VALEO A TECH COMPANY

2014 ACTIVITY AND SUSTAINABLE DEVELOPMENT REPORT
Contents

08 Message from the Chairman of the Board of Directors
09 Members of the Board of Directors
10 Message from the Chief Executive Officer
14 Operations Committee
16 Key figures
20 Shareholder information

INNOVATION
24 Innovation, driver of growth and profitability
30 Comfort & Driving Assistance Systems Business Group
31 Powertrain Systems Business Group
32 Thermal Systems Business Group
33 Visibility Systems Business Group
34 Valeo Service

OPERATIONAL EXCELLENCE
38 Operational excellence, a pillar of the Group’s culture

INTERNATIONAL
45 At the heart of our markets

SUSTAINABLE DEVELOPMENT
50 Acting for sustainable growth
52 Corporate responsibility
58 Social responsibility
62 Environmental responsibility
68 Environmental indicators
Valeo is an automotive supplier, partner to all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to CO₂ emissions reduction and improved vehicle performance, as well as to the development of intuitive driving.
In 2014, the Group generated sales of €12.7 billion and invested over 10% of its original equipment sales in research and development.
Valeo has 133 plants, 16 research centers, 34 development centers and 15 distribution platforms, and employs 78,500 people in 29 countries worldwide.
RENEWED SHAREHOLDER CONFIDENCE

Valeo returned to the CAC 40 after a 13-year absence, capping the particularly remarkable stock market performance of the last few years. The share price has risen ten-fold since 2008 to become one of the blue-chip index’s star performers in 2014.
29% increase in the share price over the year, making Valeo the CAC 40’s second best performer in 2014.
OUR CUSTOMERS’ TRUST CONTINUES TO GROW

Today’s order intake secures tomorrow’s sales. The Group’s priority is understanding driver expectations and anticipating their future needs. Based on the consumer surveys it conducts, the Group develops innovative products that are highly appreciated by automakers. These innovations account for 35% of the order intake.
OUR EMPLOYEES ARE COMMITTED

The unfailing commitment shown on a daily basis by the Group’s 78,500 employees allowed Valeo to end the year with a record quality level of just three defective parts per million (ppm).

52% of the Group’s plants are at less than 1 ppm.
43% improvement in Quality level compared with 2013
The profitable growth generated over the past few years continued at Valeo in 2014, confirming the Group’s solid results with a significant increase in sales. Order intake for our innovations, which made up 35% of all orders, reflects the commercial success of our new CO₂ emissions reduction and intuitive driving solutions. 2014 was also the year in which Valeo returned to the Euronext Paris CAC 40 index following the decision of Euronext’s Expert Indices Committee in June.

Praised by all observers, this achievement gives the Valeo stock increased visibility and rewards the efforts made by the Group and the strategic decisions taken by General Management over the past few years. Credit should also be given to all Valeo employees, whose dedication is a key performance driver.

Based on operational excellence, research in environmentally friendly innovative technological solutions, and the development of our activities in global markets, particularly in Asia, Valeo’s strategy continues to prove effective. It is based on two strategic priorities comprising the development of technologies focused on CO₂ emissions reduction and intuitive driving, and on expanding our operations in global markets, particularly emerging markets and Asia.

Good governance is also a key factor in ensuring excellent performance. At Valeo, governance is a priority, and thanks to our continuous improvement process, we are a benchmark in this area.

In 2014, the Board of Directors – 75% of whose members are independent – met eight times, with a 99% average attendance rate(1) that demonstrates its steadfast commitment. Similar rates were achieved for the Board’s three Committees – the Audit & Risks Committee, the Appointment, Compensation & Governance Committee, and the Strategy Committee – whose work in the form of recommendations and opinions efficiently contributes to the preparation of Board decisions.

After France, Germany, China and the United States in recent years, and in keeping with the ongoing analysis of Valeo’s global deployment, in 2014 the directors held their annual strategy seminar in Japan where they met key executives from the Group and the main automakers in the region. The seminar was an opportunity to discuss future growth drivers as well as new R&D perspectives. The Board of Directors committed to pursue the risk analysis efforts begun in 2013 and to ensure that the internal control framework remains in step with the Group’s growth and challenges.

With a view to continuous improvement, at the end of 2014,
“THE BOARD OF DIRECTORS WELCOMES THE GROUP’S EXCELLENT PERFORMANCE IN 2014 AS WELL AS VALEO’S RETURN TO THE EURONEXT PARIS CAC 40 INDEX.”

