Valeo is an automotive supplier, partner to all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO\textsubscript{2} emissions and to the development of intuitive driving.

In 2013, the Group generated sales of €12.1 billion and invested over 10% of its original equipment sales in research and development. Valeo has 124 production sites, 16 Research centers, 35 Development centers and 12 distribution platforms, and employs 74,800 people in 29 countries throughout the world.
GOVERNANCE

MESSAGE FROM PASCAL COLOMBANI
CHAIRMAN OF THE BOARD OF DIRECTORS

In 2013, as in 2012, Valeo delivered a remarkably strong performance, again posting record order intake despite an unfavorable environment in certain regions. These excellent results, which are reflected in the near tripling of the share price over the year, are attributable to the pertinence of the strategic directions proposed by General Management, the effectiveness of operational management and the commitment of all employees, to which I wish to pay tribute here on behalf of the Board of Directors.

In 2013, as in 2012, Valeo delivered a remarkably strong performance, again posting record order intake despite an unfavorable environment in certain regions. These excellent results, which are reflected in the near tripling of the share price over the year, are attributable to the pertinence of the strategic directions proposed by General Management, the effectiveness of operational management and the commitment of all employees, to which I wish to pay tribute here on behalf of the Board of Directors.

As it does every year, the Board of Directors, in keeping with its continuous improvement policy, assessed its own performance. It conducted a self-assessment at the end of 2013, after having entrusted the task to an external firm in 2012. The approach helped gauge directors’ assessment of how the Board functions, collecting their suggestions for improvement.

THE BOARD OF DIRECTORS
SALUTES THE EXCEPTIONAL RESULTS DRIVEN BY APPROPRIATE STRATEGIC CHOICES, OPERATIONAL EXCELLENCE AND THE FOCUS ON INNOVATION

PASCAL COLOMBANI
Chairman of the Board of Directors

MICHEL DE FABIANI
Vice-President, Franco-British Chamber of Commerce and Industry

MICKAËL JAY
Member of the House of Lords

NOËLLE LENOIR
Partner, Kramer Levin Naftalis & Frankel LLP

MICHEL DE FABIANI
Vice-President, Franco-British Chamber of Commerce and Industry

MICKAËL JAY
Member of the House of Lords

NOËLLE LENOIR
Partner, Kramer Levin Naftalis & Frankel LLP

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Chairman of the Board of Directors

JACQUES ASCENIBROICH
Chief Executive Officer

GÉRARD BLANC
Chairman and CEO, Marignac Gestion SAS

DANIEL CAMUS
Chief Financial Officer, The Global Fund

JÉRÔME CONTAMINE
Executive Vice-President and Chief Financial Officer, Sanofi

SOPHIE DUTORDOIR
Director (various companies)

MICHEL DE FABIANI
Vice-President, Franco-British Chamber of Commerce and Industry

MICKAËL JAY
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Director (various companies)

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Executive Vice-President and Chief Financial Officer, Sanofi

SOPHIE DUTORDOIR
Director (various companies)
INTERVIEW
WITH JACQUES ASCENBROICH
CHIEF EXECUTIVE OFFICER

How would you sum up 2013 for Valeo?

If I had to describe 2013 in a word then I would choose “acceleration”, because 2013 saw the acceleration of our growth and the acceleration of our profitability.

First of all, growth: innovation is the key driver of our growth strategy. It is thanks to innovation and to new products that we were able to deliver market-beating growth worldwide, outperforming global automotive production by six percentage points. We grew by 7% in Europe – despite the sluggish European automotive market – and by 17% in North America, 8% in South America and 31% in China. Our accelerating growth was reflected in our high order intake which came out at 14.8 billion euros – and hit a new record high in the second half of the year – with innovative products accounting for more than 30% of the total. In expanding our R&D effort by nearly 10% in 2013, and by more than 50% since 2009, we have boosted our innovation potential in our two fields of excellence: the reduction of CO₂ emissions and intuitive driving. These two areas are part of a marked trend in society towards cleaner, safer vehicles that are more enjoyable to drive.

As concerns profitability, I would say that our financial position is very solid and the cash generated in 2013 will allow us, in 2014 and in subsequent years, to prepare for the expected significant increase in growth, especially in 2015 and 2016. Our sales and margins continued to improve as the year progressed. We posted record sales of 12.1 billion euros – up 9.4% on 2012 – with a balanced performance across our various markets. Net income remained stable in the first half of the year but rose 40% to 6.9% of sales in the second half and came out at 6.6% for the year as a whole. At the same time, free cash flow jumped from 130 million euros in the first six months of 2013 to 202 million euros in the second half, totaling 315 million euros for the year as a whole.

What were the main trends for Valeo in 2013?

All of our businesses and each of our regions contributed to the Group’s growth and profitability. Our four Business Groups saw an increase in their sales quarter after quarter. The original equipment business, which advanced 10% (1) in 2013, leapt 17% in the fourth quarter, reflecting the acceleration in sales growth during the course of the year. Aftermarket sales were also buoyant, moving up 8% year on year and 11% in the fourth quarter, on the back of improved market conditions in Europe, strong sales momentum and continued growth in Asia and emerging countries.
So how is the Group readying itself to meet these challenges?

Valeo is in a strong position to succeed, with a clear strategy, a well-stocked order book, a solid financial position, innovative products, a talented workforce, and a strong industrial base that has allowed us to control our growth from an operational standpoint.

Our innovation strategy, focused on the reduction of CO₂ emissions and intuitive driving, as well as our development in high-growth potential countries, have allowed us to grow at a much faster rate than the market across the world and have contributed to our excellent results. In other words, our strategy is paying off.

In order to support this growth, Valeo will continue to recruit throughout the world: we are expecting 15,000 new recruits to join us over the next three years. So I am confident in our future. We have demonstrated our ability to adapt and anticipate in order to achieve our objectives, and I am convinced that the Group will be even stronger in 2014. This is not the end of the Valeo story, but rather the beginning. We have tremendous growth potential worldwide, and are well placed to capitalize on it.

How do you see the market developing over the medium term?

In 2014, global automotive production is expected to rise by 2% to 3%, with growth in Europe of between 1% and 2%. Contrary to common belief, the automotive market is a growth sector: 85 million vehicles are currently produced worldwide each year, and production is set to top 100 million vehicles before long. So the potential for growth is considerable, especially in countries such as China, India, Indonesia and Brazil, where the car ownership rate remains low but is set to increase significantly in the coming years. Furthermore, with 1.2 billion vehicles on the road, the market as a whole will also benefit from a remarkable source of growth in the aftermarket.

Based on this market vision, our objectives for 2014 include continuing to grow at a faster rate than the market in the main automotive production regions and achieving a slight increase in operating margin compared with the 6.6% recorded in 2013. Our very high order intake demonstrates the strong potential for sales growth over the next three years, and particularly in 2015 and 2016. This momentum is driven especially by the acceleration of the Group’s development in Asia—which represented 37% of total order intake in 2013—and in emerging markets. It should be noted that China alone accounted for nearly a quarter of the total order intake.

Valeo achieved above-market sales growth in each of the world’s main production regions

The Group’s strategy is based on two priorities:

- innovation, with technologies focused on reducing CO₂ emissions and developing intuitive driving
- geographic development in Asia and emerging countries

I would like to extend my sincere thanks to all of our 75,000 employees in the 29 countries where we operate, for their commitment and professionalism. Our excellent results in 2013 are due to their talent and hard work.

[1] Products and technologies that did not exist four years ago
[2] Like for like (constant Group structure and exchange rates)
[3] All vehicle types combined
Valeo’s Operations Committee, chaired by the Chief Executive Officer, consists of 14 members including the Chief Operating Officer, the Functional Vice-Presidents, and the Presidents of the Business Groups and Valeo Service. Its role is to set the Group’s strategic directions, review the operational management of the Business Groups and coordinate projects.
With over 84 million vehicles manufactured worldwide, 2013 was another record year for automakers. This increase of 3.5% compared with 2012 was attributable largely to the Chinese market, which reported an all-time production high of nearly 21 million vehicles. Asia remains the largest manufacturing region, with 43 million vehicles, an increase of 5.3% compared with 2012, followed by Europe with 19 million, unchanged compared with 2012, and North America, whose production totaled 16 million vehicles, an increase of 4.8% compared with 2012.

