maturity of receivables and payables

(in millions of euros)	December 31, 2023	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Prepaid and recoverable taxes	16	14	2	—
Other operating receivables	12	12	—	—
OPERATING RECEIVABLES	**28**	**26**	**2**	**—**

(in millions of euros)	December 31, 2023	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Accounts and notes payable	22	22	—	—
Accrued taxes and payroll costs	11	11	—	—
OPERATING PAYABLES	**33**	**33**	**—**	**—**
OTHER PAYABLES	**207**	**52**	**155**	**—**

An analysis of long-term debt by maturity is provided in Note 6.1.3, page 407.

10.2 Related party transactions

The Company's financial statements include transactions carried out in the normal course of business between Valeo and its subsidiaries.

All material related party transactions within the meaning of Article R.123-198 of the French Commercial Code were carried out at arm's length in 2023.

10.3 Off-balance sheet commitments

10.3.1 Commitments given

(in millions of euros)	December 31, 2023 Less than 1 year	More than 1 year	Total	December 31, 2022 Less than 1 year	More than 1 year	Total
Commitments given	14	70	84	—	72	72

Commitments given mainly include the guarantee given in 2005 to the IUE-CWA-Local 509 trade union as part of the agreement signed in September 2005 in relation to the closure of the Rochester plant (representing 70 million euros at December 31, 2023, unchanged from December 31, 2022). It is a first-call guarantee with an indefinite term and covers the commitments undertaken by Valeo North America Inc. (formerly Valeo Electrical Systems Inc.) concerning pensions and other employee benefits.

In addition, a recapitalization agreement between Valeo and DAV Tunisie SA was signed on November 30, 2023, under which Valeo undertook to recapitalize its subsidiary with a cash contribution of 49 million Tunisian dinars (around 14 million euros). The transaction is in progress.

All these commitments concern related companies.

10.3.2 Commitments received

At December 31, 2023, no commitments had been received by the Company.

10.4 Fees paid to the Statutory Auditors

Fees paid to the Statutory Auditors and recognized in Valeo's income statement are as follows:

	Ernst & Young		Mazars	
(in thousands of euros)	**2023**	2022	**2023**	2022
Audit				
Statutory audit, review of the individual and consolidated financial statements	27	25	31	29
Non-audit services	36	258	167	160
TOTAL FEES	**63**	**283**	**198**	**189**

Non-audit services provided by Ernst & Young and Mazars to Valeo during the year mainly concerned (i) comfort letters issued in connection with the Group's EMTN (Euro Medium Term Note) program, (ii) procedures implemented as part of a limited assurance engagement relating to the non-financial information statement, (iii) voluntary audit procedures on the combined and consolidated financial statements of Group operating entities.

NOTE 11 LIST OF SUBSIDIARIES AND AFFILIATES

At December 31, 2023

Company (in millions of euros)	Share capital	Other equity[1]	Interest (in %)	Carrying amount of shares Gross	Carrying amount of shares Net	Outstanding loans and advances granted	Guarantees and endorsements given	Sales	Net income (loss)	Dividends
Valeo Bayen Paris - France (SIREN: 380 072 520)	2,837	958	100	4,603	4,603	680	—	90	(56)	57
Valeo Service Saint Denis - France (SIREN: 306 486 408)	23	2	100	74	36	—	—	160	(7)	—
Équipement 11 Paris - France (SIREN: 440 331 411)	—	(5)	100	8	—	8	—	—	(5)	—
Valeo International Holding BV Helmond - Netherlands	128	796	100	443	443	—	—	90	45	140
Coreval Strassen - Luxembourg	23	1	99	23	23	—	—	6	—	—
Valeo Auto-Electric GmbH Bietigheim - Germany	—	196	5	27	10	—	—	—	—	—
Valeo Embrayages Tunisie Jedeida - Tunisia	—	—	100	6	—	4	—	—	—	—
Valeo Otomotiv Sanayi ve Ticaret AS[3] Bursa – Turkey	4	142	100	40	40	—	—	415	30	—
Amalgamations Valeo Clutch Private Ltd[2][3] Chennai – India	8	11	50	9	9	—	—	92	5	1
Valeo Pyeong Hwa Co. Ltd.[3] Daegu - South Korea	9	136	50	12	12	—	—	509	22	5
Valeo Pyeong HWA International Co., Ltd Seoul - South Korea	2	58	50	1	1	—	—	147	19	5
Valeo Pyeong HWA Automotive Components Co., Ltd Daegu - South Korea	2	47	27	2	2	—	—	259	21	3
Other French subsidiaries and affiliates (aggregate)				4	—					
Other foreign subsidiaries and affiliates (aggregate)				2	2	140				—
TOTAL				**5,254**	**5,180**	**832**				**210**

(1) *Including net income for 2023 before appropriation.*
(2) *Last financial year ended March 31, 2023.*
(3) *Translated at the year-end exchange rate and at average exchange rates for 2023.*

NOTE 12 SUBSEQUENT EVENTS

On January 22, 2024, Valeo redeemed the 700 million euro bond issued in 2014 under the Euro Medium Term Note (EMTN) financing program.

5.6.5 Statutory Auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended 31 December 2023

To the Annual General Meeting of Valeo,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Valeo for the year ended 31 December 2023.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2023 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2023 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of articles L. 821-53 and R. 821-180 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of investment securities, attached receivables and provisions for subsidiary risks

Risk identified

As at 31 December 2023, your Company's investment securities and the attached receivables are recorded in the balance sheet for a carrying amount of €7,208m; i.e., 47% of total assets, which amount to €15,274m. Investment securities are recorded at their acquisition cost on their entry date. At year-end, your Company values its securities at their value in use. When this value is lower than the carrying amount, impairment is recorded in the amount of that difference. As at 31 December 2023, impairment of investment securities stood at €71m. Provisions for subsidiary risks are intended to cover the negative net position of certain subsidiaries. As at 31 December 2023, these provisions stood at €12m.

Value in use is determined using the following criteria, adapted to the shareholdings valued: the forecast data taken from the subsidiaries' medium-term plans, shareholders' equity and the strategic benefit of the Valeo Group.

The receivables attached to these shareholdings mainly comprise medium- to long-term loans granted to direct or indirect subsidiaries of your Company as well as to joint ventures in which the Valeo Group has invested.

These financial fixed assets are mentioned in Note 5 to the financial statements.

We deemed the valuation of the investment securities, the attached receivables, and the risk provisions to constitute a key audit matter, due to the particularly material amount involved, the judgements inherent in certain elements and their sensitivity to the Management's forecasts.

Our response

In order to evaluate the estimation of the values in use of the investment securities, on the basis of the information obtained from your Company, we implemented procedures which consisted mainly in analyzing the valuation method as well as the data used and, depending on the securities concerned, we:

- reconciled the shareholders' equity used with the subsidiary accounts drawn up under international accounting standards, for the values based on these historical items;
- where applicable, analyzed the business plans established by the Management for the subsidiaries whose investment securities are subject to significant impairment;
- analyzed, with the support of our valuation specialists, the main assumptions, such as the discount rate and the long-term growth rate, which we compared to the values used by financial analysts for the Valeo Group and companies in the sector;
- reconciled the values in use used by your Company in the amount of the investment securities and the attached receivables per subsidiary, net of any provisions for impairment recognized for each of these assets;
- analyzed the estimates for subsidiary risk provisions in the event your Company is committed to bearing the losses of a subsidiary giving rise to a risk of reconstitution of its share capital.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information provided in the Management Report and in the other documents provided to the shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents provided to the shareholders with respect to the financial position and the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code *(Code de commerce)*.

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code *(Code de commerce)*.

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L. 22-10-11 of the French Commercial Code (Code de commerce), we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests, the identity of the holders of the shares or of the voting rights, and the cross-shareholdings, has been properly disclosed in the management report.

Other Verifications or Information Required by Laws and Regulations

Format of presentation of the consolidated financial statements to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451 1 2, I of the French Monetary and Financial Code *(Code monétaire et financier)*, prepared under the CEO's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by Valeo in the annual financial report filed with the AMF *(Autorité des marchés financiers)* agree with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Valeo by the Annual General Meeting held on 3 June 2010.

As at 31 December 2023, both our firms were in their fourteenth year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and Audit Approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L. 821-55 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by articles L. 821-27 to L. 821-34 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 27 March 2024

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Gonzague Senlis	Jean-Marc Deslandes	Philippe Berteaux	Guillaume Rouger

5.7 Statutory Auditors' report on related party agreements

This is a translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Year ended 31 December 2023

To the General Meeting of Shareholders of Valeo,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company . We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)* of the continuation of the implementation, during the year ended 31 December 2023, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement.

Agreements submitted for approval to the Annual General Meeting

We hereby inform you that we have not been notified of any agreements authorized during the year ended 31 December 2023 to be submitted to the Annual General Meeting for approval in accordance with Article L. 225-38 of the French Commercial Code *(Code de commerce)*.

Agreements previously approved by the Annual General Meeting

We hereby inform you that we have not been notified of any agreements previously approved by the Annual General Meeting whose implementation continued during the year ended 31 December 2023.

Paris-La Défense, 27 March 2024

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**	
Gonzague Senlis	Jean-Marc Deslandes	Philippe Berteaux	Guillaume Rouger

5.8 Other financial and accounting information

5.8.1 Five-year financial summary

	2019	2020	2021	2022	2023
1. SHARE CAPITAL AT DECEMBER 31					
Share capital *(in millions of euros)*	241	242	243	244	245
Number of ordinary shares outstanding	241,036,743	241,717,403	242,574,781	243,501,944	244,633,504
Maximum number of new shares to be issued:	—	—	—	—	
• on exercise of equity warrants	—	—	—	—	
• on exercise of stock subscription options	—	—	—	—	
• on conversion of bonds into new shares	—	—	—	—	
2. RESULTS OF OPERATIONS FOR THE YEAR *(in millions of euros)*					
Sales	—	—	—	—	
Income before tax, depreciation, amortization and impairment losses	372	321	216	189	178
Income tax	14	2	3	7	8
Employee profit-sharing	—	—	—	—	
Net income	282	200	148	203	194
Net dividend	48	72	84	92	98
3. PER-SHARE DATA *(in euros)*					
Net income after tax, but before depreciation, amortization and impairment losses	1.61	1.33	0.91	0.81	0.76
Earnings per share	1.18	0.83	0.61	0.84	0.79
Net dividend	0.20	0.30	0.35	0.38	0.40
4. PERSONNEL					
Headcount at December 31	1	1	3	3	3
Wages and salaries *(in millions of euros)*[(1)]	25	26	38	55	31
Social security contributions *(in millions of euros)*[(2)]	—	8	2	(4)	(1)

(1) *In 2023, this amount includes an expense of 28 million euros relating to the delivery of free shares under the 2020 free share plan and to the 2018 Shares4U employee share ownership plan (see Note 3.2, page 401).*

(2) *In 2023, this amount includes a net provision reversal of 4 million euros relating to social security contributions paid on the free shares delivered to French beneficiaries under the 2020 free share plan, partly offset by the recognition of social security contributions relating to the 2023 free share plan (see Note 3.2, page 401).*

5.8.2 List of subsidiaries, affiliates and marketable securities

	Number of shares	Net carrying amount *(in millions of euros)*
Valeo Bayen	189,154,088	4,603
Valeo International Holding BV	2,845,121	443
Valeo Otomotiv Sanayi ve Ticaret AS	121,513,059	40
Valeo Service	3,260,000	36
Coreval	928,434	23
Valeo Pyeong Hwa Co. Ltd.	1,359,405	12
Valeo Auto-Electric GmbH	1,305	10
Amalgamations Valeo Clutch Private Ltd.	56,252,500	9
Equipement 11	32,549	—
Other securities with a net carrying amount below 2 million euros		7
INVESTMENTS IN SUBSIDIARIES AND AFFILIATES		**5,183**
Other securities		—
OTHER INVESTMENT SECURITIES		**—**
MONEY MARKET FUNDS		**2,263**
TREASURY SHARES		**12**
TOTAL		**7,458**

6

SHARE CAPITAL AND OWNERSHIP STRUCTURE

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

6.1 Stock market data

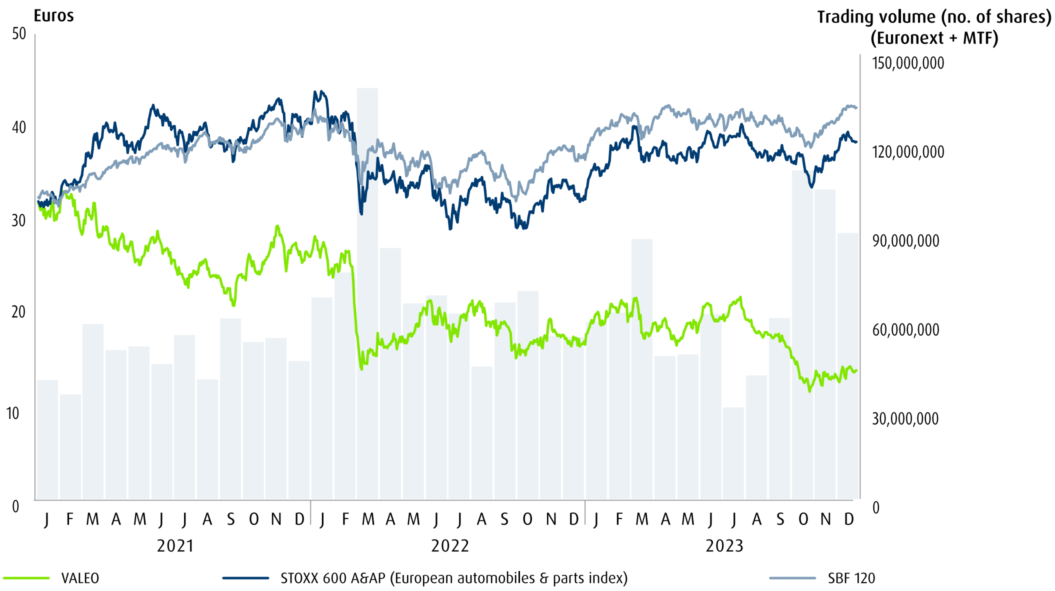
	2021	2022	2023
Market capitalization at year-end *(in billions of euros)*	6.45	4.07	3.40
Number of shares *(at December 31)*	242,574,781	243,501,944	244,633,504
Highest share price *(in euros)*	33.66	28.50	22.23
Lowest share price *(in euros)*	20.47	13.80	11.53
Average share price *(in euros)*	27.01	19.19	17.71
Share price at year-end *(in euros)*	26.58	16.70	13.92

6.1.1 Share performance

	Share price *(in euros)*			Trading volume		
Effective	**High**	**Low**	**Closing (average)**	**MTF** [(1)] *(in number of shares)*	**Euronext** [(2)] *(in number of shares)*	**Euronext** [(2)] *(in capital and millions of euros)*
December 2022	18.06	16.32	17.02	35,103,223	19,409,897	332.56
January 2023	20.45	16.92	19.21	38,824,805	20,773,270	298.15
February 2023	21.74	18.77	20.60	41,275,031	21,626,306	442.06
March 2023	22.23	16.62	19.15	54,821,636	32,733,472	624.17
April 2023	19.82	16.77	18.50	30,754,253	17,380,437	319.83
May 2023	19.57	16.16	18.10	30,823,623	17,865,657	323.03
June 2023	21.28	17.98	19.92	39,989,752	23,610,790	474.76
July 2023	21.91	19.15	20.59	25,850,554	4,915,621	96.60
August 2023	20.48	17.39	18.53	26,110,891	15,384,048	286.00
September 2023	18.30	15.97	17.26	38,380,669	22,555,377	388.32
October 2023	16.45	11.53	13.57	74,204,143	36,445,213	495.60
November 2023	14.06	12.13	13.21	60,828,728	43,539,723	577.75
December 2023	14.54	12.52	13.71	58,710,049	31,536,329	435.50

(1) MTF (Multilateral Trading Facility): includes the trading volumes on platforms such as ChiX, Turquoise, Bats and Aquis.
(2) Source: Euronext monthly statistics.