PASCAL COLOMBANI
CHAIRMAN OF THE BOARD OF DIRECTORS

as in previous years, the Board reviewed its operations, this time calling on the services of a specialist external consultant. The review reflected the directors’ very positive assessment of the Company’s governance. They were very satisfied with how the Board of Directors and its Committees operate as regards the level of information and organization of discussions, as well as the opportunities provided to make a constructive contribution to the Board’s work and the Group’s strategy.

Lastly, mindful of regulatory requirements to promote gender balance in the boardroom, the Board of Directors – which already had three women members – decided to propose the appointment of another woman director, Caroline Maury Devine, for ratification at the Shareholders’ Meeting to be held to approve the financial statements for the year ended December 31, 2014.

Members of the Board of Directors (2)

(1) The average attendance rate of the members of the Board of Directors (in person or by proxy) during 2014 was 99%. The average attendance rate of the members of the Board of Directors in person during 2014 was 94.8%.

(2) 75% of directors are independent. 25% of members of the Board of Directors are women.
You recently unveiled your 2020 strategic plan. What are your ambitions for Valeo over the next five years?

Given the high level of order intake over the past few years driven by innovation, Valeo can legitimately aim to achieve average annual organic growth five percentage points higher than global automotive production. Assuming that global automotive production increases by an annual average of 3% over the next five years, this target should result in annual growth of 8% and sales of more than 20 billion euros in 2020.

Buoyed by this strong organic growth, Valeo is aiming for improved profitability in the medium term with an operating margin (as a percentage of sales) of between 8% and 9% (versus 7.2% in 2014).

Lastly, after four years of strong growth in production capacity, particularly in Asia and emerging countries, Valeo is aiming to increase its free cash flow/EBITDA ratio from 21% in 2014 to more than 30% by 2020.
OUR AMBITION
FOR 2020

What key strengths will help Valeo achieve these objectives?
Our first key strength is the Group’s 78,500 employees, who proudly represent our values and ambitions in 29 countries at our 133 plants, 16 research centers, 34 development centers and 15 distribution platforms on a daily basis. I also believe strongly in our approach to innovation, which is firmly anchored in the major trends of our society, regulatory developments and the needs of the different regions where we deliver our products. The car of tomorrow will be connected and energy efficient, two areas on which we are focusing our efforts to offer the most pertinent solutions. Our order book, which has already allowed us to secure 85% of our sales target for the next three years, is also a major asset. Then there is our constant commitment to operational excellence, our financial discipline and our corporate social responsibility policy. With all of these strengths, it would be impossible not to envisage a great future for Valeo.

What were the highlights for Valeo in 2014?
2014 was a year of growth and innovation in which Valeo consolidated its positioning as a tech company with all of its stakeholders. Quarter after quarter we continue to outpace the market, making the Group one of the fastest growing automotive suppliers in the world today, with sales up 9%, operating margin up 15%, net income up 28% and order intake at the high level of 17.5 billion euros. Up by 18%, the order intake is directly linked to the commercial success of our innovative technologies for CO₂ emissions reduction and intuitive driving.

How would you explain Valeo’s growth momentum?
Valeo’s remarkable growth is built on two foundations: innovation, and development in Asia and emerging countries, particularly China. Our innovation strategy – which over the last few years now has been based on CO₂ emissions reduction and improved vehicle performance on the one hand, and intuitive driving on the other –
“BEING A TECH COMPANY MEANS KNOWING HOW TO THINK AND ACT OUTSIDE THE BOX AND VENTURE OFF THE BEATEN TRACK, AND DELIVERING NEW IDEAS AND PRODUCTS TO THE MARKET FOR THE MAXIMUM BENEFIT OF OUR CUSTOMERS.”

is yielding results. This is not only due to the fact that our strategy is in line with consumer concerns and regulatory standards, but also because we develop for our customers a broad range of advanced, innovative technology and solutions, allowing them to offer exceptional (in the true sense of the word) innovations on their vehicles that enable them to stand out from the competition. The resources we put into supporting this development effort are also exceptional: in 2014, Valeo spent 1.1 billion euros on R&D and filed 1,108 patents, which is 40% more than in 2013. It is therefore no coincidence that 35% of our order intake is made up of innovations. Innovation allows us to develop growth drivers. The medium-term average annual growth rate of these products is 25%, boosting our capacity to outperform the global automotive market.