Despite a challenging economic environment in certain regions, the Group reported sales of €12.1 billion euros in 2013, an increase of 9% compared with 2012, and once again recorded a very high order intake, totaling €14.8 billion euros.

(1) Like for like (constant Group structure and exchange rates).

**Order Intake Confirms the Group’s Growth Potential**

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>11,759</td>
<td>12,110</td>
<td>2.9%</td>
</tr>
<tr>
<td>Europe</td>
<td>10,868</td>
<td>11,759</td>
<td>8.2%</td>
</tr>
<tr>
<td>Asia</td>
<td>9,207</td>
<td>9,910</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

**Sales by Business Group**

- **Powertrain Systems**: 20% (2012), 21% (2013), 22% (2011)
- **Thermal Systems**: 28% (2012), 28% (2013), 27% (2011)
- **Comfort & Driving Assistance Systems**: 28% (2012), 28% (2013), 28% (2011)
- **Visibility Systems**: 28% (2012), 28% (2013), 28% (2011)

**Sales by Market**

- **Europe**: 26% (2012), 23% (2013), 23% (2011)
- **Asia**: 28% (2012), 23% (2013), 23% (2011)
- **North America**: 19% (2012), 19% (2013), 19% (2011)
- **South America**: 7% (2012), 6% (2013), 6% (2011)

**Key Figures**

- **Million Vehicles Produced Worldwide**: 84.4 million (2013)
- **Million in Sales in 2013**: 84.4 million

**WORLD AUTOMOTIVE PRODUCTION BY QUARTER**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>21</td>
<td>21.3</td>
<td>21.1</td>
<td>22</td>
</tr>
</tbody>
</table>

**Breakdown by Region**

- **Asia**: 42.9 million (56%)
- **Europe**: 19.4 million (22%)
- **North America**: 16.1 million (21%)
- **Middle East and Africa**: 1.4 million (7%)
## Key Figures 2013

### GROSS MARGIN
as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17.1%</td>
<td>16.8%</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

### OPERATING MARGIN\(1\)
as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.6%</td>
<td>6.2%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

### BASIC EARNINGS PER SHARE
in euros

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€5.71</td>
<td>4.91</td>
<td>5.62</td>
</tr>
</tbody>
</table>

### NET RESEARCH AND DEVELOPMENT EXPENDITURE
as a % of sales, net of customer contributions, subsidies and tax credits

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.3%</td>
<td>5.1%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

### NET ATTRIBUTABLE INCOME
in millions of euros\(2\)as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€439m</td>
<td>371m</td>
<td>422m</td>
</tr>
</tbody>
</table>

### OPERATING MARGIN\(3\)
as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>H1</th>
<th>H2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16.8%</td>
<td>17.4%</td>
<td></td>
</tr>
</tbody>
</table>

### EBITDA\(1\)
as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16.8%</td>
<td>16.2%</td>
<td>16.2%</td>
</tr>
</tbody>
</table>

### ROCE\(1\)
operating margin as a proportion of capital employed

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.2%</td>
<td>10.8%</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

### NET DEBT\(1\)
capital and as a % of consolidated stockholders’ equity, excluding non-controlling interests

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€366m</td>
<td>763m</td>
<td>523</td>
</tr>
</tbody>
</table>

### ORDER INTAKE\(4\)
in billions of euros

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€14.8bn</td>
<td>€15.1bn</td>
<td>€14.0bn</td>
</tr>
</tbody>
</table>

---

\(1\) Operating margin corresponds to operating income before other income and expenses.

\(2\) The amount of research and development expenditure for 2011 and 2012 differs from that presented in the 2012 consolidated financial statements published in February 2013 since it has been adjusted to reflect changes in the expected return on assets resulting from the retrospective application of the amended IAS 19, effective as of January 1, 2013.

\(3\) EBITDA corresponds to operating income before depreciation, amortization, impairment losses included in operating margin, and other income and expenses.

\(4\) Orders taken by the Access Mechanisms activity have been excluded from the order intake for 2011, 2012 and 2013.
KEY FIGURES

Valeo’s communications with the financial markets cater to a diverse financial community, comprising current and prospective equity investors, private and institutional shareholders, and financial analysts. Valeo aims to provide clear, accurate and transparent information in real time to all these market participants, notably via the “Investors and Shareholders” section of its website (www.valeo.com).

SHAREHOLDER INFORMATION

Valeo’s communications with the financial markets cater to a diverse financial community, comprising current and prospective equity investors, private and institutional shareholders, and financial analysts. Valeo aims to provide clear, accurate and transparent information in real time to all these market participants, notably via the “Investors and Shareholders” section of its website (www.valeo.com).

OWNERSHIP STRUCTURE AT MARCH 20, 2014

% of share capital (% of voting rights)

- Caisse des dépôts et consignations (CDC): 3.33% (3.20%)
- Bpifrance Participations SA (formerly FSI): 2.35% (4.53%)
- CDC Savings Funds
  - of which: 2.32% (4.53%)

DATA PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>5.68</td>
<td>5.03</td>
<td>5.71</td>
</tr>
<tr>
<td>Earnings per share before non-recurring items</td>
<td>5.68</td>
<td>5.56</td>
<td>6.52</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>1.40</td>
<td>1.50</td>
<td>1.70</td>
</tr>
</tbody>
</table>

1) Dividend of 1.70 euro per share proposed to the Shareholders’ Meeting called to approve the financial statements for the year ended December 31, 2013.
2) Eligible for the 40% tax allowance provided for in article 158-3-2° of the French Tax Code (Code général des impôts) and subject to a 21% flat rate tax prepayment on distributed revenues, deducted at source by the paying agent (article 117 quater i.1 of said code and article 13 of the French Finance Law for 2013). These figures are provided for information purposes only. Please contact your financial advisor to discuss the specific tax and social security treatment of your shares.

STOCK MARKET DATA

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalization at year-end (in billions of euros)</td>
<td>2.43</td>
<td>2.99</td>
<td>6.39</td>
</tr>
<tr>
<td>Number of shares</td>
<td>79,263,916</td>
<td>79,462,540</td>
<td>79,462,540</td>
</tr>
<tr>
<td>Highest share price (in euros)</td>
<td>49.88</td>
<td>43.31</td>
<td>81.15</td>
</tr>
<tr>
<td>Lowest share price (in euros)</td>
<td>27.46</td>
<td>29.80</td>
<td>37.25</td>
</tr>
<tr>
<td>Average share price (in euros)</td>
<td>37.63</td>
<td>36.30</td>
<td>55.22</td>
</tr>
<tr>
<td>Share price at year-end (in euros)</td>
<td>30.71</td>
<td>37.63</td>
<td>80.43</td>
</tr>
</tbody>
</table>

(1) Including 1,638,732 treasury shares (2.06% of share capital).
REDUCING CO₂ EMISSIONS AND DEVELOPING INTUITIVE DRIVING
**INNOVATION STRATEGY**

**INNOVATION, THE GROWTH ACCELERATOR**

Valeo thinks and breathes innovation, twenty-four hours a day, inventing the cars of tomorrow. Valeo’s research and development is focused on the reduction of CO₂ emissions and the development of intuitive driving, and not only responds to the demands of today’s market but anticipates the future needs of motorists. Its comprehensive approach extends from the continuous improvement of existing products and innovations that offer significant gains in fuel consumption, to the vehicle as whole, connected to and communicating with its environment.

Valeo spent over 10% of its original equipment sales on innovation in 2013, investing in financial as well as human resources. Globally, 2013 saw a 7% increase in employees dedicated to research and development. A total of 9,400 engineers and technicians now work in the Group’s 16 research centers and 35 development centers. 786 patents were filed in 2013, and innovative products(1) accounted for 30% of order intake during the year. In recognition of its innovation capacity, and for the second year in a row, in 2013 Valeo was named one of the 100 most innovative companies in the world in the Thomson Reuters list of the Top 100 Global Innovators.