6.1.2 Share price and monthly trading volumes



6.2 Investor relations

Valeo's Investor Relations Department serves as an interface between the Group and the international financial community, including institutional investors such as ESG investors and impact investors, as well as financial analysts and individual shareholders. It aims to provide clear, thorough and transparent information in real time to all these market participants, in order to keep them informed of Valeo's strategy, positioning, results and short- and medium-term financial and non-financial objectives.

Valeo's website, www.valeo.com, features a dedicated "Investors & shareholders" section for its shareholders and the financial community featuring:

- the Universal Registration Document including the Integrated Report, as well as the Half-Year Financial Report ("Regulated information" section);
- presentations and press releases on Valeo's financial and non-financial results ("Presentations & releases" section);
- technology presentations ("Presentations & releases" section);
- the capital structure, the list of analysts covering the Valeo share, and information regarding the American Depositary Receipt program ("Stock market" section);
- details of the Group's debt, and the credit ratings assigned by Moody's and Standard & Poor's ("Bond investors" section);
- information for individual shareholders ("Individual shareholders" section);
- information about the Shareholders' Meeting ("Shareholders' Meeting" section).

6.2.1 Institutional investors

The Group's Investor Relations Department closely and consistently interacts with the financial community. The department places great importance on holding meetings throughout the year with shareholders, investors and financial and non-financial analysts, whether at the Group's headquarters, at roadshows held in major global centers (Europe, North America and Asia) or during conferences. Conferences may be open to all, held exclusively for investors, specialists and operators within the automotive industry (automakers and suppliers), or focused specifically on ESG. In 2023, the Investor Relations Department took part in 19 conferences and met more than 1,000 institutional investors and analysts over the course of the year, with the Group's Management present at a large number of these meetings.

Valeo includes detailed non-financial information in its financial communications aimed at all stakeholders, in particular ESG investors and analysts. During dedicated conferences and individual meetings throughout 2023, the Group had the opportunity to present its ambitions in corporate governance and social and environmental responsibility, particularly relating to reducing greenhouse gas emissions and contributing to carbon neutrality by 2050. Information on these subjects is available on the Group's website in the "Sustainability" section.

6.2.2 Individual shareholders

Valeo consistently interacts with individual shareholders, who control approximately 5% of Valeo's share capital.

An "Individual shareholders" section is available on the Group's website and features the Shareholder Guide, for example. The Group's Investor Relations Department regularly sends information, including "flash" e-newsletters to individual shareholders to keep them informed about the Group's latest news and financial results. Since 2017, individual shareholders in France have been able to join an online Shareholders' Club, where they can access presentations on the Group and its operations. In addition, the Group's Investor Relations Department met private fund managers on several occasions during the year, both in Paris and elsewhere in France.

The share registrar service has been provided by Société Générale since the end of 2000 and offers a share information line (+33 (0)2 51 85 67 89) for questions concerning dividends, tax issues and order placing.

For any other information about the Group, individual shareholders can call the number provided in section 6.2.4.

6.2.3 Employee shareholders

Since 2010, Valeo has had a policy of allotting free shares to promote the development of employee share ownership over time.

In 2016, Valeo launched a share subscription offering reserved for employees. Following its success, the offering has been renewed every year and in 2023 was rolled out in 21 countries to 93,358 employees. As is the case every year, information sessions about the offering and the performance of the Valeo share were held at each Group site.

At December 31, 2023, Valeo employees held 10,666,328 shares under Group employee savings plans in France and abroad, directly or indirectly through the Valeorizon mutual fund, representing 4.36%[(1)] of the Company's share capital, compared to 9,025,618 shares representing 3.71% at the previous year-end. The Valeorizon mutual fund and direct share ownership in certain countries, through a Group Employee Savings Plan (*Plan d'Épargne Groupe* – PEG), represent an effective way of involving employees in the Group's performance.

Employee shareholders have access to the same communication tools as individual shareholders, as well as an information line managed by the banks in charge of the share ownership plans. They can call this telephone platform all year round with any questions they may have. For further information, see section 6.4.5 of this chapter, "Employee share ownership", page 433 and Chapter 4, section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to developing and retaining talent", page 225.

As the proportion of the Company's share capital held by Employee Shareholders exceeded the threshold of 3% at December 31, 2022, the Company is required to have a representative of the Employee Shareholders on its Board of Directors in accordance with Articles L.225-23 and L.225-102 of the French Commercial Code. The Company's articles of association were amended to provide for the representation of Employee Shareholders on the Board of Directors and approved at the Shareholders' Meeting on May 24, 2023. A process was subsequently launched for Employee Shareholders to elect a candidate list, which will be put to the vote at the 2024 Shareholders' Meeting.

6.2.4 Contact

Valeo

100, rue de Courcelles

75017 PARIS - France

Institutional investors and financial analysts

François Marion, Senior Vice-President, Group Corporate Communications & Investor Relations

Thierry Lacorre, Investor Relations Director

To arrange a meeting, please contact:

Email: valeo.corporateaccess.mailbox@valeo.com

Individual shareholders

Tel.: +33 (0)1 40 55 20 39

Email: valeo.actionnairesindividuels.mailbox@valeo.com

For questions about registered shares, please contact:

Société Générale

Tel.: +33 (0)2 51 85 67 89

6.2.5 Provisional financial publications calendar

- First-quarter 2024 sales: April 25, 2024
- First-half 2024 results: July 25, 2024
- Third-quarter 2024 sales: October 26, 2024
- Full-year 2024 results: second half of February 2025

(1) *In accordance with Article L. 225-102 of the French Commercial Code* (Code de commerce)*, employees hold 3.75% of the share capital at December 31, 2023 (3.04% at December 31, 2022). The difference compared to the percentage stated above results from the exclusion of free shares whose allotment was authorized by a Shareholders' Meeting decision prior to August 7, 2015, which do not fall within the scope of this article.*

6.3 Dividends

Dividends over the past three years were as follows:

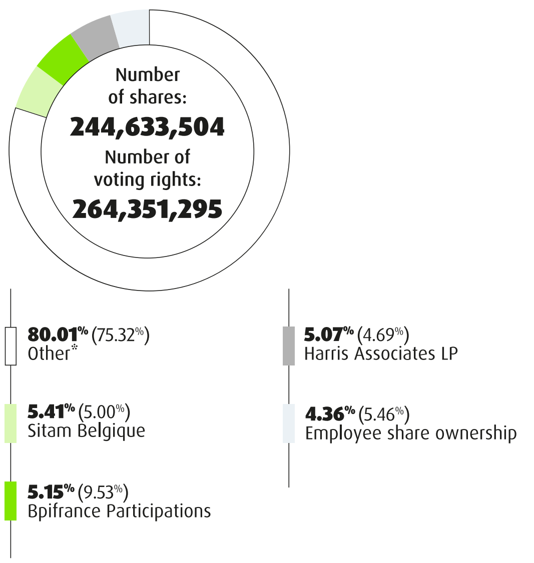
Year	Dividend per share *(in euros)*	Tax allowance	Total *(in millions of euros)*
2020	0.30	Amount eligible for the 40% tax allowance provided for in Article 158,3-2° of the French Tax Code *(Code général des impôts)* for individuals who are tax residents in France	72.2
2021	0.35	Amount eligible for the 40% tax allowance provided for in Article 158,3-2° of the French Tax Code *(Code général des impôts)* for individuals who are tax residents in France	84.0
2022	0.38	Amount eligible for the 40% tax allowance provided for in Article 158,3-2° of the French Tax Code *(Code général des impôts)* for individuals who are tax residents in France	92.0

On February 29, 2024, at the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2023, Valeo's Board of Directors recommend the payment of a dividend of 0.40 euros per share eligible for dividends.

6.4 Share ownership

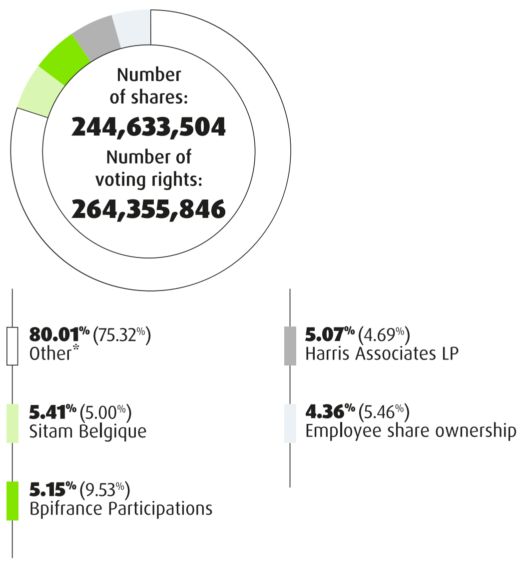
6.4.1 Ownership structure

OWNERSHIP STRUCTURE AT DECEMBER 31, 2023



% of share capital
(% of voting rights)
* *Including 712,384 treasury shares (0.29% of the share capital).*

OWNERSHIP STRUCTURE AT FEBRUARY 29, 2024



% of share capital
(% of voting rights)
* *Including 770,684 treasury shares (0.32% of the share capital).*

6.4.2 Direct or indirect shareholdings in the Company brought to the Company's attention

The following details on share capital and voting rights were prepared:

- based on data brought to the Company's attention;
- based on the Company's share capital and theoretical voting rights at December 31 of each of the three years under consideration (2021, 2022 and 2023), and at February 29, 2024.

At December 31, 2023, the Company's share capital amounted to 244,633,504 euros comprising 244,633,504 shares with a par value of 1 euro each, including 712,384 treasury shares, representing 264,351,295 theoretical voting rights.

	February 29, 2024				
	Number of shares	% of share capital	Number of theoretical voting rights(1)	% of theoretical voting rights(1)	Number of exercisable voting rights(2)
SITAM Belgique	13,228,994	5.41%	13,228,994	5.00%	13,228,994
Bpifrance Participations	12,600,000	5.15%	25,200,000	9.53%	25,200,000
Harris Associates LP	12,393,566	5.07%	12,393,566	4.69%	12,393,566
Employee share ownership(3)	10,666,328	4.36%(5)	14,445,269	5.46%	14,445,269
Treasury shares(4)	770,684	0.32%	—	—%	—
Other	194,973,932	79.70%	199,088,017	75.32%	198,317,333
TOTAL	**244,633,504**	**100%**	**264,355,846**	**100%**	**263,585,162**

(1) Registered shares held by the same shareholder for four or more years carry double voting rights (see Chapter 7, section 7.1.11 "Double voting rights", page 443). The total number of voting rights is calculated on the basis of all shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).

(2) The number of exercisable voting rights corresponds to the number of theoretical voting rights less the number of voting rights attached to treasury shares (without voting rights).

(3) For more information on employee share ownership, see section 6.4.5 of this chapter, "Employee share ownership", page 433.

(4) For more information on treasury shares, see section 6.5.2 of this chapter, "Treasury shares", page 435.

(5) In accordance with Article L. 225-102 of the French Commercial Code, employees hold 3.75% of the share capital. The difference compared to the percentage stated above results from the exclusion of free shares whose allotment was authorized by a Shareholders' Meeting decision prior to August 7, 2015, which do not fall within the scope of this article.

	December 31, 2023				
	Number of shares	% of share capital	Number of theoretical voting rights(1)	% of theoretical voting rights(1)	Number of exercisable voting rights(2)
SITAM Belgique	13,228,994	5.41%	13,228,994	5.00%	13,228,994
Bpifrance Participations	12,600,000	5.15%	25,200,000	9.53%	25,200,000
Harris Associates LP	12,393,566	5.07%	12,393,566	4.69%	12,393,566
Employee share ownership(3)	10,666,328	4.36%(5)	14,445,269	5.46%	14,445,269
Treasury shares(4)	712,384	0.29%	—	—%	—
Other	195,032,232	79.72%	199,083,466	75.32%	198,371,082
TOTAL	**244,633,504**	**100%**	**264,351,295**	**100%**	**263,638,911**

(1) Registered shares held by the same shareholder for four or more years carry double voting rights (see Chapter 7, section 7.1.11 "Double voting rights", page 443). The total number of voting rights is calculated on the basis of all shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).

(2) The number of exercisable voting rights corresponds to the number of theoretical voting rights less the number of voting rights attached to treasury shares (without voting rights).

(3) For more information on employee share ownership, see section 6.4.5 of this chapter, "Employee share ownership", page 433.

(4) For more information on treasury shares, see section 6.5.2 of this chapter, "Treasury shares", page 435.

(5) In accordance with Article L. 225-102 of the French Commercial Code, employees hold 3.75% of the share capital. The difference compared to the percentage stated above results from the exclusion of free shares whose allotment was authorized by a Shareholders' Meeting decision prior to August 7, 2015, which do not fall within the scope of this article.

	December 31, 2022				
	Number of shares	% of share capital	Number of theoretical voting rights(1)	% of theoretical voting rights(1)	Number of exercisable voting rights(2)
Bpifrance Participations	12,600,000	5.17%	12,600,000	5.04%	12,600,000
BlackRock Inc.	12,519,631	5.14%	12,519,631	5.01%	12,519,631
Harris Associates LP	12,393,566	5.09%	12,393,566	4.96%	12,393,566
Dassault Group	12,227,876	5.02%	12,227,876	4.89%	12,227,876
Employee share ownership(3)	9,025,618	3.71%	12,150,466	4.86%	12,150,466
Treasury shares(4)	2,385,577	0.98%	—	—%	—
Other	182,349,676	74.89%	188,083,639	75.24%	188,083,639
TOTAL	**243,501,944**	**100%**	**249,975,178**	**100%**	**247,589,601**

(1) Registered shares held by the same shareholder for four or more years carry double voting rights (see Chapter 7, section 7.1.11 "Double voting rights", page 443). The total number of voting rights is calculated on the basis of all shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).
(2) The number of exercisable voting rights corresponds to the number of theoretical voting rights less the number of voting rights attached to treasury shares (without voting rights).
(3) For more information on employee share ownership, see section 6.4.5 of this chapter, "Employee share ownership", page 433.
(4) For more information on treasury shares, see section 6.5.2 of this chapter, "Treasury shares", page 435.