Valeo returned to the Euronext Paris CAC 40 index in 2014. What do you make of this achievement?
Valeo’s return to the CAC 40 is a tribute to the hard work of Valeo’s employees and the Group’s performance over the past few years. It also confirms the new perspective from which the financial community and media in France and across the world now view Valeo. I see it as a positive sign from our shareholders who, like our customers, are today showing renewed confidence in Valeo and its growth potential. Knowing the dedication of the Group’s teams and their strong motivation at every level in every country, I have no doubt that this confidence will be rewarded.

What does it mean to be a tech company?
Being a tech company means being obsessed by innovation and therefore R&D, knowing how to think and act outside the box and venture off the beaten track. Tech companies are always the first to deliver new ideas and products to the market for the maximum benefit of their customers. This has often been the case of Valeo. We introduced the first Stop-Start micro-hybrid system, the first automatic parking assistance system, the first electric supercharger and the first laser scanner for cars. But as well as designing innovative products and attracting the most promising talent as we have done through the Valeo Innovation Challenge, to be a tech company you must also be able to seize opportunities in emerging markets, respond proactively to new challenges, find innovative ways of distributing products and enhancing customer service, demonstrate operational excellence and create value for your shareholders. These are the challenges taken up by the Group year after year.
VALEO’S GROWTH STRATEGY IS BASED ON:

- INNOVATION, WITH TECHNOLOGIES FOCUSED ON REDUCING CO₂ EMISSIONS AND IMPROVING VEHICLE PERFORMANCE, AND THE DEVELOPMENT OF INTUITIVE DRIVING; AND
- GEOGRAPHICAL EXPANSION IN ASIA AND EMERGING COUNTRIES.
Valeo’s Operations Committee currently has 14 members and is chaired by the Chief Executive Officer. Its role is to set the Group’s strategic guidelines, review the operational management of the Business Groups and coordinate projects.
Global passenger car production came out at 87.3 million vehicles in 2014, achieving 3% growth compared to 2013. Automotive production was buoyed by growth in Asia (up 4%) on the back of the dynamic Chinese market which reached a new record production level of 23 million vehicles (up 8%), continued expansion in North America (up 5%) and an upturn in the European market (up 3%). Production in South America fell sharply however (down 16%).
€12.7 BILLION IN SALES IN 2014

Sales and order intake rose 9% and 18% respectively, confirming the Group’s excellent momentum and high-growth potential.
### GROSS MARGIN

as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>17.0%</td>
<td>17.5%</td>
<td>17.0%</td>
<td>17.5%</td>
</tr>
<tr>
<td>2014</td>
<td>17.1%</td>
<td>17.5%</td>
<td>17.1%</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

### OPERATING MARGIN

as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>H1</th>
<th>H2</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6.4%</td>
<td>7.2%</td>
<td>6.4%</td>
<td>7.2%</td>
</tr>
<tr>
<td>2014</td>
<td>7.0%</td>
<td>7.4%</td>
<td>7.0%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

(1) Including share in net earnings of equity-accounted companies.
NET RESEARCH AND DEVELOPMENT EXPENDITURE
as a % of sales

5.4%

5.3%

2013 2014

NET ATTRIBUTABLE INCOME
in millions of euros and as a % of sales

€562m

439

3.8% 4.4%

2013 2014

BASIC EARNINGS PER SHARE
in euros

€7.23

€5.71

2013 2014

EBITDA
as a % of sales

11.4%

11.2% 11.6%

2013 H1 H2

H1 H2 2014

NET DEBT
in millions of euros and as a % of consolidated stockholders’ equity, excluding non-controlling interests

€341m

351

15% 12%

2013 2014

ROCE
operating margin(1) in relation to capital employed

31%

33%

2013 2014

(1) Including share in net earnings of equity-accounted companies.
SHARE PRICE UP 29%  
THE CAC 40’S SECOND BEST PERFORMER IN 2014

Up 29% over the year, the Valeo stock was one of the index’s top performers.

SHAREHOLDER INFORMATION

OWNERSHIP STRUCTURE AT MARCH 31, 2015

% of share capital  % of voting rights

96.61%
Other(1)

93.61%
Other(1)

3.39%
Caisse des dépôts et consignations (CDC)
of which:
1.66%
Bpifrance Participations SA
1.73%
CDC Savings Funds

6.39%
Caisse des dépôts et consignations (CDC)
of which:
3.13%
Bpifrance Participations SA
3.26%
CDC Savings Funds

(1) Including 1,433,966 treasury shares (1.82% of the share capital)
DATA PER SHARE
in euros

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>5.03</td>
<td>5.71</td>
<td>7.23</td>
</tr>
<tr>
<td>Earnings per share before non-recurring items</td>
<td>5.58</td>
<td>6.52</td>
<td>7.63</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>1.50(2)</td>
<td>1.70(2)</td>
<td>2.20(1)</td>
</tr>
</tbody>
</table>

(1) Dividend of 2.20 euros per share proposed to the Shareholders’ Meeting called to approve the financial statements for the year ended December 31, 2014.
(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 1 of said code and article 9 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.