Valeo is dedicated to making innovation as broadly accessible as possible, with solutions that provide genuine added value to automakers. Its objective is to offer drivers mobility that is intuitive, safe and comfortable, and efficient in terms of fuel consumption and the reduction of CO₂ emissions and other pollutants. The Group takes a proactive approach to anticipating future trends in consumer needs, keeping pace with changes in society and orienting its product strategy accordingly.

Valeo Innovation Challenge: imagining the future

The Valeo Innovation Challenge, launched in September 2013, offers engineering students from around the world the chance to become involved in automotive innovation by imagining the new technologies that will make cars more intelligent and intuitive between now and 2030. 969 teams have taken up the challenge but only the six finalist teams will be able to present their projects before a panel of judges on the occasion of the 2014 Paris Motor Show. The winners will walk away with a first prize of 100,000 euros. [https://valeoinnovationchallenge.valeo.com](https://valeoinnovationchallenge.valeo.com).

(1) Products and technologies on the market for less than three years.
The Powertrain Systems Business Group develops innovative solutions to reduce fuel consumption and CO₂ emissions without compromising on driving performance and pleasure. It offers a comprehensive product range, from the optimization of internal combustion engines to the varying levels of electrification of vehicles, from smart-start systems to the electric car. Powertrain Systems has five Product Groups: Electrical Systems, Transmission Systems, Combustion Engine Systems, Electronics, and Expertise and Services.

In 2013, Powertrain Systems shifted up a gear, logging another all-time record order intake, particularly within the Transmission Systems Product Group. Demonstrating its capacity for innovation and capitalising on three of its areas of expertise, it developed a specific module for rechargeable hybrid vehicles consisting of an electric motor, power electronics and a transmission system that decouples the electric motor from the combustion engine. The e-iSAMS micro-hybrid system confirmed its success, winning new orders from Asian and European automakers, as did high-efficiency alternators with synchronous rectification, which Valeo was the first to market. In transmission systems, the torque converter for automatic transmissions for light vehicles and pick-ups enjoyed very strong growth. The new electric supercharger, which equips several demonstration vehicles, won its first order. The acquisition of Elk Electric Vehicles, a Norwegian company specialising in high-efficiency on-board chargers for passenger cars and commercial vehicles, will accelerate and expand Valeo’s offering in the field of hybrid and electric vehicles.

The reduction of CO₂ emissions remains the key demand of Valeo’s customers, and the major market trend reflecting the Business Group’s strategy, which is focused on three main objectives: engine downsizing while improving environmental standards by reducing fuel consumption and harmful particulate emissions; with its compact underhood architecture, this water-cooled module facilitates engine downsizing while improving efficiency. Structural AIMS can be adapted to both gasoline and diesel engines.

Range extender
In the BMW i3 electric car’s range extender, Valeo’s generator is linked to a small combustion engine and an inverter. When the battery level drops to a certain point, the engine engages, powering the generator that then recharges the battery using the inverter. This system provides the vehicle with greater travel range, and represents a major step forward on this market.

Range extender
The Comfort & Driving Assistance Systems Business Group, focusing on the driver experience, works towards safer and more connected mobility through the development of a range of unique solutions to make driving more intuitive.

In 2013, more than 30% of Comfort & Driving Assistance Systems’ orders were related to the Comfort & Driving Assistance Systems Business Group has three Product Groups: Driving Assistance, Interior Electronics and Interior Controls.

The Comfort & Driving Assistance Systems Business Group, focusing on the driver experience, has three Product Groups: Driving Assistance, Interior Electronics and Interior Controls.

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INNOVATION STRATEGY

MAKING DRIVING INTUITIVE

The human-machine interface, especially smartphones, and the widespread use of screens are two factors that have changed the market profoundly. The Group aims to strike the right balance between offering new features and keeping drivers, passengers and other road users safe. With automakers’ offerings now covering all ranges of vehicles and levels of equipment, the challenge for Valeo is to meet the new expectations of motorists from all regions of the world. In emerging markets, automakers want innovations that are immediately accessible and affordable. Comfort & Driving Assistance Systems will continue to deploy its intuitive driving vision, building up a unique portfolio of products and solutions in which the driving experience is the central focus.

eSkin Lite: intuitive driving solutions for the center console

With its ergonomic “eSkin Lite” demonstrator, Valeo confirms its expertise in in-vehicle human machine interfaces. Behind its uncluttered surfaces with sleek design inspired by consumer products such as tablets and smartphones can be found the latest advances in the field of connectivity. Ergonomic solutions such as dynamic adaptation of menus depending on the context — for example, whether the hand is near the screen — keep driver distraction to a minimum.

ENSURING PERFECT VISIBILITY

The second major trend is in wiper systems, which integrate an increasing amount of electronics: quieter and lighter wiper systems are part of a broad trend towards the integration of washer systems into wiper blades. Wiper Systems is well placed to address this trend: in 2013, it began producing, on the one hand, electronic wiper systems using direct drive blades for the Farad Kuga, the first global platform to feature this innovative technology, and on the other, it offers the Aqualign® system, which ensures perfect road visibility in all driving conditions and a significant reduction in the weight of the windshield washer system. The steady increase in Visibility Systems’ sales should continue in the coming months, with Wiper Systems boosted by growth in China and Lighting Systems by progression in both the Chinese and North American markets.

Full LED headlamps on the new Cadillac Escalade

Valeo’s FullLED lighting system will equip the new Cadillac Escalade in 2014. LED lighting systems further differentiate the style of headlamps and create a unique visual signature for the brand or model. They offer Valeo’s engineers and automakers’ designers more freedom in terms of creativity and vehicle customization.

With its ergonomic “eSkin Lite” demonstrator, Valeo confirms its expertise in in-vehicle human machine interfaces. Behind its uncluttered surfaces with sleek design inspired by consumer products such as tablets and smartphones can be found the latest advances in the field of connectivity. Ergonomic solutions such as dynamic adaptation of menus depending on the context — for example, whether the hand is near the screen — keep driver distraction to a minimum.

Viscosity Systems’ orders were related to

IN SALES

COMFORT & DRIVING ASSISTANCE SYSTEMS BUSINESS GROUP

€2.2bn

IN SALES

VISIBILITY SYSTEMS BUSINESS GROUP

€3.1bn

IN SALES

The Comfort & Driving Assistance Systems Business Group, focusing on the driver experience, works towards safer and more connected mobility through the development of a range of unique solutions to make driving more intuitive.

The Comfort & Driving Assistance Systems Business Group, focusing on the driver experience, works towards safer and more connected mobility through the development of a range of unique solutions to make driving more intuitive.

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VALEO SERVICE: MULTI-SPECIALISTS FOCUSED ON THE CONSUMER

Valeo Service is a multi-specialist on the aftermarket serving both automakers and the independent aftermarket. It offers all aftermarket channels worldwide a broad range of products and services to help boost the efficiency of repair services, while providing greater safety, comfort and driving pleasure. Valeo Service also offers innovative tools and services such as diagnostics, training, and sales and marketing support.

As well as being multi-specialist, Valeo Service is also multi-product, with a diversified but coherent product and service portfolio that adds an average of 3,000 product references each year. It is also a multi-region specialist, with operations in over 120 countries, and a multi-channel operator, with expertise across all distribution channels, whether it be B2B (traditional auto networks) or B2C (hypermarts, auto centers), together with a rapidly growing presence on internet-based channels over the last few years.

Valeo's filtration expertise was recognized with the award of the Innovative Development of the Year at the Moscow International Motor Show in Russia for its ClimFilter® Supreme polyphenol cabin air filter. Valeo was the first company on the European market to patent and market this technology, which provides optimal protection against inhalant allergies, odors, gases and particles.

In 2013, Valeo Service strengthened its position as a premium multi-specialist on the aftermarket, with total customer satisfaction its number one priority. In recognition of this approach, Valeo Service received a Best Supplier of the Year award for 2013 from Groupauto International in the Quality category. Valeo Service also continued, in line with the Group’s expansion strategy in high-growth regions, to expand its product range in China, the United States and India. To meet the needs of various distribution channels (hypermarts, auto centers and online spare parts sales), as well as to differentiate it offering from the competition, Valeo Service also stepped up the deployment of packaging that provides interactive information for consumers (QR codes placed on product packaging giving smartphone access to installation videos for each product type), making it easier for them to identify and replace vehicle parts themselves.

