



Valeo Business Partners Antitrust Risks Awareness

*Antitrust **Compliance Program***

November 2013

Antitrust risk awareness program: Rationale

- At Valeo, we believe in Ethics and Compliance: they are the foundations and key drivers of our sustainable and profitable growth.
- It is our policy to comply with the laws and regulations of all the countries in which we operate, and we have adopted a zero tolerance approach towards all Antitrust and bribery practices.
- In all countries, Antitrust legislations regulate the interactions among competitors with the objective of maintaining free market and competition to the benefit of the consumers.
- As provided in its Code of Ethics, Valeo is committed to act in compliance with Antitrust legislations applicable in the European Union and in every country in which it operates.
- Valeo specifically prohibits exchange of sensitive business data and cartel agreements among competitors
- In line with this commitment, we have developed a set of policies and guidelines which constitute the Compliance framework that governs our operations
- We expect each of our stakeholders and business partners to adhere to this framework and to comply with our way of doing business, always acting with the highest standards of integrity.

Antitrust risk awareness program: rationale

- As a Business Partner working on Valeo projects, you or some of your team members, whatever your capacity (ie: service provider, independent contractor, temporary employee) may happen to meet with Valeo competitors working on joint projects or collaborating with Valeo teams
- It is therefore of the utmost importance that you understand the Antitrust risks companies are exposed to in a competitive environment. It is equally important that you fully understand what we expect from you or your team members in terms of behaviour and confidentiality when working with Valeo
- We expect you to read, understand and respect our and to get any of your team member working with Valeo to read, understand and respect them as well.
- Compliance is not an option, it is a must. We thank you for joining us in our effort to ensure ethical and sustainable business practices worldwide.
- Nb: This handbook is not an exhaustive presentation of the applicable laws regarding these topics. It may not address all of the laws and regulations you need to know about to run your business or to work with Valeo. We therefore encourage you to take additional training or turn to your own lawyer for further advice



Valeo fight against Antitrust practices

Understanding Anti-competitive practices and behaviors

Understanding Antitrust key risks: Cartels and prohibited agreements

- Cartels are agreements between competitors that aim at or result in affecting competition. They are prohibited whether formal or informal, written or oral, implemented or not:
 - ➔ Price fixing (any form of price fixing and any component of the price)
 - Competitors must not agree to directly or indirectly fix their prices, no matter the reason (e.g. traditional local practice).
 - That prohibition applies to all commercial terms (e.g. discounts, rebates, margins, price adjustment formula, quality, warranty, lead time etc.)
 - ➔ Market sharing:
 - Sharing of geographic markets (e.g. two or more competitors commit not to sell products/services in the other competitors' market. Even if there is an apparent rationale because of the parties' specific footprint, such agreement is prohibited)
 - Customers sharing (e.g. two or more competitors, commit to refrain from selling products to the other competitors' customers)
 - ➔ Bid rigging:
 - Type of price fixing / market allocation agreed in the context of tenders (e.g. two competitors agree to “take it in turns” to win contracts from customers)

Understanding Antitrust key risks : exchange of sensitive business data between competitors

- Even if there is NO intent to enter into an Anti-competitive agreement between competitors or even if the communication doesn't lead to an Anti-competitive practice, commercially sensitive business data must NOT be shared among competitors
 - Sensitive business data to never share are data that are sufficiently recent and strategic to be of interest to a competitor and to influence its own strategy such as :
 - Business strategy, marketing plans, client details, Current and future prices, discounts of all sorts, time frame for price changes
 - Investments, technologies/R&D programmes and their results, production costs (ie: salaries, promotional costs, raw material costs), capacity details, production/quality issues
 - Procurement strategy and preferred suppliers, black listed suppliers
 - A few information can be discussed between competitors :
 - Public or general information available in the press, market trends, global demand, global offer
 - Historic information : no direct commercial value, not forward-looking, at least 2 years old
 - Aggregated information
- Exchanges of sensitive business data among competitors are prohibited :
- directly via face to face meeting, phone conversation or e mails
 - indirectly via a Third Party (client, supplier, agent), informally in the context of social or business events (fair, business associations, alumni...)