	December 31, 2021				
	Number of shares	% of share capital	Number of theoretical voting rights(1)	% of theoretical voting rights(1)	Number of exercisable voting rights(2)
Bpifrance Participations	12,600,000	5.19%	12,600,000	5.06%	12,600,000
BlackRock Inc.	12,519,631	5.16%	12,519,631	5.03%	12,519,631
Harris Associates LP	12,393,566	5.11%	12,393,566	4.98%	12,393,566
Dassault Group	12,227,876	5.04%	12,227,876	4.91%	12,227,876
Employee share ownership(3)	7,402,071	3.05%	9,742,062	3.91%	9,742,062
Treasury shares(4)	848,616	0.35%	—	—%	—
Other	184,583,021	76.10%	189,543,257	76.11%	189,543,257
TOTAL	**242,574,781**	**100%**	**249,026,392**	**100%**	**248,177,776**

(1) Registered shares held by the same shareholder for four or more years carry double voting rights (see Chapter 7, section 7.1.11 "Double voting rights", page 443). The total number of voting rights is calculated on the basis of all shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).
(2) The number of exercisable voting rights corresponds to the number of theoretical voting rights less the number of voting rights attached to treasury shares (without voting rights).
(3) For more information on employee share ownership, see section 6.4.5 of this chapter, "Employee share ownership", page 433.
(4) For more information on treasury shares, see section 6.5.2 of this chapter, "Treasury shares", page 435.

Shareholders representing more than 5% of the share capital or voting rights

To the best of the Company's knowledge, there were no shareholders with direct or indirect holdings of 5% or more of the Company's share capital or voting rights at December 31, 2023, other than:

- SITAM Belgique, which held 13,228,994 shares in the Company, i.e., 5.41% of the share capital and 5.00% of the voting rights;
- Bpifrance Participations, which held 12,600,000 shares in the Company, i.e., 5.15% of the share capital and 9.53% of the voting rights;
- Harris Associates LP, which held, directly or indirectly, 12,393,566 shares in the Company, i.e., 5.07% of the share capital and 4.69% of the voting rights.

To the best of the Company's knowledge, there were no shareholders with direct or indirect holdings of 5% or more of the Company's share capital or voting rights at February 29, 2024, other than:

- SITAM Belgique, which held 13,228,994 shares in the Company, i.e., 5.41% of the share capital and 5.00% of the voting rights;
- Bpifrance Participations, which held 12,600,000 shares in the Company, i.e., 5.15% of the share capital and 9.53% of the voting rights;
- Harris Associates LP, which held, directly or indirectly, 12,393,566 shares in the Company, i.e., 5.07% of the share capital and 4.69% of the voting rights.

Crossing of disclosure thresholds

Between January 1, 2023 and February 29, 2024, Valeo was notified of the following disclosure threshold crossings:

Shareholder	Date of notification(1)	Effective date(1)	Number of Valeo shares held(1)	Percentage of capital reported(1)	Number of voting rights held(1)	Percentage of theoretical voting rights reported(1)	Threshold crossed/ Increase or decrease(1)
Caisse des Dépôts et Consignations including Bpifrance Participations(2)	05/05/2023	05/02/2023	15,712,193 12,600,000	6.45% 5.17%	10.78% 9.60%	10% of voting rights	↗
BlackRock, Inc.	05/16/2023	05/15/2023	13,025,673	5.35%	4.96%	5% of voting rights	↘
BlackRock, Inc.	05/22/2023	05/19/2023	13,214,742	5.43%	5.03%	5% of voting rights	↗
BlackRock, Inc.	05/23/2023	05/22/2023	13,012,871	5.34%	4.96%	5% of voting rights	↘
BlackRock, Inc.	06/07/2023	06/06/2023	13,200,557	5.42%	5.03%	5% of voting rights	↗
BlackRock, Inc.	06/12/2023	06/09/2023	13,124,288	5.39%	4.99%	5% of voting rights	↘
BlackRock, Inc.	06/14/2023	06/12/2023	13,168,992	5.41%	5.01%	5% of voting rights	↗
BlackRock, Inc.	06/16/2023	06/15/2023	12,921,769	5.31%	4.92%	5% of voting rights	↘
BlackRock, Inc.	06/19/2023	06/16/2023	13,357,408	5.49%	5.09%	5% of voting rights	↗
BlackRock, Inc.	06/20/2023	06/19/2023	13,009,729	5.34%	4.95%	5% of voting rights	↘
BlackRock, Inc.	06/22/2023	06/21/2023	13,134,691	5.39%	5.002%	5% of voting rights	↗
BlackRock, Inc.	10/23/2023	10/20/2023	13,132,602	5.39%	4.99%	5% of voting rights	↘
BlackRock, Inc.	10/27/2023	10/26/2023	13,147,549	5.40%	5.004%	5% of voting rights	↗
BlackRock, Inc.	12/01/2023	11/30/2023	7,668,211	3.15%	2.92%	5% of share capital and voting rights	↘
UBS Group AG	12/06/2023	11/30/2023	13,456,300	5.50%	5.10%	5% of share capital and voting rights	↗
UBS Group AG	12/07/2023	12/01/2023	N/A	N/A	N/A	5% of share capital and voting rights	↘
Dassault Group	12/19/2023	12/14/2023	0	— %	— %	5% of share capital	↘
SITAM Belgique (3)	12/19/2023	12/14/2023	13,083,494	5.35%	4.96%	5% of share capital	↗
SITAM Belgique (3)	12/21/2023	12/20/2023	13,228,994	5.41%	5.01%	5% of voting rights	↗

(1) Information sourced from disclosure threshold crossing notifications published by the AMF.

(2) Caisse des Dépôts et Consignations (CDC) reported that it had crossed, directly or indirectly through the companies CNP Assurances and Bpifrance Participations which it controls, the threshold of 5% of voting rights following the attribution of double voting rights (registered shares held by Bpifrance Participations). It is specified that (i) Bpifrance Participations is controlled by Bpifrance SA, a 49.2%-49.2% joint venture between EPIC Bpifrance and CDC, and (ii) CDC and Bpifrance Participations act independently, with CDC expressly stating in its declaration that "despite the presumptions of Article 233-0 II, 2° and 3 of the French Commercial Code, it does not act in concert with Bpifrance Participations".

(3) Controlled by the Dassault family.

6.4.3 Directors' interests in Valeo's share capital

At December 31, 2023, to the best of the Company's knowledge, Christophe Périllat and individual members of the Board of Directors held less than 1% of Valeo's share capital and voting rights in a personal capacity[2]. Bpifrance Participations and the Fonds Stratégique de Participations held (i) 12,600,000 shares representing 25,200,000 voting rights and (ii) 10,213,000 shares and voting rights, respectively, bringing the percentage interest held by all members of the Board of Directors (both individuals and companies) in a personal capacity to 9.44% of the share capital and 13.58% of the voting rights[2]. The number of shares held by each member of the Board of Directors is given in Chapter 3, section 3.2.1, paragraphs "Composition of the Board of Directors at December 31, 2023 and changes made during the year" and "Presentation of directors in 2023", pages 106 to 132.

6.4.4 Transactions carried out in the Company's shares by senior management and directors

Transactions carried out from January 1, 2023 up to the date of this Universal Registration Document by senior management and directors and by related persons, that have been reported to the French financial markets authority *(Autorité des marchés financiers)* and the Company pursuant to the applicable legal and regulatory provisions are presented below:

Name	Position	Type of security	Type of transaction	Date of transaction	Gross unit price	Number of shares	Gross amount
Stéphanie Frachet	Director	Share	Purchase	March 1, 2023	€20.0653	1,500	€30,097.95
Christophe Périllat	Chief Executive Officer	Share	Vesting of performance shares allotted by the Board of Directors on March 24, 2020[1]	March 24, 2023	N/A	67,198	N/A

(1) These shares were allotted to Christophe Périllat in his capacity as Chief Operating Officer (employee rather than corporate officer).

To the best of the Company's knowledge, no other senior managers, directors or persons related to them reported having carried out transactions involving the Company's shares pursuant to the applicable legal and regulatory provisions from January 1, 2023 up to the date of this Universal Registration Document.

6.4.5 Employee share ownership

At December 31, 2023, Valeo employees held 10,666,328 shares under Group employee savings plans in France and abroad, directly or indirectly through the Valeorizon mutual fund, representing 4.36%[3] of the Company's share capital, compared to 9,025,618 shares representing 3.71% the previous year. The Valeorizon mutual fund and direct share ownership in certain countries, through a Group Employee Savings Plan, represent an effective way of involving employees in the Group's performance.

As has been the case since 2016, a share subscription offering reserved for employees was launched in 2023 in 21 of the Group's main countries, giving more than 87% of employees the opportunity to become Valeo shareholders. The offering is part of the development of Valeo's employee share ownership policy in France and abroad, which aims to involve employees in the Group's performance. At the close of the subscription period, which ran from September 18, 2023 to October 6, 2023, employees had subscribed to 1,131,560 new shares at a unit price of 14.24 euros, reflecting a 20% discount on the reference price. Since the offering in France was carried out under the Group Employee Savings Plan, employees who subscribed to shares benefited from a top-up contribution from the Company. Outside France, employees were granted conditional free shares with a 3-year vesting period (compared with a 5-year vesting period for previous plans).

(2) *Excluding shares held in the Valeorizon mutual fund (Group savings plan).*
(3) *In accordance with Article L.225-102 of the French Commercial Code* (Code de commerce)*, employees hold 3.75% of the share capital at December 31, 2023 (3.04% at December 31, 2022). The difference compared to the percentage stated above results from the exclusion of free shares whose allotment was authorized by a Shareholders' Meeting decision prior to August 7, 2015, which do not fall within the scope of this article.*

6.5 Share buyback program AFR

6.5.1 Current share buyback program adopted by the Shareholders' Meeting of May 24, 2023

In accordance with Articles L.22-10-62 *et seq.* and L.225-210 *et seq.* of the French Commercial Code, Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 and Commission Delegated Regulation (EU) No. 2016/1052 of March 8, 2016, the AMF's General Regulations as well as all other applicable legal and regulatory provisions, the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023, in its seventeenth resolution, granted the Board of Directors (with power to subdelegate) an authorization to carry out transactions in the shares issued by the Company, for the following purposes:

- the implementation of any Company stock purchase option plan under the terms of Articles L.225-177 *et seq.* and L.22-10-56 *et seq.* of the French Commercial Code (or other similar plan), in particular for any employee and/or corporate officer of the Company and of related companies or economic interest groups, in accordance with the applicable legal and regulatory provisions; or
- the allotment of free shares in the Company pursuant to Articles L.225-197-1 *et seq.* and L.22-10-59 *et seq.* of the French Commercial Code (or other similar plan), particularly to any employee and/or corporate officer of the Company or related companies or economic interest groups, in accordance with the applicable legal and regulatory provisions; or
- the allotment or sale of shares to employees as part of their involvement in the performance of the Company or pursuant to a company or Group employee savings plan (or similar plan) in accordance with applicable law, in particular Articles L.3332-1 *et seq.* of the French Labor Code *(Code du travail)*; or
- in general, to comply with obligations in respect of stock option plans or other allotments or sales of shares to employees or corporate officers of the Company, or related companies or economic interest groups; or
- the delivery of shares on the exercise of rights attached to securities giving access to the share capital *(valeurs mobilières donnant accès au capital)* by redemption, conversion, exchange, presentation of a warrant or any other means; or
- the retention and future delivery of shares (as exchange consideration, as payment or other) in connection with acquisitions, mergers, spin-offs or contributions; or
- the cancelation of all or part of the shares so acquired; or
- market-making for the Valeo share under a liquidity agreement compliant with the market practices permitted by the AMF.

The program is also intended to allow for the implementation of any market practices that may subsequently be permitted by market authorities and, more generally, to carry out any other transactions in compliance with current or future applicable laws and regulations. In such cases, the Company would inform its shareholders via a press release.

The total number of shares purchased by the Company during the share buyback program may not exceed 10% of the total number of shares making up the Company's share capital at any time. This percentage will apply to the share capital as adjusted to take into account any transactions carried out subsequent to the Shareholders' Meeting, it being specified that:

i. when shares are acquired to increase liquidity, the number of shares used to determine the 10% limit corresponds to the number of shares purchased, less the number of shares sold during the authorized period;
ii. the number of shares purchased with a view to holding them for future delivery, as payment or to be exchanged, in connection with an external growth operation, merger, spin-off or contribution may not exceed 5% of the Company's share capital;
iii. the number of shares held by the Company at any time may not exceed 10% of the shares that constitute the Company's share capital.

The maximum purchase price is set at 70 euros per share (excluding acquisition costs) and the maximum amount allocated to the share buyback program is set at 1,704,513,580 euros (excluding acquisition costs). Based on the per-share price of 70 euros (excluding fees), a maximum of 24,350,194 shares could therefore be purchased under the program as at December 31, 2022.

This authorization was given for an 18-month period as of the Shareholders' Meeting of May 24, 2023 and canceled, for the unused portion as at May 24, 2023, the authorization granted by the Shareholders' Meeting of May 24, 2022 in its seventeenth resolution.

A description of the 2023 renewal of the Company's share buyback program was drawn up in accordance with Articles 241-1 *et seq.* of the AMF's General Regulations.

In 2023, Valeo carried out a number of share sale and purchase transactions under the abovementioned share buyback program and under the program authorized at the Shareholders' Meeting of May 24, 2022 (see section 6.5.2 of this chapter, "Treasury shares", page 435).

6.5.2 Treasury shares

At December 31, 2023, the Company held, directly or indirectly, 712,384 treasury shares (i.e., 0.29% of the share capital) with an average unit value of 16.42 euros and a par value of 1 euro. At December 31, 2022, Valeo held 2,385,577 shares, or 0.98% of the share capital.

The shares purchased in 2023 were to be used for the implementation of a liquidity agreement.

The share purchases were carried out in accordance with authorizations granted by the Shareholders' Meetings of May 24, 2022 and May 24, 2023 to the Board of Directors to buy back Company shares, it being specified that the seventeenth resolution of the Shareholders' Meeting of May 24, 2023 terminated and superseded the authorization granted by the Shareholders' Meeting of May 24, 2022.