5 MARKETS
(Repair, Maintenance, Crash, Post-Equipment and Heavy-Duty Trucks)

14 PRODUCT LINES
for passenger cars

11 PRODUCT LINES
for commercial vehicles, trucks and agricultural vehicles

3,000 NEW PRODUCT REFERENCES on average each year
INTERNATIONAL

EXPANDING IN COUNTRIES WITH STRONG GROWTH POTENTIAL
To serve its customers across the globe, Valeo has operations in 29 countries, supporting the world’s leading automakers on all their markets. With its 74,800 employees, 124 plants, 51 R&D centers and 12 distribution platforms, the Group has the capability to meet the challenges of the market by adopting a global or local approach as appropriate in its relationships with automakers.

Growing impressively. In 2013, China accounted for 24% of Valeo’s order intake. The world’s biggest automobile market since 2009, China produced 21 million vehicles in 2013: driven by this growth, Valeo’s sales in China double every four years. In the twenty years since the establishment in 1994 of its first joint ventures with Chinese partners and the opening of its national headquarters in Beijing, Valeo’s progress has been remarkable. Over that period Valeo has enjoyed uninterrupted growth in China, where it now employs 13,000 people in 26 plants, 3 Research Centers and 10 Development Centers and 4 distribution platforms. In 2014, China will be on a par with France in terms of headcount, and in 2016, is set to become the Group’s biggest contributor to sales. In recent years, Valeo’s growth in China has outpaced that of the Chinese automotive market (31% in 2013 in a market which expanded by 15%), thanks not only to relationships established with locally based international automakers, but also to the attention paid by the Group to strategic Chinese automakers.

Evolving with a constantly changing market. Valeo’s success in China owes much to its ability to constantly adapt its product offering. Following its first steps in this market in the wake of international automakers, Valeo quickly began to work with Chinese automakers and is now entering a new phase which will see the development of innovative products in China designed specifically for the Chinese market where demand is rising among consumers for innovations such as driving assistance systems and, against a background of high air pollution, emissions reduction technologies.

Strengthening the industrial network and local teams. In 2013, to support the considerable growth of its sales in China, Valeo built four new plants there and expanded another three. In 2014, Valeo will open a new plant dedicated to electrical systems in Shanghai. It will be the Group’s biggest production facility worldwide.
INTERNATIONAL

NORTH AMERICA
FRESH MOMENTUM

Fast-growing operations.
After the sharp decline in 2009, the North American automotive market has made a remarkable recovery. In 2013, vehicle production exceeded its pre-crisis level and the outlook is favorable, with a high average vehicle age (11 years) and population projections pointing to 1 million new drivers each year, all in a buoyant economic environment. Valeo, whose regional headquarters is in Troy, near Detroit, has 13 plants, 5 R&D centers and 1 distribution platform in North America (United States and Mexico), with a total workforce of nearly 10,000 employees.

Since 2009, the number of the Group’s employees has more than doubled in this region.

Valeo, a strategic technology partner.
Alongside Ford, General Motors and Chrysler, its longstanding customers in North America, Valeo is growing its business with its Japanese (Nissan and Toyota) and German (Volkswagen, Daimler and BMW) customers as well as with the Korean automaker Hyundai, which is very active on this market. Overall, North American customers accounted for nearly 21% of the Group’s sales in 2013, in a region where one of Valeo’s major assets is its reputation as a strategic technology partner. Automakers are particularly interested by innovations that help reduce CO₂ emissions, as well as by intuitive driving, i.e., cars that are increasingly automated and connected! The Comfort & Driving Assistance Systems Business Group, whose Rio Bravo plant doubled in size in 2013, aims to take advantage of the robust health of the North American market to boost sales growth.

ASIA
EXPANSION

Valeo stepped up its growth in Asia in 2013.
For the first time, orders booked by the Group in Asia – which were up 40% compared with 2012 (like for like) – were higher than those booked in Europe. Valeo’s sales growth in Asia is projected to account for half of the Group’s overall growth between 2012 and 2015, with the region contributing more than 30% of original equipment sales in 2015. To support its expansion in Asia, be closer to markets and better identify their specific characteristics, Valeo speeded up the number of new hires in 2013, recruiting over 2,900 people in the region, and installed new production capacity. In the space of four years, the number of Valeo’s plants in Asia rose from 31 to 48. Research & Development capabilities have also been strengthened. Three of Valeo’s four specialized Development centers are in Asia: one in India, at the Chennai plant for mechanical design and simulation, and two in China, at the Wuhan plant for mechanical design and simulation dedicated to lighting, and at the Shenzhen plant for electronic circuit design and software development.

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17%
GROWTH RECORDED BY VALEO
in North America in 2013
(℅ of original equipment sales, on a like-for-like basis)

7,321
NEW HIRES
by Valeo in Asia in 2013
A SHARED COMMITMENT

OPERATIONAL EXCELLENCE
A pillar of the Valeo culture, operational excellence is a day-to-day reality at each production site, in each of the Group’s research and development centers, and across all functions. This guiding principle guarantees controlled growth in activity, with the aim of obtaining cost-effective total quality in engineering, manufacturing, projects and purchasing. The goal is to satisfy customers by meeting their requirements in terms of quality, cost and lead-time. To achieve this, Valeo applies the 5 Axes methodology.

Everyone is involved in operational excellence

Because operational excellence is a mindset, Valeo has long made its employees central to its approach. The Group cultivates a spirit of cooperation that allows everyone, regardless of their position, to actively contribute to quality on an everyday basis. Valeo recognizes the competencies of its employees, enhances them through training, and empowers them to carry out their responsibilities. Each employee is encouraged to make suggestions for improvement and to participate actively in the work of the autonomous team to which they belong. Believing that the quality of an end product is closely linked to the organization of its production, Valeo has established the “Valeo Production System” (VPS).

The 5 Axes:

- **Involvement of Personnel.** Recognize competencies, enhance them through training, and empower our people to carry out their responsibilities.
- **Valeo Production System (VPS).** Improve the productivity and quality of products and systems.
- **Constant Innovation.** Design innovative, easy-to-manufacture, high-quality and cost-effective products while reducing development time.
- **Supplier Integration.** Establish and maintain long-term relationships beneficial to both parties.
- **Total Quality.** Demand total quality throughout the Group and from suppliers.

The goal is to improve productivity and product quality by focusing on pull-flow organization, flexible production resources, the elimination of all non-productive operations and stopping production at the first non-quality incident.

**Constant innovation and supplier integration**

Innovation is central to Valeo’s development, in terms of products, technologies and manufacturing alike. The guiding idea is that to be manufactured efficiently, products must be well designed upstream. To develop its products and systems, Valeo has set up an organization based on project teams and the simultaneous engineering of products and processes. This organization allows the Group to offer robust, easy-to-manufacture, high-quality, cost-effective products while reducing development time. In addition to its teams, Valeo knows how crucial it is to have the support of its suppliers. Year after year, it works to build strong and profitable partnerships with them. This allows the Group to benefit from their ability to innovate in a process of continuous improvement of productivity and quality. Relationships are further strengthened due to the limited number of world-class suppliers selected.
OPERATIONAL EXCELLENCE

Guaranteeing the same quality standards worldwide

The acceleration of Valeo’s growth goes hand in hand with the major operational challenge of launching new plants or extensions, or new product lines on existing sites, without compromising on quality standards. Some sites are multi-activity, and produce systems belonging to different Product Groups, the so-called “shared” management of services (Human Resources, Logistics, Quality, etc.) applied on these sites enhances synergies and optimizes operating costs.

“Mother-Daughter” plants, building on Valeo’s tradition of excellence

Launched in 2012, the concept of “Mother-Daughter” plants assumed its full dimension in 2013. The concept is based on the principle of associating well-established sites that master a given technology and achieve production and quality performances in line with Valeo standards (mother plants) with new sites (daughter plants), allowing the daughter plant to benefit from the mother plant’s experience. Despite the significant time investment it entails, the approach has been welcomed by all the teams involved, aware that it serves the interests of the Group while ensuring customer satisfaction.