SHARE PRICE*
in euros

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
</table>

*At March 31, 2015.

STOCK MARKET DATA

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalization at year-end (in billions of euros)</td>
<td>2.99</td>
<td>6.39</td>
<td>8.23</td>
</tr>
<tr>
<td>Number of shares</td>
<td>79,462,540</td>
<td>79,462,540</td>
<td>79,462,540</td>
</tr>
<tr>
<td>Highest share price (in euros)</td>
<td>43.31</td>
<td>81.15</td>
<td>106.05</td>
</tr>
<tr>
<td>Lowest share price (in euros)</td>
<td>29.80</td>
<td>37.25</td>
<td>73.94</td>
</tr>
<tr>
<td>Average share price (in euros)</td>
<td>36.30</td>
<td>55.22</td>
<td>93.75</td>
</tr>
<tr>
<td>Share price at year-end (in euros)</td>
<td>37.64</td>
<td>80.43</td>
<td>103.60</td>
</tr>
</tbody>
</table>
Innovation
OUR INNOVATIONS DRIVE OUR GROWTH
INNOVATION, DRIVER OF GROWTH AND PROFITABILITY

BY STAYING TUNED TO THE MARKET, VALEO ANTICIPATES THE NEEDS OF AUTOMAKERS AND MOTORISTS. THIS APPROACH ALLOWS THE GROUP TO OFFER INNOVATIVE TECHNOLOGIES(1) WHICH NOW ACCOUNT FOR 35% OF ITS ORDER INTAKE.

IMAGINING THE CAR OF TOMORROW
The car of tomorrow will be intuitive. In other words, it will be autonomous and connected, while remaining as easy to drive as it is friendly to the environment. These are precisely the strengths of Valeo’s innovation strategy: a leading position and a sustained R&D effort to reduce CO₂ emissions, improve vehicle performance and develop intuitive driving.

INNOVATING IN LINE WITH MARKET, CUSTOMER AND CONSUMER EXPECTATIONS
For innovations to be accepted by the market, we need to anticipate the needs of OEM customers and consumers alike, both today and 20 or 30 years down the road. Valeo’s innovation process is fueled by consumer research, exchanges with customers, new environmental standards and major trends in society. This gives the Group a short-, medium- and long-term vision of the market on which to base its major lines of development. Valeo takes a comprehensive approach, allowing it to play the role of catalyst, fostering the emergence of innovative technological solutions. Global trends indicate that the world population is set to grow, age and become more urban. Urban mobility will change substantially in the coming years. Users will be increasingly connected, will interact more with their vehicles, and will use them differently (frequency, distance, autonomy, sharing). Consumers are also attached to their connected devices, which are already a part of daily life and will be even more so tomorrow leading to the development of simple, intuitive human-machine interfaces to enhance driving automation and safety.

(1) Products and technologies on the market for less than three years.
Reduction in fuel consumption and pollutant emissions is another strong demand in the market, driven by regulations and in tune with trends in society. Various user surveys have shown that though fuel efficiency is one of drivers’ main concerns, this should not be at the expense of driving pleasure. This is why engine performance is so important. Engines need to be powerful and fuel-efficient, while remaining clean and meeting increasingly stringent regulations in terms of the reduction of CO₂ emissions. Valeo’s R&D engineers take into account existing and future regulations, thereby helping automakers to meet their requirements.

**Valeo’s Tuam site in Ireland**

designs and manufactures a wide range of onboard cameras, including high-definition cameras and smart cameras capable of communicating with infrastructure.

Tuam teams were the first to develop cameras offering a 360° aerial view of the car and its immediate surroundings. A new milestone in 2014 was the release of 360Vue® 3D, which further improves the view of the vehicle’s environment, a world first in three-dimensional car vision. An algorithm merges the front, side and back camera views, and incorporates a larger view of the vehicle and its environment. An electronic control unit uses a powerful microprocessor to perform the necessary image processing in real time. The intelligent rear-view camera produced by the site is part of Valeo’s Back-Over Protection System. This innovative system, which helps drivers avoid accidents when reversing, won a PACE (Premier Automotive Suppliers’ Contribution to Excellence) Award in 2014.
INNOVATION

INNOVATIONS FOR TODAY AND TOMORROW

While research and development must be turned towards the future, the present is of prime importance. Valeo develops intermediate solutions, technologies suited to each market segment and accessible to the greatest number of people. Some of these technologies have become industry benchmarks, and are evolving constantly.