The seventeenth resolution of the Shareholders' Meeting of May 24, 2023 authorized the Board of Directors (with the power to subdelegate) to purchase, or arrange for the purchase of, the Company's shares in accordance with the conditions specified in section 6.5.1 of this chapter, "Current share buyback program adopted by the Shareholders' Meeting of May 24, 2023", page 434.

Shares to be allocated to free share plans

At December 31, 2023, the number of treasury shares to be allocated to free share plans stood at 690,684 compared with 2,385,577 at December 31, 2022.

Shares for use under a liquidity agreement

In 2023, Valeo acquired 4,125,640 shares at an average price of 17.85 euros and sold 4,103,940 shares at an average First-In-First-Out price of 17.87 euros. Trading and transaction fees incurred under the liquidity agreement entered into with an investment services provider totaled 140,000 euros. These shares were not reallocated to other purposes provided for under the share buyback program.

At December 31, 2023, 21,700 shares and 17,032,618 euros in cash had been allocated to the liquidity agreement, compared with 0 shares and 17,385,306.06 euros in cash at December 31, 2022.

6.5.3 Share buyback program to be submitted to the Shareholders' Meeting of May 23, 2024

The Shareholders' Meeting to be held on May 23, 2024 will be asked to renew the authorization granted by the seventeenth resolution approved by the Shareholders' Meeting of May 24, 2023, permitting the Company to carry out transactions in its own shares under a new share buyback program, in accordance with the provisions of Articles L.22-10-62 *et seq.* and L.225-210 *et seq.* of the French Commercial Code, Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, the AMF General Regulations, as well as any other legal or regulatory provisions that may become applicable.

The features of the new share buyback program are described below:

Purposes of the new share buyback program

Under the new share buyback program, which will be submitted to the Ordinary and Extraordinary Shareholders' Meeting on May 23, 2024, Valeo plans to buy back, directly or indirectly, its own shares, for the following purposes:

- the implementation of any Company stock purchase option plan under the terms of Articles L.225-177 *et seq.* and L.22-10-56 *et seq.* of the French Commercial Code (or other similar plan), in particular by any employee and/or corporate officer of the Company and of related companies or economic interest groups, in accordance with the applicable legal and regulatory provisions; or
- the allotment of free shares of the Company under the terms of Articles L.225-197-1 *et seq.* and L. 22-10-59 *et seq.* of the French Commercial Code (or other similar plan), particularly to any employee and/or corporate officer of the Company or related companies or economic interest groups, in accordance with the applicable legal and regulatory provisions; or
- the allotment or sale of shares to employees as part of their involvement in the performance of the Company or pursuant to a company or Group employee savings plan (or similar plan) in accordance with applicable law, in particular Articles L.3332-1 *et seq.* of the French Labor Code *(Code du travail)*; or
- in general, to comply with obligations in respect of stock option plans or other allotments or sales of shares to employees and/or corporate officers of the Company and related companies or economic interest groups; or
- the delivery of shares on the exercise of rights attached to securities giving access to the share capital *(valeurs mobilières donnant accès au capital)* by redemption, conversion, exchange, presentation of a warrant or any other means; or
- the retention and future delivery of shares (as exchange consideration, as payment or other) in connection with acquisitions, mergers, spin-offs or contributions; or
- the cancelation of all or part of the shares so acquired; or
- market-making for the Valeo share under a liquidity agreement compliant with the market practices permitted by the AMF.

The program is also intended to allow for the implementation of any market practice that may subsequently be permitted by market authorities and, more generally, to carry out any other transactions in compliance with current or future applicable laws and regulations. In such cases, the Company would inform its shareholders via a press release.

Number of shares and percentage of share capital held by the issuer

At January 31, 2024, Valeo directly or indirectly held 747,684 shares, representing 0.31% of the Company's share capital.

Breakdown of shares owned by Valeo by purpose

At January 31, 2024:

- 690,684 shares were allocated to free share plans;
- 57,000 shares were held under the liquidity agreement signed on March 23, 2019 with Rothschild Martin Maurel. This agreement complies with the Code of Ethics of the AFEI, approved by the AMF on March 22, 2005 (which has since become the Code of Ethics of the French Association of Financial and Investment Firms approved by the AMF on October 1, 2008).

Maximum interest in the Company's share capital, maximum number and characteristics of shares that may be purchased under the new share buyback program

The maximum interest that can be purchased under the new share buyback program may not exceed 10% of the shares making up the Company's share capital (i.e., 24,463,350 shares at January 31, 2024). This percentage will apply to the share capital as adjusted to take into account any transactions carried out subsequent to the Shareholders' Meeting.

In accordance with the provisions of Article L.22-10-62 of the French Commercial Code, the number of shares that Valeo may hold at any time may not represent over 10% of the total number of shares making up the Company's share capital at the given date. Given the number of shares the Company currently owns, i.e., 747,684 shares at January 31, 2024 (representing 0.31% of the Company's share capital) and subject to adjustments affecting the number of shares held by the Company (including cancelation of treasury shares) and the amount of share capital after the Shareholders' Meeting on May 23, 2024, a total of 23,715,666 shares (9.69% of the Company's share capital at January 31, 2024) could be available for purchase (or, excluding the shares held by the Company, a maximum of 24,463,350 shares).

The securities covered by the buyback program are exclusively shares.

Maximum purchase price per share

The purchase price of shares under the new share buyback program may not exceed 70 euros per share (excluding acquisition costs). This price could be adjusted in the event of a change in the par value of the share, capital increase by capitalization of reserves, allotment of free shares, a stock split or reverse stock split, distribution of reserves, or any other assets, redemption of the share capital, or any other transaction affecting shareholders' equity, so as to take account of the impact of these transactions on the value of the share.

The maximum amount that can be spent under the new share buyback program will be fixed at 1,712,434,500 euros (excluding acquisition costs). Valeo reserves the right to use the full amount authorized under the program.

Term of the new share buyback program

In accordance with the resolution that will be submitted to the Shareholders' Meeting for approval on May 23, 2024, the new share buyback program would be authorized for an 18-month period as of the meeting, i.e., until November 23, 2025. It will supersede the seventeenth resolution approved by the Shareholders' Meeting of May 24, 2023.

6.5.4 Cancelation of treasury shares

In the twenty-seventh resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023, the Company's shareholders gave the Board of Directors a 26-month authorization to reduce the Company's capital by canceling treasury shares. Under this authorization, the number of shares canceled in any given 24-month period may not exceed 10% of the Company's share capital. At the date of this Universal Registration Document, this resolution had not been implemented.

6.6 Additional disclosures concerning the share capital

6.6.1 Changes in share capital

Changes in the Company's capital during 2023 were as follows:

		Changes *(in millions of euros)*				
Year	**Type of operation**	**Nominal**	**Premium**	**Total**	**Number of shares issued**	**Total number of shares at Dec. 31, 2023**
2023	Capital increase reserved for employees	1	15	16	1,131,560	244,633,504

The share capital at December 31, 2023 therefore comprised 244,633,504 shares with a par value of 1 euro, fully paid up and traded on the Euronext Paris regulated market.

At December 31, 2023, there were no plans in place pursuant to which shares could be issued on exercise of stock subscription options awarded to the Group's employees and corporate officers.

To the best of the Company's knowledge, none of these shares have been pledged.

6.6.2 Other securities giving access to the share capital – Stock purchase option and free share plans

Stock purchase options at December 31, 2023

A table presenting past stock purchase option allotments, including options allotted to the corporate officers, can be found in section 3.3.2 of Valeo's 2020 Universal Registration Document, page 166.

It is recalled that the last stock purchase option plan in effect expired on March 26, 2020. Valeo has not been authorized to grant stock options by the Shareholders' Meeting since August 5, 2014.

Free share plans in force at December 31, 2023[1]

	2016 plan	**2017 plan**	**2018 plan**	**2019 plan**	**2020 plan**	**2021 plan**	**2022 plan**	**2023 plan**
Date of Board meeting	**05/26/2016**	**03/22/2017**	**03/22/2018**	**05/23/2019**	**03/24/2020**	**05/26/2021**	**03/23/2022**	**05/24/2023**
Date of Shareholders' Meeting	05/26/2016	05/26/2016	05/26/2016	05/23/2019	05/23/2019	05/26/2021	05/26/2021	05/24/2023
TOTAL NUMBER OF FREE SHARES ALLOTTED	**1,267,022[1]**	**1,012,043[1]**	**1,234,623[1]**	**1,699,281**	**2,342,306**	**2,070,829**	**2,308,057**	**2,794,057**
• Total number of options allotted to corporate officers[2]	70,974	51,030	55,026	87,122	130,000	176,407	100,154	124,124
• Total number of shares allotted to employees	622,158	538,731	661,237	1,192,159	1,682,306	1,262,422	1,677,903	1,979,041
• Total number of options allotted under employee share ownership plans	573,890	422,282	518,360	420,000	530,000	632,000	530,000	690,892
• Number of corporate officer grantees[2]	1	1	1	1	1	2	1	1
• Number of employee grantees	28,030	32,214	38,418	39,284	40,386	44,234	40,578	40,362

(1) The figures in the table have been adjusted for the three-for-one stock split approved by the Shareholders' Meeting of May 26, 2016 (nineteenth resolution) and implemented by the Board of Directors on the same date. To protect the interests of the beneficiaries of free shares during the vesting period, at its meeting on May 26, 2016, the Board of Directors decided to multiply the number of free shares (including performance shares) allotted but not yet vested by three.

(2) For the Chairman and Chief Executive Officer, the 2016 to 2021 plans; for the Deputy Chief Executive Officer, the 2021 plan, and for the Chief Executive Officer, the 2022 and 2023 plans. As regards the Chairman and Chief Executive Officer, the shares allotted (i) under the 2019 plan (87,122) do not take into account the one-sixth reduction for the portion represented by the internal performance criteria (80%), it being specified that the number of vested shares includes this deduction, (ii) under the 2020 plan, the number of shares allotted was reduced due to the application of the prorata temporis rule to the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer and the one-sixth reduction for the portion represented by the internal performance criteria (80%) and totaled 77,683, and (iii) under the 2021 plan, the number of shares allotted was reduced due to the application of the prorata temporis rule to the period during which Jacques Aschenbroich held the combined roles of Chairman of the Board of Directors and Chief Executive Officer and totaled 42,218.

	2016 plan	2017 plan	2018 plan	2019 plan	2020 plan	2021 plan	2022 plan	2023 plan
Date of Board meeting	**05/26/2016**	**03/22/2017**	**03/22/2018**	**05/23/2019**	**03/24/2020**	**05/26/2021**	**03/23/2022**	**05/24/2023**
VESTING DATE OF SHARES								
• Chairman and Chief Executive Officer (under the 2016 to 2021 plans) • Deputy Chief Executive Officer (under the 2021 plan) and Chief Executive Officer (under the 2022 and 2023 plan) • Executive Committee (formerly Operations Committee)	France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2020[2] 03/22/2021[3] Other countries: 03/22/2021[3]	France: 03/22/2021[2] 03/22/2022[4] Other countries: 03/22/2022[4]	France/ Other countries: 05/23/2022	France/ Other countries: 03/24/2023	France/ Other countries: 05/26/2024	France/ Other countries: 03/23/2025	France/ Other countries: 05/24/2026
• Liaison Committee and main direct reports of the Liaison Committee members	France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2021[3] Other countries: 03/22/2021[3]	France: 03/22/2022[4] Other countries: 03/22/2022[4]	France/Other countries: 05/23/2022	France/Other countries: 03/24/2023	France/Other countries: 05/26/2024	France/Other countries: 03/23/2025	France/Other countries: 05/24/2026
• High-potential managers	France: 05/26/2019 Other countries: 05/26/2021	France: 03/22/2020 Other countries: 03/22/2022	France: 03/22/2021 Other countries: 03/22/2023	France/Other countries: 05/23/2022	France/Other countries: 03/24/2023	France/Other countries: 05/26/2024	France/Other countries: 03/23/2025	France/Other countries: 05/24/2026
• All employees	France: 06/30/2019 Other countries: 06/30/2021	France: 06/30/2020 Other countries: 06/30/2022	France: 06/30/2021 Other countries: 06/30/2023	France/Other countries: 06/30/2022	France/Other countries: 06/30/2023	France/Other countries: 06/30/2024	France/Other countries: 06/30/2025	France/Other countries: 06/30/2026
• "Employee share ownership"	Spain/Italy: 11/15/2019 Belgium: 11/15/2021 Other countries: 06/30/2021	Spain/Italy: 07/27/2020 Belgium and Ireland: 07/27/2022 Other countries: 06/30/2022	Italy/Spain: 06/30/2021 Other countries: 06/30/2023	Italy/Spain: 06/27/2022 Other countries: 06/30/2024	Italy/Spain: 11/16/2023 Belgium: 11/16/2025 Other countries: 06/30/2025	Italy/Spain: 11/16/2024 Belgium: 11/16/2026 Other countries: 06/30/2026	Italy/Spain: 11/17/2025 Belgium: 11/17/2027 Other countries: 06/30/2027	Italy/Spain: 11/30/2026 Other countries: 11/30/2026
SHARES AVAILABLE AS AT								
• Chairman and Chief Executive Officer (under the 2016 to 2021 plans) • Deputy Chief Executive Officer (under the 2021 plan) and Chief Executive Officer (under the 2022 plan)	05/26/2021	03/22/2022	03/22/2023	05/23/2024	03/24/2025	05/26/2026	03/23/2027	05/24/2028
• Executive Committee (formerly Operations Committee)	05/26/2021	[5]	[5]	[5]	[5]	[5]	[5]	[5]
• Liaison Committee and main direct reports of the Liaison Committee members	05/26/2021	[5]	[5]	[5]	[5]	[5]	[5]	[5]
• High-potential managers	05/26/2021	03/22/2022	03/22/2023	[5]	[5]	[5]	[5]	[5]
• All employees	France/Other countries: 05/26/2021	France/Other countries: 03/22/2022	France/Other countries: 03/22/2023	[5]	[5]	[5]	[5]	[5]
• "Employee share ownership"	Italy/Spain: 11/15/2022 Belgium: 11/15/2021 Other countries: 06/30/2021	Italy/Spain: 07/27/2023 Belgium/ Ireland: 07/27/2022 Other countries: 06/30/2022	Italy/Spain: 06/30/2024 Other countries: 06/30/2023	Italy/Spain: 06/27/2025 Other countries: 06/30/2024	Italy/Spain: 11/16/2026 Belgium: 11/16/2025 Other countries: 06/30/2025	Italy/Spain: 11/16/2027 Belgium: 11/16/2026 Other countries: 06/30/2026	Italy/Spain: 11/17/2028 Belgium: 11/17/2027 Other countries: 06/30/2027	Italy/Spain: 11/30/2029 Other countries: 11/30/2026

(3) For members of the Operations Committee and Liaison Committee, and the main direct reports of the Liaison Committee members only, removal of 2018 and deferral of the performance measurement period by one year (i.e. 2017, 2019 and 2020 instead of 2017, 2018 and 2019). The vesting period is four years instead of three. No holding period.