Valeo’s excellence rewarded

In 2013, automaker customers continued to recognize the high standard of the Group’s performance, particularly in terms of quality. Toyota Europe awarded the Angers plant (France), Visibility Systems Business Group, a Certificate of Achievement in the quality category. The same site also received a Quality Excellence Award from Volvo Cars. Ford presented the Group with its Go Further award at the 2013 Ford World Excellence Awards in recognition of its operational excellence, while Volkswagen honored it with a Volkswagen Group Award for outstanding entrepreneurial performance as a global partner.

For the second year in a row, Valeo was named one of the 100 most innovative companies in the world in Thomson Reuters’ list of the Top 100 Global Innovators in 2013. Valeo’s human resources management was recognized by 2013 Top Employer certification in nine European countries (France, Germany, Hungary, Ireland, Italy, Poland, Romania, Spain and Turkey), as well as in China and Brazil.

In 2013, the Group’s quality level was 5.7 ppm (defective parts per million) – which represented an improvement of 20% versus 2012.

5.7 PPM
AT DECEMBER 31, 2013
In 2013, the Group’s quality level was 5.7 ppm (defective parts per million) – which represented an improvement of 20% versus 2012.

80% OF THE GROUP’S PLANTS
are below 10 ppm, and 50% are below 1 ppm (parts per million)
CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

A HUMAN AND ENVIRONMENTAL COMMITMENT TO SUPPORT GROWTH
CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

A RESPONSIBLE, LONG-TERM COMMITMENT

Over the past several years, Valeo has enlarged the framework governing its commitment to corporate, social and environmental responsibility. An integral part of all activities along the entire value chain, sustainable development is a guiding principle of the Valeo culture, and one that permeates the Group beyond its original focus areas, namely human resources and the environment. This commitment is expressed in accordance with two principles: cross-functionality and the acceptance of sustainable development as a success factor by Valeo stakeholders, both internally and externally.

Valeo offers its automaker customers innovative technological solutions, improving energy efficiency, optimising safety and enhancing comfort. As an industrial player whose activities, products, and design and manufacturing processes contribute to the progressive decarbonisation of the automotive sector, the Group develops and manufactures systems that enhance mobility, thereby consolidating its position as a partner of choice for more environmentally friendly, connected mobility.

Being more responsive to its employees every year, Valeo’s human resources policy takes into account in a balanced way the needs of the business and the expectations of employees at all levels, being both global and in tune with cultural differences and local specificities. In 2013, the Group was awarded, not only for its policy on benefits and working conditions, but also for its very dynamic training offering (more than 80% of employees are trained each year) and its particularly effective approach to internal, national and international mobility, aimed at filling three out of four positions internally.

Valeo’s commitment to diversity is demonstrated by the presence of 103 different nationalities among the Group’s 74,800 employees in 29 countries. Valeo’s human resources policy takes into account in a balanced way the needs of the business and the expectations of employees at all levels, being both global and in tune with cultural differences and local specificities. In 2013, the Group was awarded, not only for its policy on benefits and working conditions, but also for its very dynamic training offering (more than 80% of employees are trained each year) and its particularly effective approach to internal, national and international mobility, aimed at filling three out of four positions internally.

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Integrating environmental responsibility and ethics. Valeo strives to reconcile, across its entire industrial footprint, the requirements of its businesses with the multiple challenges facing the Group. Employees, customers and suppliers make a daily commitment to corporate, social and environmental responsibility. Governed by charters, codes of conduct and alert mechanisms, Valeo’s commitments take into account safety, well-being and respect for all, as well as the need to achieve energy savings, reduce CO₂ emissions and limit the consumption of natural resources.

Ethics, one of Valeo’s five values. For many years, Valeo has elected to operate ethically, with integrity and in full compliance with laws and regulations in all countries where it has operations. The Valeo Code of Ethics is a pillar of the ethics and compliance approach. Its policies are applicable worldwide, and the requisite integrity and compliance apply not just to Valeo, its management and employees, but also to suppliers and service providers. In 2013, Valeo’s worldwide policies were adapted to local regulations, thereby aligning the compliance program with the Group’s business sector and international dimension, and making it more readily accessible to all concerned.

Valeo places special emphasis on awareness-raising and training. For example, in-depth face-to-face and e-learning training sessions are provided to all engineers and managers on legal risks and how Valeo deals with them. Ethical business dealings and regulatory compliance are crucial to securing sustainable and profitable growth, based on collective awareness and individual responsibility, and with a zero-tolerance approach to breaches as a safeguard.

Compliance at Valeo
Valeo’s operations are underpinned by ethical business dealings and the integrity of management and employees wherever they are in the world. This commitment is embodied by the Code of Ethics, which has been in place since 2004, is available in 17 languages and is familiar to all stakeholders. For more than two years, in view of its international dimension, Valeo has chosen to focus on fighting antitrust practices and corruption. The Ethics and Compliance Department has also developed compliance programs adapted to the automotive sector in general and to each of Valeo’s specific businesses in particular. They comprise clear and concise rules explaining what is authorised by Valeo and what is prohibited, as well as prior authorization procedures for specific operations and practices. A range of support tools has also been put in place and translated into the Group’s main working languages, ensuring that all employees are in a position to apply the rules to their activities. To promote understanding of the risks and issues at stake, as well as the ongoing appropriation of the compliance program, Valeo places special emphasis on awareness-raising and training. For example, in-depth face-to-face and e-learning training sessions are provided to all engineers and managers on legal risks and how Valeo deals with them. Ethical business dealings and regulatory compliance are crucial to securing sustainable and profitable growth, based on collective awareness and individual responsibility, and with a zero-tolerance approach to breaches as a safeguard.
Valeo’s Human Resources strategy is critical to supporting its international expansion and research and development. Innovative technologies in the reduction of CO₂ emissions and intuitive driving, and geographic expansion in high-growth regions – the two pillars of Valeo’s strategy – are backed by dynamic human resources management, taking into account the needs of the business and the expectations of employees in a balanced way. It is a global approach, taking into consideration specific cultural, economic and market conditions, thereby allowing the Group to deal with a broad range of situations in the various countries where it operates. Valeo strives to strengthen its “employer brand” outside the Group, especially in the war for talent. Within the Group, it strengthens employee engagement at every level and in every region, particularly through the implementation of a policy to help motivate employees while at the same time promoting work-life balance. Among Valeo’s unique characteristics, special attention is given to the quality of local management, which is considered the most effective means of disseminating and receiving information. These actions all help bolster the sense of pride and belonging within the Group.

Valeo, an industrial player recognized for its good practice in human resources management

In 2013, Valeo was certified as a top employer by the CRF Institute for the second consecutive year in Brazil, China, France, Germany, Hungary, Ireland, Italy, Poland, Romania, Turkey and, for the first time, Spain. This prestigious award recognizes the excellence of a company’s Human Resources management, acknowledging not only the Group’s policy on benefits and working conditions, but also its very dynamic training offering and its particularly effective approach to internal, national and international mobility, aimed at filling three out of four vacant positions internally. The year was also marked by the reinforcement of the “Well-being at work” program launched in 2010, which the Group is continuing to deploy worldwide.
Valeo is speeding up recruitment, with 17,500 new hires in 2013, and plans to create 15,000 additional jobs worldwide within three years. At December 31, 2013, the Group employed 74,800 people, an increase of 3% in the total headcount compared with 2012. The increase was attributable primarily to growth in the number of engineers and managers (6%) related to the Group’s significant investments in innovation.

The headcount in research and development grew by 7% in 2013, to a total of 9,400 people.

Industrial development in high-growth regions in Asia and North America reflects the Group’s growth strategy. The increase in headcount in North America and Asia, as well as Africa, is in line with Valeo’s strategy of expanding in fast-growing countries such as China. For the first time in its history, Valeo employed more operators in China than in France in 2013, reflecting the strength of its operations in that country. Globally, more than 80% of total headcount is now located outside France, resulting in a wide cultural diversity within the Group. 103 nationalities are represented at Valeo. The countries where Valeo has the largest number of different nationalities are France, with 70, and Germany, with 48. Ireland, the United States, and the Czech Republic have 29, 22 and 21 nationalities respectively.