Understanding Antitrust key risks: Business associations meetings and events

- **Trade associations activities are not illegal per se :**
 - They are usually useful as forums for discussions with public authorities
 - They allow the setting up of some useful common tools (from statistics to dealing with environmental issues, new regulations etc.)

- **But they can be very risky:**
 - They offer a forum to discuss commercially sensitive information and/or reach illegal agreements and members (even passive attendees) of trade associations may be held liable for illegal behavior by or within a trade association
 - Social events around trade association meetings are often at the origin of Anticompetitive behavior
 - Statistics and reports prepared by trade associations may induce sharing of commercially sensitive information

- **Participation to business associations and working group meetings and events is heavily controlled at Valeo**

- **It must be approved in advance and carefully prepared.**

- **The objective is to avoid that inappropriate discussion or exchange of information takes place**

Understanding Antitrust key risks : Abuse of a dominant position

- **It is permissible for a company to be in a dominant position, but a dominant company must avoid practices that reinforce its position and limit competition, notably:**
 - Drive competitors out of business, or
 - Force business partners (suppliers, distributors) to accept unfair commercial conditions

- **A dominant position means :**
 - The ability for the dominant company to act independently of competitors, customers and consumers on a specific market (product, territory)
 - A market share generally higher than 40 % and a high degree of market power on this market. Markets are defined very narrowly by competition authorities

- **Possible indicators of a dominant position:**
 - A high market share maintained for a long period of time
 - Competitors' prices increase in parallel with those of the dominant company
 - One main player in the market and remaining competition is fragmented
 - Little or no new entries of competitors in the market for a long period of time



Our commitment to Ethics and Integrity

Understanding Valeo program against Antitrust practices

November 2013

Valeo Antitrust Compliance policies

- Valeo policies are very straightforward
 - ➔ Cartels are prohibited
 - No price fixing
 - No market sharing
 - No bid rigging
 - ➔ Exchange of sensitive business data with competitors are prohibited
 - Collaboration/cooperation agreements are duly and carefully selected and strictly monitored
 - Participation to associations and working groups is extremely limited
 - ➔ No abuse of a dominant position
- These principles apply to all Valeo employees, directors, trainees, interns, contractors, service providers and stakeholders
- They can be deviated neither directly, nor indirectly even in the context of cooperation agreements involving Valeo and one or more competitors
- We expect our contractors and you as a business partner involved in Valeo projects, to strictly comply with the compliance framework we have specifically designed

Cooperation agreements – Joint projects

- In the context of so called cooperation, collaborative or teaming agreements, Valeo and competitors may happen to collaborate and cooperate with one or more peers
- Examples of cooperation, collaborative or teaming agreements are:
 - Joint projects: projects where Valeo has to work and collaborate with competitors in order to meet a client's needs or expectations
 - Joint initiatives: initiatives created upon either Valeo, a competitor, a client, a group of automotive professionals, any Third Party, a governmental body or a public authority whatsoever, where Valeo needs to collaborate with competitors in order to meet its contractual obligations or deliver its agreed contribution :
 - Standard-setting agreements
 - Research and Development Agreements
 - Technology driven cooperation
 - Joint production or specialization agreement
- Such projects take competitors to work closely together and exchange information whereas the general prohibition of exchange of sensitive business data still applies
- This type of collaboration requires specific attention and close monitoring so as to avoid to turn necessary and legitimate conversations into inappropriate exchange of sensitive business data and cartels