(4) For members of the Operations Committee and Liaison Committee, and the main direct reports of the Liaison Committee members only (including Christophe Perillat as Chief Operating Officer), removal of 2018 and deferral of the performance measurement period by one year (i.e. 2019, 2020 and 2021 instead of 2018, 2019 and 2020). The vesting period is four years instead of three. No holding period.

(5) No holding period.

	2016 plan	2017 plan	2018 plan	2019 plan	2020 plan	2021 plan	2022 plan	2023 plan
Date of Board meeting	**05/26/2016**	**03/22/2017**	**03/22/2018**	**05/23/2019**	**03/24/2020**	**05/26/2021**	**03/23/2022**	**05/24/2023**
PERFORMANCE CRITERIA[6]								
• Chairman and Chief Executive Officer, Deputy Chief Executive Officer (under the 2021 plan), Chief Executive Officer (under the 2022 plan), Executive Commitee (formerly Operations Committee)	Operating margin – ROCE – ROA rate	Operating margin – ROCE – ROA rate	Operating margin – ROCE – ROA rate	Operating margin – ROA – TSR rate	Operating margin – ROA – TSR rate	EBITDA – ROCE rate – TSR rate – CSR	EBITDA – ROCE rate – TSR rate – CSR	EBIT – ROCE rate – TSR rate – CSR
• Liaison Committee and main direct reports of the Liaison Committee	Operating margin – ROCE rate	Operating margin – ROCE rate	Operating margin – ROCE rate	Operating margin – ROA rate	Operating margin – ROA rate	EBITDA – ROCE rate – CSR	EBITDA – ROCE rate – CSR	EBIT – ROCE rate – CSR
• High-potential managers	-	-	-	-	-	-	-	-
• All employees	-	-	-	-	-	-	-	-
PERFORMANCE CRITERIA – RATE OF ACHIEVEMENT								
• Chairman and Chief Executive Officer, Deputy Chief Executive Officer (under the 2021 plan), and Chief Executive Officer (under the 2022 plan), Executive Committee (formerly Operations Committee)	0%[7] - 0%[7]	0%[8] - 100%	0%[9] - 100%	60%[10] - 60%[10]	80%[11] - 80%[11]	65%[12] 65%[12]		
• Liaison Committee and main direct reports of the Liaison Committee members	0%[7] 0%[7]	100% 100%	100% 100%	75% 87.5%	100% 100%	65% 90%		
• High-potential managers	-	-	-	-	-	-	-	-
• All employees	-	-	-	-	-	-	-	-
Number of shares vested at Dec. 31, 2023 (cumulative)	274,341	579,305	735,608	944,760	1,494,751	12,358	12,166	0
Number of stock options canceled or forfeited at Dec. 31, 2023 (cumulative)	642,060	193,267	227,495	420,651	377,589	172,453	142,197	44,343
Number of shares outstanding at Dec. 31, 2023	**0**	**0**	**0**	**241,812**	**259,786**	**1,686,937**	**2,153,694**	**2,749,714**
Number of grantees at Dec. 31, 2023	0	0	0	11,771	12,759	29,621	37,162	40,320

(6) For definitions of operating margin, EBITDA, ROCE, ROA and TSR, see financial glossary, page 46.

(7) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to achieve these criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the year, such as the introduction of the WLTP, a slowdown in the Chinese market, a rise in commodities prices and, more generally, the turbulence in the financial markets.

(8) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to meet the criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the year, such as the introduction of WLTP, the market downturn in China and the rise in raw material prices.

(9) Given the demanding target rate for the performance criteria, the rate of achievement was nil. Failure to meet the criteria was due to the challenging conditions in the Group's operating environment in 2018 caused by disruptions in the automotive industry during the year, such as the introduction of WLTP, the market downturn in China and the rise in raw material prices, and in 2020 caused by the Covid-19 crisis.

(10) Given the demanding target rate inherent in the performance criteria, (i) the rate of achievement for the internal performance criteria is 50% for the ROA rate and 100% for operating margin (each representing 40% of the shares allocated) and (ii) the rate of achievement for the external performance criterion (Valeo's TSR) over the three-year period of the 2019 plan is zero (representing 20% of the shares allocated).

(11) Given the demanding target rate inherent in the performance criteria, (i) the rate of achievement for the internal performance criteria is 100% for the ROA rate and the operating margin (each representing 40% of the shares allocated) and (ii) the rate of achievement for the external performance criterion (Valeo's TSR) over the three-year period of the 2020 plan is zero (representing 20% of the shares allocated).

(12) Given the demanding target rate for the performance criteria, (i) the rate of achievement for the internal performance criteria was 45% for the ROCE and EBITDA rates (each representing 30% of the shares allotted), (ii) the rates of achievement for the external performance criterion were 0% for Valeo's TSR compared with the TSR of the CAC 40 index and 0% compared with the TSR of companies included in a panel of European companies in the automotive sector over the three-year period (each representing 10% of the shares allotted), and (iii) the rates of achievement for the two criteria relating to corporate social responsibility (CSR) were 10% for the CO_2 emissions criterion and 10% for the gender diversity criterion (number of women on the various management committees within the Group) over the three-year period (each representing 10% of the shares allotted).

6.6.3 Securities not representing capital

Information about securities not representing capital (Euro Medium Term Note program and other bonds) is provided in Chapter 5, section 5.4.6, Note 8.1.2.1 "Long-term debt" to the consolidated financial statements, pages 357 to 362.

6.6.4 Other information on the share capital

Change in control

At the date of this Universal Registration Document and to the best of the Company's knowledge, there are no shareholder agreements or other agreements in force that could lead to a change in control of the Company in the future.

Capital under option of any member of the Group

At the date of this Universal Registration Document, no capital of any member of the Group was under option or conditional or unconditional agreement to be put under option.

Disclosure threshold crossing

In accordance with Article L.233-7 of the French Commercial Code, any individual or legal entity, acting alone or in concert, that holds a number of shares representing over 5%, 10%, 15%, 20%, 25%, 30%, 33.33%, 50%, 66.66%, 90% or 95% of the Company's share capital or voting rights is required to disclose to the Company and the AMF by letter that the related disclosure threshold has been exceeded. Said disclosure must be made no later than the close of the fourth trading day from the date the threshold is exceeded and must also state the total number of shares and voting rights held by the shareholders concerned. The disclosures are subsequently published by the AMF. This disclosure obligation also applies when an interest in the Company's share capital and/or voting rights is reduced to below the abovementioned thresholds. If any shareholder fails to comply with these disclosure requirements, the shares in excess of the relevant threshold will be stripped of voting rights at all Shareholders' Meetings held within the two-year period from the date when the omission is remedied.

Article 9 of the Valeo articles of association states that, in addition to the applicable statutory disclosure thresholds, any individual or legal entity, acting alone or in concert, that raises or reduces its interest in the Company's share capital or voting rights, directly or indirectly, to above or below 2% respectively is required to disclose to the Company by registered letter with return receipt requested that the relevant disclosure threshold has been crossed. Said disclosure must be made within 15 days of the date on which the threshold is crossed and the shareholder concerned must state their own identity, as well as that of any parties acting in concert with the shareholder. This disclosure requirement also concerns ownership of each additional 2% fraction of the share capital or voting rights. The stated thresholds are calculated in accordance with Articles L.233-7 and L.233-9 of the French Commercial Code and with the AMF's General Regulations. In accordance with the seventh paragraph of Article L.228-1 of the French Commercial Code, this disclosure requirement also applies to intermediaries, without prejudice to the requirements applicable to the underlying shareholders, for all of the shares they manage.

Non-compliance with the above obligations is subject to the penalties set out in Article L.233-14 of the French Commercial Code, at the request of one or several shareholders together holding at least 2% of the Company's share capital or voting rights, as recorded in the minutes of the Shareholders' Meeting.

Shareholder identification

Registered and bearer shares are recorded in shareholders' accounts in accordance with applicable laws and regulations.

However, a bank, broker or other intermediary may register on behalf of shareholders who are domiciled outside France in accordance with Article 102 of the French Civil Code *(Code civil)*. This registration may be made in the form of a joint account or several individual accounts, each corresponding to one shareholder. Any such intermediary must inform the Company or the intermediary managing the Company's account that it is holding the shares on behalf of another party.

The Company is entitled to identify all holders of shares and other securities redeemable, exchangeable, convertible or otherwise exercisable for shares carrying rights to vote at Shareholders' Meetings, in accordance with the procedure provided for in Article L.228-2 et seq. of the French Commercial Code.

In order to identify holders of bearer shares, in accordance with the applicable laws and regulations, the Company is entitled to request, at any time, from the central depository or any intermediary referred to in Article L.228-2 of the French Commercial Code, in exchange for a fee, in particular the name, year of birth (or, in the case of corporate shareholders, the company name and year of incorporation), nationality and address of holders of shares granting immediate or future rights to vote at Shareholders' Meetings, the type of shares held, together with details of the number of shares held by the holder via the intermediary concerned, the start date of the holding period, the name and unique identifier of the third party designated by the holder, and any restrictions applicable to the shares concerned.

Based on the list provided by the abovementioned organization, where the Company considers that shares may be held on behalf of third parties, it may request, in accordance with the same conditions, either through the organization or directly from the parties mentioned on the list, the same information concerning the holders of the shares. If one of the parties mentioned on the list is a bank, broker or other intermediary, it must disclose the identity of the shareholders for whom it is acting. The information is provided directly to the financial intermediary managing the Company's share account, which will pass on said information either to the Company or the third party designated by said company.

For registered shares and other securities redeemable, exchangeable, convertible or otherwise exercisable for shares, any intermediary holding the securities on behalf of a third party must disclose the identity of the person or entity for whom it is acting, as well as the number of shares held by each of them, upon simple request by the Company or its representative, which may be made at any time.

The Company may also request, from any corporate shareholder holding over 2.5% of the Company's share capital or voting rights, information concerning the identity of persons or companies holding either directly or indirectly over one-third of its share capital or voting rights.

If an individual or corporate shareholder is asked to provide information in accordance with the above conditions and fails to provide it by the applicable deadline, or provides incomplete or incorrect information, the shares or other securities redeemable, exchangeable, convertible or otherwise exercisable for shares recorded in the shareholder's account will be stripped of voting rights for all Shareholders' Meetings until the identification request has been fulfilled, and the payment of any corresponding dividends will also be deferred until that date.

In addition, if an individual or company registered in the Company's shareholders' account deliberately ignores their obligations, the Company or one or more shareholders holding at least 5% of the Company's share capital may petition the court of the place in which the Company's registered office is located to obtain an order to totally or partially strip the shares concerned of their voting rights and the corresponding dividend, for a maximum period of five years.

7 ADDITIONAL INFORMATION

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

7.1 Principal provisions of the law and the articles of association

7.1.1 Company name and headquarters

The Company's corporate name is Valeo and its headquarters are located at 100, rue de Courcelles, 75017 Paris.

Tel.: +33 (0)1 40 55 20 20.

7.1.2 Legal structure and governing law

On March 9, 2021, Valeo, incorporated in the form of a *société anonyme* (joint-stock company), became a European company *(Societas Europaea)* governed by the provisions of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European Company. Matters outside the scope of said regulation are governed by the provisions of the French Commercial Code *(Code de commerce)* applicable to joint-stock companies, and by the Company's articles of association. The provisions of the French Commercial Code relating to the management and governance of joint-stock companies are applicable to European companies.

7.1.3 Corporate governance

For the purposes of transparency and disclosure, the Company has set up a number of procedures to ensure that it complies with best corporate governance practices. For further information, see the cross-reference table for the Corporate Governance Report in Chapter 8, section 8.1.4, page 461.

7.1.4 Date of incorporation and term

The Company was incorporated on February 10, 1923 and its term was extended for a further 99 years on February 10, 1972.

7.1.5 Corporate purpose

The Company's corporate purpose is as follows (Article 3 of the articles of association):

- the research, manufacturing, sale, trade and supply of all products, equipment and services for the industrial and retail sectors, that may be manufactured and developed by factories of the Company or of companies of its Group or that may be of interest to their customers; and
- more generally, engaging in any transactions whatsoever, including industrial, commercial, financial, real estate and other property transactions, sales, acquisitions, capital contributions, etc., directly or indirectly related to the corporate purpose or contributing to its extension or development.

7.1.6 Registration details

The Company is registered at the Paris Trade and Companies Registry under the number 552 030 967.

7.1.7 Fiscal year

The Company's fiscal year covers a twelve-month period from January 1 to December 31.

7.1.8 Dividends

Each share entitles its holder to a proportion of income equal to the proportion of capital represented by the share.

Distributable income is composed of net income for the year less any prior year losses and amounts appropriated to the legal reserve, plus any income carried forward. Furthermore, shareholders in a Shareholders' Meeting may decide, subject to the conditions set out by law, to distribute amounts taken from available reserves and/or retained earnings. In this case, the related resolution approved by the Shareholders' Meeting must clearly specify the reserve account from which the distributed amounts are to be taken.

Shareholders may resolve to pay out a dividend only after approving the financial statements for the year and noting that amounts are available for distribution. The dividend payment terms are defined by the Shareholders' Meeting or, by default, the Board of Directors.

The Board of Directors may decide to pay an interim dividend for the current year or the year ended before the financial statements are approved, subject to the conditions set out by law, and may set the amount and date of payment.

At the Shareholders' Meeting called to approve the annual financial statements, shareholders may decide to offer a stock dividend alternative to cash dividends representing all or part of the dividend, or interim dividend, as provided for by law.

Dividends unclaimed after a period of five years from the date they were made payable are paid over to the French State.

7.1.9 Liquidation surpluses

Liquidation surpluses are allocated between the shareholders in proportion to their interests in the Company's share capital.

7.1.10 Shareholders' Meetings

Ordinary and Extraordinary Shareholders' Meetings are called and conduct business in accordance with the conditions set out by law.

In accordance with Article R.22-10-28 of the French Commercial Code, shareholders may participate in Shareholders' Meetings subject to submitting evidence of ownership of their shares. Share ownership is evidenced by an entry in Valeo's share register in the name of the shareholder (or of the intermediary acting on their behalf) or in the register of bearer shares held by an accredited intermediary. Such entries must be recorded by 00:00 hours (12:00 a.m.) (CET) on the second working day preceding the date of the meeting. In the case of bearer shares, the accredited intermediary shall provide a share ownership certificate for the shareholders concerned, which must be attached to the postal voting or proxy form or to the admission card made out in the name of the shareholder or in the name of the registered intermediary representing the shareholder.

Subject to the abovementioned conditions, all shareholders are entitled to attend Shareholders' Meetings provided they have settled all capital calls related to their shares.