Ensuring operational excellence by fostering loyalty
Enhancing employee loyalty is essential to ensuring operational excellence. The policy applied by Valeo to retain talent globally is paying off: the departure rate among engineers and managers is steadily declining. Among incentives, employees receive clear information on career development opportunities each year. Furthermore, to provide employees with attractive career prospects, the Group’s policy provides that at least three out of four vacant positions should be filled internally. Valeo also conducts regular competitiveness analyses of salaries in major markets, to ensure the appropriateness of pay scales in the countries where the Group operates.

Because the development of competencies also determines the engagement of employees, Valeo’s spending on training increased by 7.8% in 2013 compared with 2012. In absolute terms, the number of training hours and trainees rose by 16% and 5% respectively year-on-year. The Group continued to extend its training policy to include as many employees as possible. Accordingly, 89.9% of employees took part in at least one training session during the year, a proportion that rises to 97.7% among engineers and managers.

Individual Career Development Plans are offered to employees to support talent development, combining theoretical training, practical application, mentoring and practice sharing.
Health and safety at work: two top priorities for Valeo

For several years, Valeo has resolutely targeted “zero accidents” through a determined policy of risk control and training aimed at obtaining ISO 14001 and OHSAS 18001 certification for all sites. In 2013, the Group reviewed and amended its Valeo 5000 internal audit based on the 5 Axes in the areas of safety and ergonomics. New accident-tracking software has been developed and implemented across all sites. Known as VIM Safety (Valeo Incident Management), it provides real-time information at all levels about safety incidents and accidents on each site. In 2013, 13% of training hours were dedicated to safety. These actions resulted in a significant reduction in the number of accidents with lost time: the number of lost-time accidents per million hours worked fell to 2.21, compared with 5.24 in 2008, a 58% improvement over the past five years.

Well-being at work: a global process

Ethics, transparency, empowerment, professionalism and teamwork: Valeo’s values are based on fundamental principles such as mental, emotional and physical well-being, respect for others, diversity, solidarity and recognition. In 2013, the Group intensified the global deployment of its “well-being at work” program, with the creation of a management training module on well-being issues known as “Play Well”, along the lines of the previous “Play Safe” training initiative on safety.

Diversity: a challenge and a means for improving performance

Beyond the social challenge it entails, Valeo sees diversity in all its dimensions as a means of developing competencies, creativity and performance. Overseen by a Diversity Committee, numerous training and awareness-raising sessions have been conducted since 2012. All employees have access to eight e-learning modules dedicated to diversity, which were taken by nearly 4,000 employees in 2013. Last year Valeo joined the French Association of Diversity Management (Association française du management de la diversité) and is committed to gender parity in comparable situations, even though women are not as well represented as men in the automotive industry. The proportion of women engineers and managers among new hires increased to 24.2% of total headcount in 2013, and as much as 34% in some countries, such as China. The Group also strives to promote youth employment and the integration of young people in the workplace: in 2013, Valeo welcomed 1,403 interns, 935 people on apprenticeships or training contracts and 126 people on international volunteer in business programs (Volontariat International en Entreprise).

The labor climate, a key factor in team motivation

Valeo is convinced that sound labor relations are vital to adapt the company to the vast, swift and deep-seated changes affecting the automotive industry. To meet today’s challenges, Valeo seeks to promote labor relations that provide a platform for exchanging points of view, fostering mutual understanding and finding well-balanced solutions that are in the interest of all stakeholders. Valeo’s corporate social responsibility policy is part of a universal framework of international commitments designed to guarantee the dignity of individuals and fundamental social rights. Valeo adheres to the terms of the UN Global Compact and reports each year to the United Nations on its progress in the area of corporate social responsibility. Valeo also adheres to the OECD’s Guiding Principles for multinationals, adopted on June 27, 2000 and revised on May 25, 2011.

Valeo Women Connected

The Valeo Women Connected network is a platform for dialog and communication designed to promote women in the workplace by identifying and encouraging talent internally and by providing information on careers paths and professional development. One year after its launch, it has more than 1,000 members, both women and men, in 11 countries.
VALEO’S EMPLOYEES AROUND THE WORLD
Valeo’s commitment to corporate citizenship is reflected by the extensive involvement of its plants in the life of local communities in the 29 countries where the Group operates. To keep track of social initiatives, the Group has used the “Plants’ Initiatives” reporting system since 2008. In 2013, every plant undertook at least one social project.

**SOCIAL INITIATIVES**

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**PLANTS’ INITIATIVES**

**BRAZIL**

1. **Campinas**  
   Volunteering to help children from the local community, with sponsorship by employees of 400 children from two schools in a disadvantaged neighborhood: Christmas party and gifts.

2. **San Luís Potosí**  
   - Donations for disadvantaged families: school supplies, furniture, cleaning products, blankets and toys.
   - Donation of computers to a Salvation Army children’s home, leading to the opening of a computer room in the home.
   - Three reforestation campaigns in 2013 at the university, the city hall and industrial estate where the Valeo plant is located. The 500 trees came from the site nursery garden. The initiative was honored by the city’s municipal council.

**MEXICO**

3. **Juárez**  
   Establishment of a “School for Parents” for employees who wish to improve as parents and better fulfill their educational role.

4. **Querétaro**  
   “Abriendo espacios” program to hire seniors and people with disabilities to increase diversity. Objective by the end of 2013: hire 30 people.

5. **Río Bravo**  
   Campaign to raise awareness about breast cancer: distribution of pink ribbons to employees (men and women) with the involvement of “Women connected,” union representatives and the plant management.

**FRANCE**

6. **Limoges**  
   On disability day in France, the plant invited a sports association for people with disabilities to raise awareness on the subject by organizing games for employees.

7. **Sablé-sur-Sarthe**  
   Visit to the plant by a sheltered employment provider, which works to promote the social and professional integration of disabled adults, along with a site visit by a group of job seekers from CAP Emploi, an organization whose goal is to promote the hiring of people with disabilities.

8. **Mondeville**  
   In partnership with “Elles Bougent,” an association that encourages young women to embrace careers in industry, notably in the automotive industry, 18 students were welcomed to the site, where they discussed the variety of jobs available with Valeo women employees.

9. **Créteil**  
   Organization of a week focused on diversity: meeting with people working in the sheltered employment sector, visit from a guide dog association and presentation of sports for the disabled.
SOCIAL INITIATIVES

La Suze-sur-Sarthe
Awareness-raising campaign about breast cancer. Posters were put up at the plant entrance and in break rooms, and pink ribbons were distributed to staff, both men and women.

La Verrière
A food drive was organized in favor of “Restos du Cœur,” an association founded to help people in need, notably by giving out free meals.

Laval
Sponsorship of the annual blood donation day, with blood donations on site by employees.

POLAND
Warsaw, Skawina, Chrzanów
- “Szlachetna Paczka”: support for families in need during the Christmas holidays, with Christmas parcels for children.
- “Akademia Przyszłości”: support for students experiencing educational or family problems.
- Prevention campaign targeting skin cancer, breast cancer, cholesterol and diabetes.

ITALY
Pianezza
Partnership between the site and “A come Ambiente,” the national museum of the environment, as part of sustainable development week.

THAILAND
Rayong
Blood donations in partnership with the Red Cross.

GERMANY
Wemding
Diversity campaign during which 40 children were invited to draw flags representing diversity at Valeo.

SPAIN
Villaverde, Fuenlabrada, Getafe
31 women from these three Spanish sites took part in an all-woman 7-kilometer race in Madrid to promote the fight against breast cancer and raise awareness about violence against women.

INDIA
Chennai
- Clothing, toy and book drive for an orphanage that houses and educates children free of charge.
- Planting of 35 trees near a public school and awareness-raising on environmental issues among children.
- As part of “World disability day,” employees made donations in favor of a disability charity.

VALEO’S 90TH ANNIVERSARY AROUND THE WORLD

Valeo’s 90th anniversary was celebrated by employees worldwide, with the organization of open days, exhibitions and sports events honoring the team spirit and pride in being part of a company such as Valeo. To mark the anniversary, a book on its history – Valeo: 90 Years of Automotive Innovation – was published, and a poster competition was organized for employees. The 333 original works from 22 countries were then exhibited at the Group’s headquarters.
CORPORATE, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Valeo’s demanding sustainable development policy

Valeo has set ambitious goals, whether it be in the area of reducing CO\textsubscript{2} emissions through innovative products, cutting energy use in plants or corporate, social and environmental responsibility. The Group has taken its nine-year commitment to the United Nations Global Compact and its ten principles a step-further since 2011 by signing up to the Global Reporting Initiative, the international benchmark for CSR reporting, so as to optimize its application of international standards and rules.