For instance, Valeo’s simple ultrasonic parking assistance sensors, sales of which have reached the hundreds of millions of units since they were brought to the market in 1991, have served as a basis for the development of the Park4U® semi-automatic parking system, before being combined with cameras in the Park4U® Remote system, an automated parking system controlled by smartphone. In addition to ultrasonic sensors, Valeo mass produces all technologies used in detection around the vehicle, including radars equipping systems to detect vehicles when backing out of a parking space and cameras offering an aerial view of the vehicle and its immediate surroundings. With the development of automated driving functions, these technologies will soon be enhanced by laser scanners.

Similarly, Valeo’s Stop-Start 12V starter-alternator, launched in 2003 and also sold in millions of units, is becoming a standard feature worldwide, particularly in China. This micro-hybrid system is the first step towards vehicle hybridization. It turns off the engine when the vehicle is at a standstill at traffic lights or in a traffic jam, and saves as much as 15% in fuel consumption in urban traffic. The new generation, introduced in 2012, features an engine starting “boost” function as well as regenerative braking. At the same time, Valeo is developing higher-voltage solutions for hybrid, plug-in hybrid and electric vehicles. Lastly, to significantly improve the performance of smaller engines without increasing fuel consumption, Valeo has developed the electric supercharger.

Optimizing the vehicle’s thermal management is also important for increasing the efficiency of internal combustion engines and reducing the energy required to ensure passenger comfort. It also helps comply with increasingly stringent environmental standards by reducing fuel consumption and emissions of CO₂ and harmful particles. For hybrid and electric drivetrains, Valeo offers temperature regulation solutions – notably for battery cooling – that increase travel range and extend battery life.

In lighting, Valeo has a range of full LED lighting systems that offer automakers a wide range of possibilities in terms of design. Through the use of intelligent adaptive lighting, this innovative technology allows motorists to drive with their lights on high beam at all times without dazzling other road users. Laser headlights, presented by Valeo at the Paris Motor Show, further improve nighttime visibility by illuminating the road for a distance of up to 600 meters, twice as far as today’s systems.

R&D effort of €1.1 billion

10.4% of OE sales dedicated to R&D

€17.5 billion in order intake, of which 35% for innovative products

50 Research & Development centers worldwide

1,108 new patents filed in 2014, a 40% increase on 2013

10,400 people, an increase of 13% on 2013

(1) Products and technologies on the market for less than three years.
The car of the future: Cruise4U®

One can easily imagine a fully autonomous car being developed in the coming decades, but vehicles will in the meantime be gradually equipped with an increasing number of automated features and a more intuitive driver-vehicle interface. Valeo has developed a set of scalable solutions with the aim of achieving a fully automated vehicle.

This car is on its way. Certain automakers are marketing the first semi-autonomous vehicles, while others have unveiled prototypes of vehicles that enable drivers to engage in non-driving activities.

With the development of its Valeo Intuitive Driving strategy, the Group is particularly well positioned to meet this new challenge. Its expertise in sensors that allow the vehicle to analyze its environment, in connectivity and in intuitive human-machine interfaces allows it to intelligently combine different systems so as to provide functions that are essential for highly automated driving.

At the 2015 Consumer Electronics Show (CES) in Las Vegas, Valeo presented its automated driving prototype, Cruise4U®, which visitors were able to test in real traffic conditions in the city streets. When the system is active, the driver decides whether to drive the vehicle him or herself or to allow Cruise4U® to take control. Equipped with a Valeo laser scanner(1), Cruise4U® allows automated driving thanks to its extended detection range, its wide field of vision and its precision. It can detect static or moving obstacles and therefore anticipate events and avoid collisions. In automatic mode, the system takes full control of the car’s steering, acceleration and braking.

An optimized control system has been designed by Valeo and IAV, a leading player in engineering and automotive integration, and Valeo’s partner on this project.

Automated driving also includes enhanced active safety features that make driving safer in manual and automated mode alike and contribute to improving traffic flow and thus reduce CO₂ emissions.

(1) Valeo’s laser scanner is also the main technology used in the Valet Park4U® automatic parking system prototype presented at the CES in 2014.
How far can we go in terms of automated and connected cars?