Shareholders who are unable to attend a meeting in person may choose one of the following options:

- cast a postal vote; or
- give proxy to the Chair of the Shareholders' Meeting or to an appointed individual.

In compliance with the conditions set out by the applicable laws and regulations, shareholders may send proxy and postal voting forms for any Shareholders' Meetings either by post or electronically (as authorized by the Company).

Minutes of Shareholders' Meetings are drawn up, and copies and extracts thereof are certified and delivered, in accordance with the law.

7.1.11 Double voting rights

Each shareholder has a number of votes corresponding to the number of shares held or represented by proxy.

However, since the Shareholders' Meeting of June 16, 1992, Article 23 of the Company's articles of association provides that double voting rights are attached to all fully paid shares that have been registered in the name of the same holder for at least four years. In the case of a capital increase paid up by capitalizing reserves, profit or share premiums, the new registered free shares allotted to a shareholder in respect of existing shares with double voting rights will also carry double voting rights from the date of issue. Double voting rights are automatically stripped from any registered shares that are converted into bearer shares or transferred. However, registered shares are not stripped of voting rights and the above four-year qualifying period continues to run following the transfer of shares included in the estate of a deceased shareholder, or in connection with the settlement of the marital estate, or an inter vivos gift to a spouse or relative in the direct line of succession. Double voting rights may be removed by decision of the Extraordinary Shareholders' Meeting, subject to the approval of shareholders entitled to double voting rights, at a special meeting held for that purpose.

7.1.12 Changes in share capital and rights attached to shares

Any changes in the Company's share capital or voting rights attached to shares are subject to the applicable laws as the articles of association do not contain any specific provisions in relation to such operations.

7.1.13 Stock market

Valeo's shares are listed on Euronext Paris (ISIN code: FR0013176526). They are also included in the CAC Next 20, SBF 120 and CAC 40 ESG indices. The LEI code is 5493006IH2N2WMIBB742.

Valeo's shares are also available on the over-the-counter market in the United States in the form of American depositary receipts (ADR) through its depositary bank, JP Morgan (symbol: VLEEY).

7.2 Information on subsidiaries and affiliates

The Group's overall legal and operational structure is described in Chapter 1 “Presentation of Valeo”, pages 47 to 82.

Following the creation of subsidiaries for its industrial activities in 2002, the Company is now solely a holding and cash management company for the Group. The Company is the head of the tax consolidation group in France.

Excluding certain exceptions, Valeo SE centralizes the management of market risks to which its operating subsidiaries are exposed, including changes in interest rates and fluctuations in exchange rates and prices of quoted commodities.

Valeo SE also centralizes the financing requirements of these subsidiaries and is generally the sole counterparty of the financial institutions that provide the funding to cover these requirements. The related assets (cash and cash equivalents) and liabilities (external debt) are included in Valeo’s balance sheet. The Group is also responsible for upholding the image of the Valeo brand. To this end, it has entered into agreements with some of its French subsidiaries, under which Valeo SE allows them to benefit from the Group’s expertise, values, business model and processes.

Group-wide control and support functions, encompassing accounting, legal services, information technology, procurement, communication and business development, research and development strategy and management, and quality audits, etc., are performed by the intragroup partnership *(groupement d’intérêt économique)*, Valeo Management Services. The purpose of this entity is to make common resources available and to implement the necessary means and take the required action to increase savings and optimize the costs of its members. Valeo Management Services is financed by contributions from its 14 members, which consist of companies belonging to the Group.

The Group's operating assets and liabilities are carried by its subsidiaries with plants, research and/or development centers and distribution platforms. These subsidiaries representing 80% of consolidated sales are listed in the table on the following page.

The entities with distribution platforms are active only on the independent aftermarket in the countries where they operate. Sales to automakers are handled directly by the Business Groups, Product Groups and Product Lines involved in the production process. The commercial activities of the Business Groups, Product Groups and Product Lines with a given customer are coordinated by the networks of the Sales and Business Development Department, described in Chapter 1, section 1.5.2 “Sales and Business Development”, page 76**.**

A list of consolidated companies is provided in Chapter 5, section 5.4.6, Note 13 “List of consolidated companies” to the 2023 consolidated financial statements, pages 380 to 387 (the list also shows the location of the companies). The position of the direct subsidiaries and interests of Valeo SE, the parent company, is presented in the table included in Chapter 5, section 5.6.4, Note 11 “List of subsidiaries and affiliates” to the parent company financial statements, page 416.

MAIN COMPANIES (representing 80% of consolidated sales)

Direct and indirect interests by country *(% interest at December 31, 2023)*

EUROPEAN UNION		
FRANCE	Valeo Équipements Électriques Moteur	100%
	Valeo Vision	100%
	Valeo Systèmes Thermiques	100%
	DAV	100%
	Valeo Embrayages	100%
	Valeo Service	100%
GERMANY, IRELAND	Valeo Schalter und Sensoren GmbH	100%
	Valeo eAutomotive Germany GmbH	100%
	Valeo Klimasysteme GmbH	100%
	Valeo Wischersysteme GmbH	100%
	Connaught Electronics Limited	100%
SPAIN, ITALY	Valeo España S.A.	100%
	Valeo Termico, SAU	100%
	Valeo S.p.A.	100%
HUNGARY, POLAND, CZECH REPUBLIC, ROMANIA	Valeo Auto-Electric Hungary LLC	100%
	Valeo eAutomotive Hungary Kft.	100%
	Valeo Autosystemy Sp.ZO.O.	100%
	Valeo Electric and Electronic Systems Sp.ZO.O.	100%
	Valeo Autoklimatizace k.s.	100%
	Valeo Lighting Injection SA	100%
EUROPE OUTSIDE THE EU		
TURKEY	Valeo Otomotiv Sanayi ve Ticaret A.S.	100%
AFRICA		
MOROCCO	Valeo Vision Maroc, SA	100%
NORTH AMERICA		
UNITED STATES	Valeo North America, Inc	100%
MEXICO	Valeo Sistemas Electricos, SA de CV	100%
	Valeo Sistemas Automotrices de México, SA de CV	100%
	Delmex de Juarez S de RL de CV	100%
	Valeo Kapec, SA de CV	50%
SOUTH AMERICA		
BRAZIL	Valeo Sistemas Automotivos Ltda	100%
ASIA		
CHINA	Valeo Interior Controls (Shenzhen) Co. Ltd	100%
	Valeo Automotive Air Conditioning Hubei Co. Ltd	100%
	Valeo Ichikoh (China) Auto Lighting Co., Ltd	94.2%
	Valeo Compressor (Changchun) Co.	100%
	Foshan Ichikoh Valeo Auto Lighting Systems Co. Ltd	94.2%
	Nanjing Valeo Clutch Co. Ltd	37.5%
SOUTH KOREA, JAPAN	Valeo Kapec Co. Ltd	50%
	Valeo Pyeong HWA Co. Ltd	50%
	Valeo Electrical Systems Korea, Ltd	100%
	Ichikoh Industries Limited	61.2%
	Valeo Japan Co. Ltd	100%
INDIA	Valeo India Private Ltd	100%

7.3 Material contracts

Neither Valeo nor any of the Group's companies have signed any major contracts over the past two years, other than those related to the ordinary course of their business, with the exception of the agreement to acquire Siemens' 50% stake in Valeo Siemens eAutomotive, the leader in high-voltage electrification. On July 4, 2022, Valeo announced that it had (i) acquired said stake, as provided for in the agreement signed with Siemens on February 9, 2022, and (ii) integrated 100% of Valeo Siemens eAutomotive into its Powertrain Systems Business Group. This strategic transaction strengthened Valeo's position as a major player in electrification with a unique advantage in this fast-accelerating market.

7.4 Documents on display

The Company's press releases, Registration Documents and Universal Registration Documents filed with the French financial markets authority (*Autorité des marchés financiers* – AMF), including historical financial information relating to the Company and the Group, as well as any updates thereto can be accessed on the Company's website at: www.valeo.com.

In accordance with Article 221-3 of the AMF's General Regulations, the regulated information defined in Article 221-1 of these regulations is posted on the Company's website (www.valeo.com), as well as on the website of the French Directorate of Legal and Administrative Information (www.info-financiere.fr), the French officially appointed mechanism for the storage of regulated information. It remains on the Company's website for at least five years after the related documents are issued, with the exception of the Registration Documents, Universal Registration Documents, and Annual and Interim Financial Reports, which remain online for at least 10 years.

In accordance with the AMF's General Regulations, the Company's Internal Procedures and the articles of association are available on the Company's website. Together with the minutes of Shareholders' Meetings, Statutory Auditors' reports and all other corporate documents, these documents are also available at Valeo's headquarters in accordance with the conditions set out by law and the Company's articles of association.

Notifications of disclosure thresholds crossed are also published on the AMF's website (www.amf-france.org).

Accordingly, in respect of the period March 30, 2023 to March 30, 2024, the following documents are on display:

Full-year and half-year financial reports, quarterly financial information, share buyback programs and other information (www.valeo.com)

March 11, 2024	Press release announcing the implementation of a share buyback program
March 4, 2024	Monthly share buyback information – February 2024
February 29, 2024	2023 results press release and presentation
February 29, 2024	2023 consolidated financial statements – 2023 results
February 7, 2024	Monthly share buyback information – January 2024
January 9, 2024	Half-year update on the liquidity agreement at December 31, 2023
January 9, 2024	Semester summary – December 2023
January 9, 2024	Monthly share buyback information – December 2023
December 6, 2023	Monthly share buyback information – November 2023
November 6, 2023	Monthly share buyback information – October 2023
October 26, 2023	Presentation – Third-quarter 2023 sales
October 26, 2023	Press release – Third-quarter 2023 sales
October 9, 2023	Monthly share buyback information – September 2023
October 6, 2023	Press release – Green bond issue
September 6, 2023	Monthly share buyback information – August 2023
August 3, 2023	Monthly share buyback information – July 2023
July 27, 2023	Presentation – First-half 2023 results
July 27, 2023	2023 half-year financial report
July 27, 2023	Press release – First-half 2023 results
July 10, 2023	Half-year update on the liquidity agreement at June 30, 2023
July 10, 2023	Monthly share buyback information – June 2023
June 9, 2023	Monthly share buyback information – May 2023
May 24, 2023	2022 Activity and Sustainable Development Report
May 15, 2023	Monthly share buyback information – April 2023
April 25, 2023	Presentation – First-quarter 2023 sales
April 25, 2023	Press release – First-quarter 2023 sales
March 30, 2023	Valeo: 2022 Universal Registration Document availability
March 30, 2023	2022 Universal Registration Document
March 30, 2023	2022 Integrated Report

Notifications of disclosure threshold crossings (published on the AMF's website www.amf-france.org)

Notifications of disclosure thresholds crossed may be viewed in section 6.4.2 of Chapter 6, "Direct or indirect shareholdings in the Company brought to the Company's attention", paragraph "Crossing of disclosure thresholds", page 471.

Information relating to the total number of voting rights and shares forming Valeo's share capital (www.valeo.com)

Information covering the period from March 30, 2023 to February 29, 2024 is available on Valeo's website under Investors & shareholders/Regulated information: https://www.valeo.com/en/other-regulated-information/

Information published by Valeo in the French legal gazette (*Bulletin des annonces légales obligatoires* – BALO), available in French on the BALO website (www.journal-officiel.gouv.fr/balo)

June 15, 2023	Approval of the 2022 financial statements by the Shareholders' Meeting of May 24, 2023
April 29, 2023	Convening notice for Shareholders' Meeting of May 24, 2023
March 30, 2023	Notice of Shareholders' Meeting of May 24, 2023

Information published by Valeo in financial media

February 29, 2024	Press release announcing second-half and full-year 2023 results published on Notified
October 26, 2023	Press release announcing third-quarter 2023 sales published on Notified
July 27, 2023	Press release announcing first-half 2023 results published on Notified

Press releases published on Valeo's website (www.valeo.com)

March 2024	
March 11, 2024	Implementation of the share buyback program
March 6, 2024	Valeo is Launch Partner for new Automotive Software Marketplace
March 4, 2024	Valeo presents Valeo Racer, a new extended reality in-car gaming experience developed with Unity, at South by Southwest 2024
February 2024	
February 29, 2024	Valeo published its 2023 results
February 26, 2024	Valeo announced it would be taking part in Taipei Cycle Show 2024
February 21, 2024	Valeo announced it would be taking part in SXSW 2024
February 8, 2024	Dawex, Schneider Electric, Valeo, CEA and Prosyst joined forces to create Data4Industry-X, the trusted data exchange solution for industry
February 1, 2024	Valeo is certified ISO/SAE21434, the benchmark for automotive cybersecurity, by UTAC
January 2024	
January 25, 2024	Smart #3 equipped with Valeo Smart Safety 360 received 5 stars at Euro NCAP
January 23, 2024	Valeo remains the French company filing the most patents worldwide
January 18, 2024	Mister-Auto integrates Valeo Canopy low carbon footprint wiper blades
January 10, 2024	Valeo's Vsevolod Vovkushevsky named MotorTrend Software Defined Vehicle Innovator Awards winner
January 8, 2024	Valeo accelerates in artificial intelligence thanks to Google Cloud tools
January 8, 2024	ZutaCore® and Valeo announce the first contract for innovative data center cooling
January 4, 2024	Valeo presents Ineez™ Air Charging, its solution for wireless charging of EVs
January 4, 2024	Valeo expands software capabilities in North America to support increased demand
January 4, 2024	Valeo presents at CES 2024 the latest update of its Valeo Cyclee™ solution
January 4, 2024	Valeo and Applied Intuition partner to provide digital twin technology for ADAS simulation
January 4, 2024	Valeo and Sennheiser present ImagIn: an immersive sound and light experience in your car
January 4, 2024	Valeo and Teledyne FLIR announce agreement and first contract for thermal imaging for automotive safety systems
January 2, 2024	Édouard de Pirey is appointed Valeo Chief Financial Officer
December 2023	
December 19, 2023	Valeo unveils groundbreaking innovations at CES 2024, paving the way for greener, safer mobility for all, everywhere
December 15, 2023	Stellantis and Valeo launch the first remanufactured automotive windshield-mounted video camera
December 13, 2023	Valeo has produced its 20 millionth front camera system integrating Mobileye EyeQ® technology
December 8, 2023	Valeo puts biomass plant into operation at the Ebern-Fischbach site for a CO_2-neutral future
November 2023	
November 30, 2023	Valeo organized its 1st Generative AI hackathon in collaboration with Google Cloud & Artefact
November 16, 2023	Valeo's SCALA™ 3 LiDAR CES 2024 Innovation Award honoree in the "Vehicle Tech & Advanced Mobility" category
November 13, 2023	Valeo to supply electric powertrain for Mahindra & Mahindra's Electric vehicle program
November 10, 2023	Valeo and Tecnobus sign an agreement to prepare the future of mobility in Ferentino
November 2, 2023	Valeo and Qualcomm deepen technology collaboration to support small mobility (2-wheelers and 3-wheelers) in India