Valeo also maintains an ongoing relationship with independent bodies such as the Carbon Disclosure Project (CDP) and the SAM Dow Jones Sustainability Index (a non-financial rating agency) to consolidate its achievements and identify new avenues of progress. Valeo takes care to ensure that each new partner (supplier, service, laboratory, university) adheres to sustainable development principles.

As a contributor to the design of vehicles that respect the environment, reducing CO\textsubscript{2} emissions is a top priority in the Group’s strategy, with the aim of producing more energy-efficient vehicles.

The same requirement also applies in its plants: Valeo aims to reduce its carbon footprint (water, energy, greenhouse gases) by 10% at its 124 sites worldwide by 2015. Because human capital is also one of its priorities, the Group strives to provide its employees with motivating working conditions, in line with fundamental human rights and applicable laws, by promoting active corporate social responsibility, while each year strengthening its internal requirements in respect of ethics and compliance.

In line with this innovative and responsible approach, Valeo seeks to maintain sound and balanced relationships with the different stakeholder groups involved, from design (research centers and universities, engineers) to production (suppliers, employees) and sales (automakers, distribution networks) for both the original equipment and aftermarket segments.

A RESPONSIBLE APPROACH

FROM DESIGN TO PRODUCTION

Applying corporate, social and environmental principles to supplier relations

Valeo’s position at the heart of the supply chain means that it must select suppliers that can meet its expectations in terms of cost, quality and lead-time while complying with the Group’s sustainable development codes, charters and principles. In 2013, Valeo launched a survey of its main suppliers’ CSR practices. Suppliers responded to questionnaires which allowed Valeo to check that their sustainable development policies meet its requirements. Similarly, in line with diversity programs in North America that promote small businesses owned by minorities and women, specific criteria were added to supplier evaluations. In keeping with this collaborative approach to suppliers, Valeo’s Purchasing Department organized 17 Tech Days in 2013, during which suppliers presented their latest innovations to the Group’s R&D teams.

Valeo continues to integrate new social, environmental, logistics and governance criteria into its supplier selection, and sustainable development criteria are given a weighting of 20% in the evaluation for joining the Valeo supplier base.
Integrating eco-design criteria into projects right from the development phase

Valeo has made eco-design one of the foundations of its research and development policy. Since 2007, its teams have adopted the “Eco-design standard” internal directive and eco-design guidelines by product line, enabling them to assess a product’s environmental impacts at all stages of its life cycle, starting with the development phase. To ensure the directive’s implementation, Valeo has also published an Eco-design checklist in order to track the application of these criteria to new projects. This pioneering approach has enabled the Group to anticipate the impact of the European directive on End-of-Life Vehicles (ELV), which will require automakers to produce vehicles with a recycling and reuse rate of 85% – and 95% if incineration is included – starting in 2015. Valeo also pays particular attention to eliminating hazardous substances in its products. In accordance with the EU’s REACH regulation, the Group identifies 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 through a network of REACH managers assigned to each Group site and technical center.

Valeo, a player in the remanufacturing market

Through its remanufacturing activity, the Group places its expertise in the design and manufacture of original equipment at the service of the remanufacturing process, so as to be able to offer a high-quality range of products that respect the environment. Valeo’s remanufactured product range consists mainly of alternators and starters, but also includes clutches and climate control compressors. With e-CORPS, the Group has set up an efficient system for the collection of used parts. Once parts have been recovered, Valeo disassembles, inspects and cleans them, in addition to subjecting them to electrical and electronic tests before engaging the remanufacturing process, during which all traces of hazardous substances are eliminated so as to guarantee the protection of employees and end-customers alike.

Strict and transparent environmental governance

For more than twenty years, Valeo has shown its commitment to limiting the impact of its activities on the environment. To translate these commitments at the operational level, the Group sets targets for improving environmental performance. 2013 was the start of a new three-year plan covering the period up until 2015. Through this plan, Valeo will continue to seek to reduce environmental impacts throughout the life cycle of each site, from the selection of land, construction or acquisition of a site to its operation and, if the case arises, closure or sale. In the interest of transparency, in addition to disclosing its key environmental performance indicators at the Annual Shareholders’ Meeting, Valeo regularly responds to requests from national and international organizations on its non-financial performance.

Environmental management structured globally

Valeo’s environmental management is based on continuous improvement driven by the Risk Insurance Environment (RIE) department, which has a network of Health, Safety, Environment (HSE) managers within each Business Group, country and site. This network guarantees compliance with Valeo’s environmental policy and fulfillment of its objectives. In total, there are more than 200 people directly involved in the day-to-day management of HSE issues within the Group. They also play a key part in the process of certification of environmental management systems launched by Valeo around 15 years ago. At the end of 2013, 94% of Valeo sites had obtained ISO 14001 certification and 88% OHSAS 18001 certification. At the same time, nearly 44,000 hours of environmental training were provided across all sites last year. Each year Valeo implements an ambitious program of audits worldwide, including external compliance and certification audits, along with self-evaluations and cross-site verification audits performed by site HSE managers.

40 CONTROL POINTS for reusable parts that Valeo recovers for use in the remanufacturing market: 100% of these products are tested before being packed for sale.
Centralized reporting for rigorous management of environmental performance

On all its sites, Valeo uses a centralized reporting tool, Valeo Risk Indicators (VRI), which operates via an internet platform and collects more than 200 indicators, allowing constant control of sites’ environmental performance and ensuring that its goals are met.

In 2013, VRI was updated to further improve the reliability of site reporting. For example, HSE managers in charge of reporting are now required to give precise information on the industrial processes at their sites. The environmental data published concern all plants and distribution platforms worldwide, excluding subsidiaries in which the Group has a non-controlling interest and administrative sites. A total of 122 sites report environmental indicators. The response rate by indicator reached 100% for most indicators published in 2013, confirming the sites’ commitment to reporting.

Taking action to prevent pollution and optimize waste management

The Group applies an active policy to prevent or reduce emissions into the air, water and soil. All Group sites work, among other things, to reduce emissions into the air of volatile organic compounds (VOCs), mainly related to the use of chemicals such as solvents and paint. While the Group’s activities do not generate highly pollutant effluents, discharges into water are nevertheless strictly controlled.

As part of their environmental management system, and in accordance with Group directives, sites are equipped to prevent accidental spillage into the environment. The vast majority of waste generated by the Group’s sites is recovered, whether metal, wood or plastic. The amount of waste produced is stabilizing year after year, both in absolute terms and as a percentage of sales. The proportion of hazardous waste continues to fall, from 12% in 2012 to 10% in 2013.

Valeo is working to conserve natural resources

The Group closely measures the overall impact of its activities on water resources. During the three-year period from 2010 to 2012, Valeo reduced its water consumption by 32% compared with 2009. It continued this momentum in 2013, both in total volume (down by 0.7%) and as a percentage of sales (down by 1%).

Valeo is also pursuing two areas for improvement in terms of resource consumption: reducing the consumption of raw materials and using recyclable and recycled materials. One of the Group’s goals is a 7% reduction in the consumption of packaging materials as a percentage of sales over the 2013-2015 period. Lastly, Valeo pays particular attention to the use of recycled materials. In 2013, some 203 metric tons of packaging materials were recovered internally and reused. The Group is also committed to a process of energy efficiency, and has begun to deploy the ISO 50001 standard for energy management systems on its sites. Its objective is to certify 10% of sites by 2015. Lastly, Valeo is committed to minimizing the environmental impact of logistics flows related to its activity. The various measures taken in this area in 2013 delivered an 8% reduction in the Group’s transportation-related expenditure over the year.