One of the first obvious applications in terms of connected cars, already standard on some models, is access control, with smartphones now able to replace keys and allowing a high degree of personalization of vehicle settings: your favorite radio station, rear-view mirror and seat adjustments, inside temperature, etc.

Ultimately, it will even be possible to control the car remotely, leaving it to park itself in a car park, for instance.

Technology will allow us to offer more than these solutions, but the public must be prepared to accept the change, and legislation will need to keep pace as well.

The rules of the road, which in most European countries are governed by the Vienna Convention, require all moving vehicles to have a driver, and require drivers to keep their hands on the wheel.

Today, governments are in favor of changing road laws, aware that autonomous cars could lower the risk of collision to one in a billion, bearing in mind that currently 90% of accidents are attributable to human error. Automation should also help improve urban traffic flow and, thanks to optimized driving, could reduce fuel consumption by 30%.

However, we won’t be seeing a fully autonomous car any time soon!

I prefer to talk about semi-autonomy, by 2020.

While in theory it is already possible for vehicles to operate autonomously on a freeway or a highway, there are lots of technical hurdles to clear before autonomous driving becomes a possibility in cities, given the large amount of data to be analyzed.
For the second consecutive year, Valeo was present at the 2015 Consumer Electronics Show (CES) in Las Vegas, taking center stage with the demonstration of Cruise4U®, its automated driving prototype. On the main stand, visitors were able to get a look at Valeo Mobi/us, a fully digital connected console for automated vehicles. Whenever the system detects favorable conditions for automated driving, such as in a traffic jam or on a highway, it suggests shifting from manual to automated driving mode: the driver simply has to press the “auto pilot” button on the steering wheel. Similarly, the system emits a visual and audio alert as soon as it anticipates the need for the driver to take back control.

During periods of automated driving, Valeo Mobi/us makes the most of the graphic possibilities offered by the new fully reconfigurable digital dashboard. A control on each side of the wheel, in the form of two small touch screens, allows the driver to control the connected interface in complete safety. The system connects remotely to the driver’s smartphone and tablet, and automatically displays all the usual applications. The phone or tablet can stay in the driver’s bag or pocket.

In addition to offering comfort, this interface makes it much faster and safer to switch from manual to automated driving mode. The demonstration at the CES of InBlue, Valeo’s virtual key, which was unveiled in a world premiere at the Paris Motor Show, also attracted attention from the media, customers and the general public. This smart and connected key uses Bluetooth®Smart technology and a simple application on the driver’s smartphone or smartwatch to lock, unlock and start the vehicle. This makes lending out your car very simple. You just need to send a digital key via your smartphone to the borrower, who uses his or her own smartphone to open and start the car. It also facilitates car-sharing and remote parking: thanks to Bluetooth®Smart technology, InBlue is compatible with the Valeo Park4U® Remote and Valet Park4U® remote parking systems.

Valeo at the Consumer Electronics Show in Las Vegas
Making driving intuitive

Tomorrow’s cars will be highly automated and increasingly connected. Today, innovative, intuitive interfaces are needed to support this functional leap. The Comfort & Driving Assistance Systems Business Group focuses on the driver experience and develops a range of unique solutions to make driving more intuitive. The innovations of the three Product Groups (Driving Assistance, Interior Electronics and Interior Controls) make mobility safer, more connected and greener.

Comfort & Driving Assistance Systems continued to go from strength to strength with order intake reaching an all-time high and with China accounting for 24% of new orders. As automotive markets continue to boom, especially in Asia and North America, the Business Group continues to develop its teams with a view to bringing recently acquired contracts to market from 2015 and to developing a range of innovations specific to these markets.

The Comfort & Driving Assistance Systems Business Group won a 2014 PACE (Premier Automotive Suppliers’ Contribution to Excellence) Award for its innovative back-over protection system.

In 2015, it will continue to develop the intuitive driving strategy with its unique range of solutions and products based on detection and connectivity systems and interfaces that will deliver solutions for the next generation of automated vehicles. Part of that will be the development of human-machine interfaces that provide drivers with the confidence needed to master these highly complex functions.

€2.3bn
in sales
18% of Group sales
Reducing CO₂ emissions

The future belongs to cars capable of reducing fuel consumption and CO₂ emissions without compromising on driving pleasure and performance. The Powertrain Systems Business Group is therefore developing innovative solutions from the optimization of internal combustion engines through to the varying levels of vehicle electrification, and from Stop-Start systems to electric vehicles, through its four Product Groups: Electrical Systems, Transmission Systems, Combustion Engine Systems and Electronics.