Cooperation project compliance framework

- The compliance framework of a joint project involving a competitor of Valeo encompasses several steps or actions
 - ➔ Training
 - Team members must understand risks associated with Antitrust practices and know what sensitive business data are
 - Training is fundamental for all professionals contributing to a Valeo project involving competitors
 - The Business partner and any of his team members must be trained and sensitized to Antitrust risks so as to avoid inappropriate discussions
 - This applies to trainees, interns, temporary personnel as well
 - ➔ Focus
 - The scope of the project and the technical/contractual dependencies between Valeo and the competitor (s) as well as the type of information to be shared must be clearly analyzed and understood by all team members
 - Each individual contributor must stick to his/her role and mission
 - Focusing on the mission is the best safeguard in that it avoids discussions to derivate

Cooperation compliance framework

→ Confidentiality

- Valeo, Valeo strategy and Valeo related Sensitive business data are and should be treated as confidential at all time
- Similarly, clients' and client projects related information are to be treated as confidential at all time
- Communication must be kept to a minimum, ie : what is strictly necessary for the parties to be able to deliver the project and meet respective obligations
- Confidentiality takes continuous awareness, reserve and discretion of each individual contributor to the project

■ Setting up a collaboration scheme with competitors

- It is important to implement from the beginning of the collaboration, a clear scheme, applicable to and clearly accepted and understood by all parties
 - ✓ Each meeting needs to be supported by a pre established agenda focusing on the very purpose of the collaboration to the exclusion of any other topic
 - ✓ Minutes of the meeting must be produced very rapidly and duly filed
 - ✓ Exchanges with competitors be it documents or meetings must be documented and archived
- This discipline applies to the parties to the agreement as well as to their respective contributors, whether employees or not

Cooperation compliance framework

- The business partner's specific contribution on joint projects
 - Helping us maintain compliance
 - you and your team need to understand Antitrust risks, prohibited practices and sensitive business data
 - In relation to any given project, each of your team member needs
 - to understand his/her role and to focus on it
 - to follow the instructions of the team leader and more generally to comply with the compliance framework
 - to ask for help or clarifications in case of doubt
 - You and your team members are not allowed to address any other topic, nor to enter into any discussion related to prices, markets, clients,
 - No discussion about any arrangement, even potential arrangement with a competitor may take place in connexion with Valeo or a Valeo project or initiative
 - Anticipating issues
 - Should you or any of your team member need further clarifications about the current recommendations, should you be uncertain as to how to behave, react or respond to certain situations, please immediately turn to the Valeo team leader for help

Cooperation compliance framework

→ Anticipating issues

- Unexpected questions or topics addressed by a competitor needs to be shared with the Valeo team leader for action
- Compliance issue, risk, doubt are to be immediately reported to the project/initiative lead, responsible for implementing and overseeing Valeo compliance framework on the project/initiative

■ The business partner's obligations at the end of a project or at the end of a mission at Valeo

- At the end of your mission or assignment with Valeo, you may work for one of our competitor
- Maintaining confidentiality and never sharing with a competitor any of the information gained or learnt on the course of a project with Valeo is key.
- Similarly, Valeo doesn't want to learn from you competitor's sensitive business data at any point in time

■ Compliance to Antitrust legislations require a clear and continuous awareness and attention



Preventing and alerting

HOW TO PREVENT AND MITIGATE RISKS

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Alerting Valeo

- Compliance is about risk avoidance, prevention, detection and mitigation
- Effective compliance therefore requires proactive, preventive and corrective measures, and most of the time; depends upon the knowledge in due course of potential or actual non compliance with the laws or Valeo policies
- If you are victim of a corruption attempt in the context of your mission, or if you believe in good faith that you have heard of potential or actual corruption facts, Antitrust practice or risks or you have witnessed one, you should report it immediately and in detail to your Valeo Key Contact.
- You can also alert Valeo Chief Ethics and Compliance Officer or use Valeo Alert line.
- You can remain anonymous if you wish to
- Your reactivity and judgment are essential to enable Valeo to take appropriate measures as soon as possible. Do not be afraid to alert too fast or too soon
- Thank you for helping us maintain and protect Valeo integrity



Automotive technology, naturally