October 2023	
October 31, 2023	Valeo announces the sale of its thermal systems business in Russia to NPK Avtopribor
October 27, 2023	Valeo's windshield wipers once again awarded first place in Auto Plus comparison test
October 26, 2023	Press release – Q3 2023 sales
October 6, 2023	Valeo completes a €600 million debut green bond and welcomes the European Investment Bank for its important participation
September 2023	
September 25, 2023	ESTACA and Valeo sign a partnership agreement to work together towards the mobility of tomorrow
September 18, 2023	Valeo announced a new edition of its employee share offering
September 14, 2023	Valeo receives the Jury's Prize at the Zepros Awards de l'Auto for its engagement and actions in terms of sustainable development, CSR and remanufacturing
September 11, 2023	Valeo at Busworld Europe 2023 to present its sustainable thermal management solutions
September 4, 2023	Mobileye and Valeo launch a partnership for world-class imaging radars
September 4, 2023	Valeo launches Valeo anSWer, its offer for software solutions and services on demand
August 2023	
August 18, 2023	Valeo announces the sale of its propulsion systems business in Russia to NPK Avtopribor
August 30, 2023	Valeo showcases its technologies for the software-defined vehicle and the future of mobility at IAA Mobility 2023
July 2023	
July 27, 2023	Press release – H1 2023 Results
June 2023	
June 29, 2023	Valeo announced the launch of Canopy, the first wiper blade designed to reduce CO_2 emissions
June 22, 2023	Valeo announced it would be taking part in Rematec, the world's leading remanufacturing trade show for industry professionals, which took place from June 27 to 29 in Amsterdam
June 21, 2023	Valeo awarded by Auto Plus for Ineez, a simple electric charging solution adapted to every use
June 15, 2023	Valeo announced it would be presenting at the Eurobike 2023 trade show, held from June 21 to 25 in Frankfurt
June 14, 2023	VivaTech 2023 – Valeo and Equans sign a partnership to meet the challenges of cities
June 8, 2023	Valeo presented its solutions for greener, safer and affordable mobility at the SIA Powertrain, held in Paris on June 14 and 15
May 2023	
May 29, 2023	Valeo and DiDi Autonomous Driving announced that they had reached a strategic cooperation and investment agreement to jointly develop safety solutions for robotaxis
May 24, 2023	Valeo's General Shareholders' Meeting 2023
May 23, 2023	Renault Group and Valeo announced that they had signed a partnership in Software Defined Vehicle development
May 17, 2023	ZutaCore and Valeo present their new solution for cooling of data centers at Dell Technologies World 2023
May 16, 2023	Valeo's LiDAR technology receives two new awards
May 11, 2023	Valeo receives awards from three major clients for its aftermarket activities
May 4, 2023	At the Car Symposium 2023 (May 3-4, 2023) in Bochum, Germany, leading market participants discuss the key trends in the automotive industry Christophe Périllat, Valeo's Chief Executive Officer, was invited to give a keynote on the "Next Steps to the Green Car"
April 2023	
April 25, 2023	Press release – Q1 2023 sales
April 21, 2023	Valeo announced it would be presenting its composite solutions at JEC World 2023, from April 25 to 27, for the third consecutive year
April 14, 2023	Valeo announced it would be participating in Auto Shanghai 2023, where it presented its latest technologies for smarter, safer and greener mobility
April 11, 2023	Valeo announced it would be participating for the first time, from April 12 to April 14, 2023, in the Laval Virtual trade show, during which the Group presented its innovations in the field, both for accelerating the design of solutions and for in-vehicle applications.

March 2023	
March 31, 2023	Valeo announced that it had published its 2022 Universal Registration Document
March 30, 2023	Valeo announced it had signed two new major contracts for its third-generation LiDAR
March 28, 2023	Valeo announced that it was the number one French patent filer with the European Patent Office (EPO), with 588 patent applications filed in 2022
March 28, 2023	Valeo announced the date of its 2023 General Shareholders' Meeting
March 27, 2023	Valeo announces it won General Motor's Supplier of the Year award in Advanced Driver Assistance Systems (ADAS) at a ceremony held on March 23, 2023
March 23, 2023	Valeo receives an Innovation award in the “Infrastructure and Vehicle Improvement” category from Sécurité routière – the French national road safety authority – for its Everguard™ Silicone wiper blades
March 20, 2023	Valeo at Taipei Cycle Show 2023
March 7, 2023	Valeo celebrates 100 years of innovating and constantly striving to make mobility simpler, safer and more sustainable
February 2023	
February 23, 2023	Valeo achieves its 2022 objectives and accelerates in electrification and ADAS
February 14, 2023	BMW and Valeo engage in a strategic cooperation to co-develop the next-generation Level 4 automated parking experience
January 2023	
January 12, 2023	Valeo innovations at the heart of the transformation of mobility in India
January 4, 2023	NTT Data, Valeo and Embotech form a consortium to provide automated parking solutions
January 3, 2023	Thanks to its expertise in electronics and software, Valeo presents at CES Las Vegas its innovations that equip all new forms of mobility and the infrastructure of the city of tomorrow

7.5 Information related to the Statutory Auditors

7.5.1 Principal Statutory Auditors

Principal Statutory Auditors

- Ernst & Young et Autres, represented by Philippe Berteaux and Guillaume Rouger – Tour First TSA 14444 – 92037 Paris-La Défense, France:
  - Member of the Versailles and the Centre Region's Institute of Statutory Auditors *(Compagnie régionale des commissaires aux comptes de Versailles et du Centre)*;
  - Term of office began: Shareholders' Meeting of May 24, 2022 (third term);
  - End of current term of office: term expires at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2027.
- Mazars, represented by Gonzague Senlis and Jean-Marc Deslandes – Exaltis, 61, rue Henri Regnault, 92400 Courbevoie, France:
  - Member of the Versailles and the Centre Region's Institute of Statutory Auditors *(Compagnie régionale des commissaires aux comptes de Versailles et du Centre)*;
  - Term of office began: Shareholders' Meeting of May 24, 2022 (third term);
  - End of current term of office: term expires at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2027.

7.5.2 Fees paid to the Statutory Auditors

	Ernst & Young et Autres				Mazars			
	Amount (excl. taxes)		%		Amount (excl. taxes)		%	
(in millions of euros)	2023	2022	2023	2022	2023	2022	2023	2022
AUDIT								
Statutory audit and review of the individual and consolidated financial statements	5.5	5.2	93%	90%	4.8	4.4	96%	94%
Non-audit services	0.4	0.6	7%	10%	0.2	0.3	4%	6%
Total fees	**5.9**	**5.8**	**100%**	**100%**	**5.0**	**4.7**	**100%**	**100%**

7.6 Person responsible for the Universal Registration Document

7.6.1 Name of the person responsible for the Universal Registration Document containing the Annual Financial Report AFR

Christophe Périllat, Chief Executive Officer of Valeo.

7.6.2 Declaration by the person responsible for the Universal Registration Document containing the Annual Financial Report AFR

"I hereby declare that the information contained in this Universal Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omissions likely to affect its import.

I further declare that, to the best of my knowledge, the accounts have been prepared in accordance with applicable accounting standards and that they give a true and fair view of the assets, liabilities, financial position, and results of the Company and of all the companies included in the consolidation scope, and that the information provided in the Management Report and listed in the cross-reference table in Chapter 8, section 8.1.3 fairly presents the activity, results and financial position of the Company and of all the companies in the consolidation scope, and the main risks and uncertainties to which they are exposed."

Paris, March 29, 2024

Christophe Périllat

Chief Executive Officer

8 APPENDICES

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

8.1 Cross-reference tables

8.1.1 Cross-reference table for the Universal Registration Document

This cross-reference table lists the main headings provided for by European Regulation No. 2019/980 of March 14, 2019 (the "Regulation") and gives reference to the sections and, when appropriate, the chapters in this document where information can be found regarding each of these headings.

No.	Headings appearing in Appendix 1 of the Regulation	Chapters/Sections	Pages
1.	**Persons responsible**		
1.1	Names and functions of persons responsible	7.6.1	452
1.2	Declaration by persons responsible	7.6.2	452
2.	**Statutory Auditors**		
2.1	Name and address of the Statutory Auditors	7.5.1	451
2.2	Information on the resignation of the Statutory Auditors	N/A	
3.	**Risk factors**		
3.1	Description of the material risks	2.1	88-93
4.	**Information about the issuer**		
4.1	Legal and commercial name	7.1.1	442
4.2	Place of registration, registration number and legal entity identifier (LEI)	7.1.6	442
4.3	Date of incorporation and term	7.1.4	442
4.4	Domicile and legal form, legislation under which it operates, country of incorporation, address and telephone number of its registered office, and website	7.1.1 and 7.1.2	442
5.	**Business overview**		
5.1	Principal activities		
5.1.1	Nature of the issuer's operations and principal activities	Integrated Report: Positioning and Solutions – Strategy and 1.4	11-13; 29-33; 53-73
5.1.2	Significant new products that have been introduced	Integrated Report: Positioning and Solutions – Strategy and 1.4	11-13; 29-33; 53-73
5.2	Principal markets in which the issuer operates	Integrated Report: Trends and 1.4	15-20; 53-73
5.3	Important events	1.2	50
5.4	Strategy and objectives	Integrated Report: Strategy, Integrated performance & outlook and 5.3	21-28; 43-44; 304-305
5.5	Dependence on patents or licenses, contracts and manufacturing processes	4.3.2.2	244
5.6	The basis for any statements made by the issuer regarding its competitive position	1.4	53-73
5.7	Investments		
5.7.1	Material investments	5.1.4	303
5.7.2	Material investments that are in progress or for which firm commitments have already been made	5.1.4	303
5.7.3	Joint ventures and undertakings in which the issuer holds a proportion of the capital	5.4.6 (Note 13); 5.6.4 (Note 11) and 7.2	380-387; 416; 444-445
5.7.4	Environmental issues that may affect the issuer's utilization of property, plant and equipment	4.1.3	193-195
6.	**Organizational structure**		
6.1	Brief description of the Group	1.3 and 7.2	52; 484-485
6.2	List of significant subsidiaries	5.4.6 (Note 13); 5.6.4 (Note 11) and 7.2	380-387; 416; 444-445

No.	Headings appearing in Appendix 1 of the Regulation	Chapters/Sections	Pages
7.	**Operating and financial review**		
7.1	Financial condition		
7.1.1	Development and performance of the business Financial and non-financial key performance indicators	Integrated Report: Integrated performance & outlook and 5.1.1, 5.1.2, 5.1.3	42-43; 296-301
7.1.2	Indication of the issuer's likely future development and of activities in the field of research and development	N/A	
7.2	Operating results	5.1.1 to 5.1.3	322-327
7.2.1	Significant factors materially affecting the issuer's income from operations	2.1	84-93
7.2.2	Explanation of material changes in net sales or revenues	5.4.6 (Note 4.1)	322
8.	**Capital resources**		
8.1	The issuer's capital resources (both short term and long term)	5.1.4, 5.4.5, 5.4.6 (Note 10.1), 5.6.4 (Note 9) and 6.6	301-304; 309; 355; 375-413; 437
8.2	Sources and amounts of cash flows	5.1.4, 5.4.4, 5.4.6 (Note 11) and 5.6.3	302-303; 308; 377; 397
8.3	Borrowing requirements and funding structure	5.1.4 and 5.4.6 (Note 6)	301-304; 405
8.4	Restrictions on the use of capital resources	N/A	
8.5	Anticipated sources of funds	5.4.6 (Note 8.1)	355-371
9.	**Regulatory environment**		
9.1	Description of the regulatory environment and information regarding any governmental, economic, fiscal, monetary or political policies or factors	Integrated Report: Trends (regulatory changes) and 2.1	17; 85; 87; 88
10.	**Trend information**		
10.1	Most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year Significant changes in the financial performance of the group since the end of the last fiscal year	5.2 and 5.6.4 (Note 12)	304; 416
10.2	Trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	Integrated Report: Strategy, Integrated performance & outlook and 5.3	15-20; 22; 44; 304-305
11.	**Profit forecasts or estimates**		
11.1	Statement setting out the principal assumptions upon which the issuer has based its forecasts or estimate	Integrated Report: Integrated performance & outlook and 5.3.1	44; 304
11.2	Preparation of the profit forecast or estimate	N/A	
11.3	Statement attesting that the profit forecast or estimate is valid	N/A	
12.	**Administrative, management and supervisory bodies, and senior management**		
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12.2	Conflicts of interest	3.2.3	146
13.	**Compensation and benefits**		
13.1	Compensation and benefits in kind	3.3 and 5.4.6 (Notes 5.3 and 5.5)	152-183; 333-338; 341
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No.	Headings appearing in Appendix 1 of the Regulation	Chapters/Sections	Pages
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14.2	Service contracts between the members of the Board of Directors and the Company	3.2.3	159-160
14.3	Information about the Audit & Risks Committee and Compensation Committee	3.2.2	147-159
14.4	Statement regarding corporate governance	3.2.4 and 7.1.3	160; 490
14.5	Potential material impacts on the corporate governance	N/A	
15.	**Employees**		
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15.3	Arrangements for involving employees in the capital of the issuer	4.2.2 and 6.4.5	225; 433
16.	**Major shareholders**		
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16.2	Existence of differing voting rights	6.4.2 and 7.1.11	430-443
16.3	Control of the issuer	6.4.2	430-443
16.4	Arrangements which may result in a change in control of the issuer	6.6.4	440
17.	**Related party transactions**		
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18.	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**		
18.1	Historical financial information		
18.1.1	Audited historical financial information	5.4	305-392
18.1.2	Change of accounting reference date	N/A	
18.1.3	Accounting standards	5.4.6	310-388
18.1.4	Change of accounting framework	N/A	
18.1.5	Audited financial information prepared according to national accounting standards	5.4	305-392
18.1.6	Consolidated financial statements	5.4	305-392
18.1.7	Age of financial information	Dec. 31, 2023	
18.2	Interim and other financial information	N/A	
18.2.1	Half-yearly or quarterly financial information	N/A	
18.3	Auditing of historical annual financial information		
18.3.1	Statement that the historical financial information has been audited	5.4.7 and 5.6.5	388-417
18.3.2	Other information audited by the Statutory Auditors	5.7	421
18.3.3	Source of financial information not extracted from the issuer's audited financial statements and therefore not audited	N/A	
18.4	Pro forma financial information	N/A	
18.5	Dividend policy		
18.5.1	Policy on dividend distributions and any restrictions thereon	7.1.8	482
18.5.2	Amount of the dividend per share	6.3	468
18.6	Legal and arbitration proceedings	2.1 and 5.4.6 (Notes 4.6.2 and 7)	92; 331; 352-353
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No.	Headings appearing in Appendix 1 of the Regulation	Chapters/Sections	Pages
19.	**Additional information**		
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19.1.4	Convertible securities, exchangeable securities or securities with warrants	6.6.2	437-439
19.1.5	Information about the terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	3.2.12	150-151
19.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	6.6.4	440
19.1.7	Share capital history	6.6.1	437
19.2	Memorandum and articles of association		
19.2.1	Description of the issuer's objects and purposes	7.1.5	442
19.2.2	Description of the rights, preferences and restrictions attaching to each class of existing shares	7.1.8; 7.1.9 and 7.1.11	442; 443
19.2.3	Brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring, or preventing a change in control of the issuer	3.2.11	149
20.	**Material contracts**		
20.1	Summary of each material contract to which the issuer or any member of the Group is party	7.3	446
21.	**Documents available**		
21.1	Statement regarding documents that can be inspected for the term of the Universal Registration Document	7.4	446-451