Manufacturing without compromising biodiversity

Almost all of the land used by Valeo, i.e., more than 90% of its operating plants, is located in urban areas or areas zoned for industrial use. Even though its activities are not of a nature to significantly alter the surrounding environment, the Group conducts an annual inventory of sites located in or near (within 10 km) protected areas in respect of biodiversity. Twenty such sites were inventoried in 2013, all of which take care to adhere to the requirements related to these constraints.
Environmental performance

Under its new Environmental Action Plan for 2013-2015, the Risk Insurance Environment (RIE) department set ambitious quantified targets for the Valeo Group, based on the results from the previous plan for 2010-2012.

### Environmental Objectives in Keeping with the Group’s Commitment

<table>
<thead>
<tr>
<th>Objective</th>
<th>Unit</th>
<th>2015 target (compared to 2012)</th>
<th>2012 results</th>
<th>2013 results (compared to 2012)</th>
<th>2013 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable use of resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in water consumption</td>
<td>cu.m/€m</td>
<td>-10%</td>
<td>215</td>
<td>211</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Reduction in energy consumption</td>
<td>MWh/€m</td>
<td>-10%</td>
<td>158</td>
<td>158</td>
<td>0%</td>
</tr>
<tr>
<td>Reduction in packaging materials consumption</td>
<td>kg/€m</td>
<td>-7%</td>
<td>6.1</td>
<td>6.6</td>
<td>+8%</td>
</tr>
<tr>
<td>Production of waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in the production of hazardous and non-hazardous waste</td>
<td>metric t/€M</td>
<td>-7%</td>
<td>17</td>
<td>17</td>
<td>0%</td>
</tr>
<tr>
<td>Energy consumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in direct and indirect greenhouse gas emissions (Scope 1 and Scope 2)</td>
<td>metric t CO₂/€M</td>
<td>-10%</td>
<td>56.7</td>
<td>59.6</td>
<td>+ 5%</td>
</tr>
<tr>
<td>Management systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISO 14001 certification</td>
<td>% of sites</td>
<td>100%</td>
<td>96%</td>
<td>94%</td>
<td>2 pts</td>
</tr>
<tr>
<td>OHSAS 18001 certification</td>
<td>% of sites</td>
<td>100%</td>
<td>89%</td>
<td>88%</td>
<td>0 pt</td>
</tr>
<tr>
<td>ISO 50001 certification (energy management)</td>
<td>% of sites</td>
<td>10%</td>
<td>—</td>
<td>17%</td>
<td>NA</td>
</tr>
</tbody>
</table>

(1) For new sites, ISO 14001 and OHSAS 18001 certification to be obtained within three years of entry into the Group.

### Water Consumption

|--------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

Water consumption continued to fall across the Valeo Group, both in absolute terms (down by 0.7%) and as a percentage of sales (down by 1.9%). This was achieved by many years of effort across all Valeo sites, primarily addressing the detection and remediation of leaks, and reductions in the industrial use of water for cooling purposes, notably with the phasing out of open-circuit systems.

### Energy Consumption

Energy consumption as a percentage of sales is steady with respect to the prior year. Total energy consumption rose by 1.1%. There are a number of explanations behind this slight rise, including harsher weather conditions in many countries, underestimated gas consumption figures from one site in 2012, and the installation of several new production lines in 2013.

### Consumption of Packaging Materials

Overall consumption of packaging materials in 2013 rose by 8.7% compared with 2012. One partial explanation for this is that data tracking systems now give a more accurate estimate of consumption. Another is the tightening of customer requirements on packaging and the transportation of parts.

### Breakdown of Direct and Indirect Energy Consumption

Valeo sites use three types of energy for industrial and domestic uses: direct energy as primary energy sources (fuel oil, natural gas), indirect energy in the form of electricity, steam and compressed air, and direct renewable energy of solar origin generated on site. Electricity and natural gas together account for nearly 98% of total energy consumption.

### Breakdown of the Consumption of Packaging Materials

Valeo uses many different kinds of packaging materials, mainly cardboard, wood, plastics and metal. Cardboard and wood together account for approximately 90% of packaging materials used.
## Production of Hazardous and Non-Hazardous Waste

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Hazardous Waste/Sales (metric tons/€m)</th>
<th>Hazardous Waste/Sales (metric tons/€m)</th>
<th>Total waste generated (thousands of metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.7</td>
<td>99.9</td>
<td>15.3</td>
</tr>
<tr>
<td>2012</td>
<td>2</td>
<td>197.3</td>
<td>17</td>
</tr>
<tr>
<td>2011</td>
<td>2</td>
<td>181.8</td>
<td>17</td>
</tr>
<tr>
<td>2010</td>
<td>2.8</td>
<td>151.0</td>
<td>16</td>
</tr>
</tbody>
</table>

The amount of waste produced is steady both in absolute terms and as a percentage of sales. This stemmed from efforts by the sites of all Business Groups to reduce their waste production. The proportion of hazardous waste continues to fall, from 12% in 2012 to 10% in 2013.

## Key Dates in the Group’s Environmental Commitment

- **Early 1990s**
  - Definition of the Environmental Policy
- **1991**
  - Launch of the environmental audits program
- **1997**
  - First Group site to receive ISO 14001 certification
- **1998**
  - Risk Management Manual and Environmental Charter
- **2001**
  - Introduction of centralized environmental reporting
- **2004**
  - Signature of the UN Global Compact
- **2008**
  - Sustainable Development Charter
- **2013**
  - First Group sites to receive ISO 50001 certification

## Consumption of Raw Materials

<table>
<thead>
<tr>
<th>Year</th>
<th>Metals (thousands of metric tons)</th>
<th>Plastics (thousands of metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>202</td>
<td>977</td>
</tr>
<tr>
<td>2012</td>
<td>195</td>
<td>877</td>
</tr>
<tr>
<td>2011</td>
<td>182</td>
<td>877</td>
</tr>
<tr>
<td>2010</td>
<td>161</td>
<td>723</td>
</tr>
</tbody>
</table>

The main raw materials consumed by the sites are metals and plastics, used directly in the composition of finished products and packaging materials. The increase in consumption of the key raw materials stemmed directly from the overall increase in the activity of the Group’s sites.

## 2013 Breakdown of Main Greenhouse Gas Emissions

- **82.4%**
  - Indirect emissions – production of the main materials used in industrial processes (82.4%)
- **9.4%**
  - Indirect emissions – logistics (9.4%)
- **0.7%**
  - Indirect emissions – Valeo vehicles (0.7%)
- **2.3%**
  - Indirect emissions – business trips (2.3%)
- **0.3%**
  - Direct emissions from combustion energy (0.3%)
- **2.8%**
  - Other direct emissions (2.8%)
- **0.1%**
  - Direct emissions generated by commuting (0.1%)
- **0.2%**
  - Direct emissions generated by refrigerant leaks (0.2%)
- **0.1%**
  - Indirect emissions – production of electricity and other sources of energy (0.1%)

This chart shows the preponderant contribution of materials used in industrial processes to Valeo’s overall carbon footprint (82.4%), of which two-thirds for metals, whereas direct emissions represent only 2% of the overall footprint.

## Active Certification Policy

### ISO 14001 and OHSAS 18001 Certification

<table>
<thead>
<tr>
<th>Year</th>
<th>ISO 14001-certified sites (%)</th>
<th>OHSAS 18001-certified sites (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>88</td>
<td>94</td>
</tr>
<tr>
<td>2012</td>
<td>83</td>
<td>96</td>
</tr>
<tr>
<td>2011</td>
<td>88</td>
<td>96</td>
</tr>
<tr>
<td>2010</td>
<td>89</td>
<td>98</td>
</tr>
</tbody>
</table>

In line with its objectives on improving environmental performance over the period 2013 to 2015, Valeo aims to have 10% of its sites obtain ISO 50001 energy management certification by the end of 2015. Two sites obtained this certification in 2013:
- Martorellas (Thermal Systems, Spain)
- Wemding (Comfort & Driving Assistance Systems, Germany)

More than 15 years ago, Valeo undertook a process of certification of its management systems in order to meet its commitment to reduce environmental impacts and improve health and safety conditions for its employees.

By the end of 2013, 94% of Valeo sites had obtained ISO 14001 certification and 88% OHSAS 18001 certification.
The full report on governance and sustainable development is included in the 2013 Registration Document and is available on the valeo.com website.

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