The Business Group stepped up its activity in 2014 with a third of all patents filed by the Group and also very positive feedback from automakers on the future innovations presented at the various events organized for customers. It notably launched volume production of battery chargers for the Volvo V60H hybrid vehicle and received an extension of the order for engine control systems to all Peugeot PureTech engines, which offer high performance while meeting the latest emissions standards. The success of Stop-Start systems was confirmed with new markets in Asia and North America for reinforced starters as well as a major order for the i-STARS 12V system from a European automaker for premium vehicles to be sold in Europe and the United States. The Business Group also received orders for dual mass flywheels with pendulum for manual and wet dual clutch transmissions.

The Business Group focuses its growth on CO₂ emissions reduction and vehicle energy efficiency to meet the increasingly strict regulatory standards required of its automaker customers. Among the key research priorities are engine downsizing with the development of small direct injection turbo-charged engines, the automation of transmissions, the electrification of engines or the development of hybrid solutions.

€3.3bn
in sales
26% of Group sales
Reducing pollutant emissions

Today, it is not enough to manage the thermal energy of the powertrain. Optimal in-vehicle comfort for all passengers during all phases of vehicle use must also be ensured. The Thermal Systems Business Group guarantees all these performance aspects by developing and manufacturing systems, modules and components that help to significantly cut fuel consumption, reduce emissions of CO₂, polluting gases and harmful particles emitted by vehicles equipped with internal combustion engines and optimize travel range and battery life for hybrid and electric vehicles. The Thermal Systems Business Group has four Product Groups: Climate Control, Powertrain Thermal Systems, Climate Control Compressors and Front End Modules. In 2014, the Business Group’s sales increased 8%(1) year on year, outpacing automotive production by five percentage points. The order book is at an all-time high and major contracts were signed in the year in Europe and Japan. To keep pace with this growth and to meet customer demand, extensions were built to existing plants in China and Russia in particular. Two new front end module plants were opened during the year to supply two new customers with products for the German and Chinese markets.

The diversification of powertrains represents the future of the market. The main growth drivers consist of cutting CO₂ emissions and fuel consumption, reducing pollutant emissions generally and complying with voluntary or mandatory “zero emission” goals in certain urban areas. Solutions for passenger thermal comfort, lower emissions and reduced fuel consumption differ in line with powertrain designs while remaining compatible with vehicle platforms that are essential in the auto industry.

€3.6bn in sales
28% of Group sales

(1) Original equipment sales of the Thermal Systems Business Group were up 8% for the year on a like-for-like basis.
Ensuring perfect visibility

Today’s cars must offer drivers perfect visibility at all times, day or night. The Visibility Systems Business Group develops innovative, high-performance systems designed to meet driver needs both in manual driving mode and in the future in autonomous mode. These systems are optimized in terms of weight, size and energy consumption and thus contribute to the reduction of the vehicle’s CO₂ emissions. Visibility Systems has two Product Groups: Lighting Systems and Wiper Systems.

In 2014 LED technology consolidated its global success in external and interior lighting, both in high-end vehicle lighting systems and more popular models alike. At the forefront of this trend and on the strength of its modular approach, Valeo was chosen to supply a number of new models with its BiLED® module. These include the new Mini three- and five-door models, the BMW i8 and the Ford Edge, and the upcoming Geely GC9 in China, making it the first LED lighting system to be offered by a Chinese automaker. Aside from LED technology, the other solutions favored by automakers include the glare-free high-beam headlamps developed by Visibility Systems, which are now being offered on a growing number of popular European models.

As for the Wiper Systems Product Group, its onboard washer system is featured on the Citroën Cactus and its electronic wiper systems on the Ford Mondeo, the Volkswagen Lamando and the Ford Edge.

The growth of wiper systems with integrated washing, for which the Group offers a complete range of solutions, will also be boosted by the development of onboard cameras in advanced driving assistance systems found in more and more vehicles and that need to be kept clean.

€3.6bn

in sales
28% of Group sales
VALEO SERVICE

The aftermarket multi-specialist

Valeo Service supplies spare parts and offers its multi-specialist expertise to both automakers and the independent aftermarket. Valeo Service offers all aftermarket channels a broad range of products and services to help boost the efficiency of repair services, while providing greater safety, comfort and driving pleasure to consumers. Valeo Service also offers innovative tools and services such as diagnostics, training, and sales and marketing support. With operations in over 150 countries, Valeo Service supplies expertise across all distribution channels specialized in BtoB (traditional auto networks) or BtoC (hypermarkets, auto centers), together with a constantly growing presence on Internet-based channels over the last few years.