8.1.2 Cross-reference table for the Annual Financial Report

	Annual Financial Report	Chapters/Sections	Pages
1.	**Parent company financial statements**	5.6	395-420
2.	**Consolidated financial statements**	5.4	305-392
3.	**Management Report (French Monetary and Financial Code)**		
3.1	Articles L. 225-100-1 and L. 22-10-35 of the French Commercial Code		
3.1.1	• Analysis of business trends	5.1.1, 5.1.2, 5.1.3	296-300
3.1.2	• Analysis of results	5.1.1, 5.1.2, 5.1.3	296-300
3.1.3	• Analysis of financial position	5.1.4	301-304
3.1.4	• Key financial and non-financial performance indicators related to the Company's specific business, such as information pertaining to environmental issues and personnel matters	4.5 and 5.1	274-279; 296-304
3.1.5	• Principal risks and uncertainties	2.1	84-94
3.1.6	• Financial risks related to the impacts of climate change and measures taken by Company to reduce them by implementing a low-carbon strategy in all components of its business	4.1.3; 4.2.2; 4.2.3	193-196; 197-208; 239
3.1.7	• Internal control and risk management procedures	2.3	94-101
3.1.8	• Company hedging objectives and policy, and exposure to price, credit, liquidity and cash flow risks	2.1.3 and 5.4.6 (Note 6.3)	93;410
3.2	Article L. 225-211 of the French Commercial Code:		
3.2.1	• Buyback by the Company of its own shares	6.5	434-437
4.	**Declaration by the person responsible for the Annual Financial Report**	7.6.2	453
5.	**Statutory Auditors' report on the parent company financial statements**	5.6.5	417-421
6.	**Statutory Auditors' report on the consolidated financial statements**	5.4.7	388-393
7.	**Fees paid to the Statutory Auditors**	5.4.6 (Note 12), 5.6.4 (Note 10.4) and 7.5.2	379; 415; 452
8.	**Board of Directors' report on corporate governance, prepared in accordance with Article L. 225-37 of the French Commercial Code**	See dedicated cross-reference table in section 8.1.4	462
9.	**Statutory Auditors' report on the Corporate Governance Report**	5.6.5	417-421

8.1.3 Cross-reference table for the Management Report as provided for by Articles L. 225-100 *et seq.* and L. 22-10-35 *et seq.* of the French Commercial Code

	Management Report	Chapters/Sections	Pages
1.	**Financial position and operations**		
1.1	Financial position and operations of the Company during the past fiscal year	5.1 and 5.5	296-304; 393-395
1.2	Results of operations of the Company and the Group	5.1 and 5.5	296-304; 393-395
1.3	Review of the business, results of operations and financial position	5.1 and 5.5	296-304; 393-395
1.4	Key financial and non-financial performance indicators	4.5 and 5.1	247-279; 296-304
1.5	Material events occurring between the end of the reporting period and the date the report was prepared	5.2 and 5.6.4 (Note 12)	304; 416
1.6	Company and Group outlook	5.3	304-305
1.7	Research and Development activity	Integrated Report: Strategy, 1.6.8 and 4.3.2	22; 81; 242-247
1.8	Material investments or controlling interests taken during the past fiscal year in companies with registered offices in France	N/A	
2.	**Share ownership structure and share capital**		
2.1	Share ownership structure and changes during the past fiscal year	6.4 and 6.6.1	429-434; 437
2.2	Status of employee share ownership plans	6.4.5	433
2.3	Trading by the Company in its own shares	6.5	434-437
2.4	Name of companies controlled and equity interest	5.4.6 (Note 13) and 5.6.4 (Note 11)	380-387; 416
2.5	Share disposals to adjust reciprocal shareholdings	N/A	
2.6	Amount of dividends and other distributed earnings paid during the past three fiscal years	6.3	428
2.7	Adjustments for the issuance of marketable securities giving access to the share capital	N/A	
2.8	Adjustments for stock subscription or purchase options	3.3.1	152-166
2.9	Information on stock subscription and purchase option plans granted to corporate officers and employees	3.3.1, 3.3.4 and 6.6.2	152-166; 183; 437-439
2.10	Restriction on exercising stock subscription or purchase options or obligation for executive corporate officers to hold shares obtained on exercising stock subscription or purchase options	3.3.1 and 6.6.2	152-166; 437-439
2.11	Information on free shares granted to corporate officers and employees	3.3.1, 3.3.3, 3.3.4 and 6.6.2	152-166; 182; 183; 437-439
2.12	Obligation for executive corporate officers to hold free shares	3.3.1, 3.3.4 and 6.6.2	152-166; 183; 437-439
3.	**Risk factors and internal control**		
3.1	Description of major risks and uncertainties	2.1	84-94
3.2	Financial risks relating to the impacts of climate change and measures taken by the Company to reduce them by implementing a low-carbon strategy	4.1.3; 4.2.2; 4.2.3	193-196; 197-208; 239
3.3	Company hedging objectives and policy, and exposure to price, credit, liquidity and cash flow risks	2.1.3 and 5.4.6 (Note 6.3)	93;410
3.4	Internal control and risk management procedures related to the preparation and processing of accounting and financial information	2.3.5	100

	Management Report	Chapters/Sections	Pages
4.	**Environmental, social and employee information**		
4.1	Non-financial information statement	4	185-294
4.2	Duty of care plan and report on its implementation	4.6	279-282
4.3	Information on facilities classified as high-threshold Seveso sites	N/A	
5.	**Other disclosures**		
5.1	Supplier and customer payment cycles	5.4.6 (Notes 4.2 and 8.1.6) and 5.5	323; 371; 393-394
5.2	Changes in the presentation of the annual parent company financial statements and methods of measurement	5.4.6 (Note 1.1.1 and 1.1.2) and 5.6.4 (Note 2.1)	399; 311-312
5.3	Information on existing branches	N/A	
5.4	Sumptuary expenses	5.5	393
5.5	Add back of excessive overheads	N/A	
5.6	Injunctions or monetary penalties for anti-competitive practices	5.4.6 (Note 7.2)	354
5.7	Transactions in the Company's shares carried out by executive managers and by those with whom they have close relationships	6.4.4	433
5.8	Intercompany loans	N/A	
A.	**Appendix to the Management Report**		
A.1	Board of Directors' Corporate Governance Report	See dedicated cross-reference table in section 8.1.4	462
A.2	Five-year financial summary	5.8.1	422
A.3	Opinion of the independent third party on the information given in the non-financial information statement	4.9	292-294
A.4	Statutory Auditors' statement on intercompany loans	N/A	

8.1.4 Cross-reference table for the Corporate Governance Report as provided for by Articles L. 225-37 *et seq.* of the French Commercial Code

	Corporate Governance Report	Chapters/Sections	Pages
1.	**Compensation**		
1.1	Presentation of the compensation policy for corporate officers and the related draft resolutions	3.3.1	152-166
1.2	Total compensation and benefits paid or allocated during the past fiscal year to each corporate officer; relative proportion of fixed and variable compensation	3.3.1 and 3.3.2	152-166; 166-181
1.3	Use of the option to request payment of a variable compensation component	N/A	
1.4	Commitments given by the Company on behalf of corporate officers in the form of compensation or benefits owed or likely to be owed on appointment, termination or change of position or subsequent to the performance of that position	3.3.1	152-166
1.5	Compensation paid or allocated by a company included in the scope of consolidation	N/A	
1.6	Ratio between the compensation of each of the executive corporate officers and the average full-time equivalent (FTE) compensation of Company employees other than the corporate officers, and ratio between the compensation of each of these executives and the median FTE compensation of Company employees other than the corporate officers	3.3.2	166-181
1.7	Annual change in compensation over the last five years	3.3.2	166-181
1.8	Explanation of the manner in which total compensation complies with the Company's compensation policy	3.3.1, 3.3.2 and 3.3.3	152-166; 166-181; 182
1.9	Consideration of the vote of the last Shareholders' Meeting on the ordinary resolution concerning the compensation policy	3.3.1	152-166
1.10	Divergences from or waivers of the compensation policy procedure	N/A	
1.11	Suspension of compensation for breach of parity rules	N/A	
1.12	Reference to resolutions subject to an *ex ante* vote	3.3.1	152-166
1.13	Restrictions imposed on corporate officers by the Board of Directors in relation to the exercise of stock options and the sale of securities	3.3.1	152-166
2.	**Governance**		
2.1	List of all directorships and positions held in companies by each corporate officer during the past fiscal year	3.2.1	106-132
2.2	Agreements between a corporate officer or a shareholder holding at least 10% of the voting rights and a controlled company within the meaning of Article L. 233-3 of the French Commercial Code	3.2.8	148
2.3	Summary table of powers currently delegated by the Shareholders' Meeting to the Board of Directors with respect to raising new equity	3.2.12	150
2.4	General Management procedures	3.2.6	148
2.5	Composition, preparation and organization of the work of the Board of Directors	3.2.1 and 3.2.2	106-132; 133-146
2.6	Diversity policy applied to the Board of Directors, balanced representation of men and women on the Operations Committee and outcome of measures to improve diversity in 10% of top management positions	3.2.1	106-132
2.7	Limitations on the powers of the Chief Executive Officer	3.2.6	148
2.8	Reference to a corporate governance code and the application of the "comply or explain" principle and indication of where the code can be consulted	3.2.4	147
2.9	Specific arrangements for attendance at Shareholders' Meetings	3.2.10 and 7.1.10	149; 443
2.10	Procedure for reviewing agreements entered into in the ordinary course of business and its implementation	3.2.9	148
3.	**Information likely to have an impact in the event of a takeover or exchange offer**	**3.2.11**	**149**

8.1.5 Cross-reference table for the non-financial information statement

	Non-financial information statement		Chapters/Sections	Pages
1.	**Business model**			
1.1	The Group's main activities		Integrated Report: Positioning and Solutions – Strategy and 1.4	11-13; 29-33; 53-73
1.2	Organization		1.4; 1.5; 1.6	53-82
1.3	Business model		Integrated Report: Business model	40-41
1.4	Strategy, outlook and objectives		Integrated Report: Strategy – Integrated performance & outlook	21-28; 42-44
2.	**Significant non-financial risk factors for the Group and the main policies**			
2.1	Environmental non-compliance and loss of opportunities in technologies contributing to CO2 emissions reduction	Description of the risk Risk management policy Measures taken to reduce the risk	4.2.2	200-208
2.2	Accidental pollution of water and soil	Description of the risk Risk management policy Measures taken to reduce the risk	4.2.2	208-212
2.3	Health and safety	Description of the risk Risk management policy Measures taken to reduce the risk	4.2.2	218-221
2.4	Attracting talent	Description of the risk Risk management policy Measures taken to reduce the risk	2.1.1 and 4.2.2	86; 221-223
2.5	Developing and retaining talent	Description of the risk Risk management policy Measures taken to reduce the risk	4.2.2	223-227
2.6	Risk of individual corruption	Description of the risk Risk management policy Measures taken to reduce the risk	4.2.2	231
2.7	Non-compliance with sustainable development requirements by Valeo's suppliers	Description of the risk Risk management policy Measures taken to reduce the risk	4.2.2	232-237
3.	**Other regulatory issues**			
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8.2 Safe harbor statement

This document and the documents incorporated herein by reference contain statements which, when they are not historical fact, constitute “forward-looking statements”.

These forward-looking statements include projections and estimates, statements regarding projects, objectives, intentions and expectations with respect to future financial results, events, operations, services, and product development and potential or future performance. They are based on data, assumptions and estimates considered to be reasonable by Valeo as at the date of this Universal Registration Document and should not be interpreted as guarantees that the facts and data stated will occur. Forward-looking statements can sometimes be identified by the use of terms or expressions indicating, in particular, anticipation, presumption, conviction, continuation, estimate, expectation, forecast, intention, possibility of increase, reduction or change or any similar expressions or by the use of verbs in future or conditional form. These terms or expressions are in no way the sole way of identifying such statements.

Even though Valeo’s Management feels that the forward-looking statements are reasonable as at the date of this document, investors are put on notice that the forward-looking statements are subject to numerous factors, risks and uncertainties that are difficult to predict and generally beyond Valeo’s control, which could cause actual results and events to differ materially from those expressed or projected in the forward-looking statements. Such factors include, among others, the Company’s ability to generate cost savings or manufacturing efficiencies to offset negotiated or imposed price reductions. The risks and uncertainties to which Valeo is exposed mainly comprise the risks resulting from the investigations currently being carried out by the antitrust authorities as identified in the Universal Registration Document, risks related to the automotive equipment industry and to the development and launch of new products and risks due to certain global and regional economic conditions, environmental and industrial risks as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French financial markets authority (*Autorité des marchés financiers* – AMF), including those set out in the “Risk Factors” section of this Universal Registration Document. In addition, other risks which are unidentified or considered to be non-material by the Group, could have the same adverse impact and investors could lose all or part of their investment.

Forward-looking statements are given only as at the date of this Universal Registration Document and Valeo does not undertake to update the forward-looking statements to reflect events or circumstances which occur subsequent to the publication of this document.

Valeo assumes no responsibility for any analyses issued by analysts and any other information prepared by third parties which may be used in this document. Valeo neither intends to review, nor will it confirm, any estimates issued by analysts.

INCORPORATION BY REFERENCE

In accordance with Article 19 of Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference in this Universal Registration Document:

1. in respect of the year ended December 31, 2022: the consolidated financial statements, the parent company financial statements and the related Statutory Auditors’ reports, as well as the review of the Company’s financial position and other information relating to the Company’s financial statements set out on pages 4 to 47 and 322 to 463 of the 2022 Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 30, 2023 under number D.23-0200;
2. in respect of the year ended December 31, 2021: the consolidated financial statements, the parent company financial statements and the related Statutory Auditors’ reports, as well as the review of the Company’s financial position and other information relating to the Company’s financial statements set out on pages 3 to 52 and 314 to 443 of the 2021 Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 7, 2022 under number D.22-0254.

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