In 2014, Valeo continued to consolidate its premium multi-specialist (multi-product, multi-region and multi-channel) aftermarket position earning the title of Supplier of the Year (Marketing category) presented by the distribution group, GroupAuto International. This award recognizes Valeo Service’s ability to deliver the best performance in terms of product catalog, product line management and technical expertise to its international partners. Valeo Service was also named Commercial Vehicle Supplier of the Year by the UK Independent Automotive Aftermarket Federation. In 2014, to support its development in Asia, Valeo Service opened a sales division in Thailand covering the ASEAN region. It also expanded its activity in the industrial vehicles market with new product offerings and extended geographical reach.
GLOBAL PRESENCE in
151 countries

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

3,000 NEW PRODUCTS added in 2014

14 PRODUCT LINES for passenger cars

11 PRODUCT LINES for commercial vehicles, trucks and agricultural vehicles

15 DISTRIBUTION platforms
Operational excellence
WE GO
THE FULL
DISTANCE
OPERATIONAL EXCELLENCE, A PILLAR OF THE GROUP’S CULTURE

OF CRITICAL IMPORTANCE TO VALEO, OPERATIONAL EXCELLENCE IS A PILLAR OF CORPORATE CULTURE. AS THE CONTROLLED DEVELOPMENT OF THE GROUP’S BUSINESS IS DRIVEN BY ONE GUIDING OBJECTIVE – OBTAIN COST-EFFECTIVE TOTAL QUALITY IN PROJECTS, ENGINEERING, MANUFACTURING AND PURCHASING, WITH THE SINGLE GOAL OF SATISFYING OUR CUSTOMERS – ALL EMPLOYEES ARE AWARE OF THE ROLE THEY HAVE TO PLAY, REGARDLESS OF THEIR FUNCTION OR THE SITE WHERE THEY WORK. TO ACHIEVE THIS, VALEO APPLIES ITS 5 AXES METHODOLOGY IN WHICH THE GROUP TRAINS ALL ITS EMPLOYEES AT ITS 5 AXES SCHOOL, WHICH CELEBRATED ITS 20TH ANNIVERSARY IN 2014.

EXCELLENCE AT VALEO: A GENUINE STATE OF MIND
Valeo has long understood that employees are the key players in operational excellence. At its plants, all employees are committed to advancing quality every day. They are encouraged to make suggestions for improvement and to participate actively in the work of the autonomous team to which they belong. Valeo recognizes the competencies of its employees, enhances them through training, and empowers them to carry out their responsibilities.

PRODUCTION, THE CRITICAL LINK
Since the quality of an end product is closely linked to the organization of its production, Valeo implements the “Valeo Production System” (VPS). 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. This standardization of methods allows the Group to guarantee the same level of quality throughout the world. This is a major challenge in view of Valeo’s global growth, which sees it launch new plants or new product lines on existing sites every year. Most of these new sites are multi-activity, and produce systems for different Product Groups. This results in “shared” management that optimizes production while at the same time sharing costs. Since 2013, to ensure successful production ramp-ups and optimal customer satisfaction, Valeo has put in place the concept of “mother-daughter” plants by pairing well-established sites (mother plants) with new sites (daughter plants), allowing the daughter to benefit from the mother’s experience.
INNOVATION AND QUALITY
While Total Quality underpins the 5 Axes, Constant Innovation is central to Valeo’s research and development strategy, and activities in this area are an integral part of operational excellence. Project management is governed by the Constant Innovation policy. The Group has also developed specific tools to integrate quality upstream, when developing new products and the associated production processes. These tools include the RAISE(1) methodology, which aims to ensure the robustness of products and processes through standards, deploy them and ensure their proper implementation, and the CLEAN(2) methodology, which aims to increase the efficiency of project management and focus on customer satisfaction.

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.

(1) Robustness, Accountability, Innovation, Standardization, Expertise.
(2) Customer oriented, Lean, Efficient, Accountability of actors, Nimble.
STRONG PARTNERSHIPS WITH SUPPLIERS
To achieve operational excellence, Valeo must also integrate, retain and work closely with the most efficient suppliers in terms of quality, technology and productivity. The fact that the selected supplier base is small makes the Group’s relationships with these partners even stronger, allowing it to benefit from their ability to innovate in a process of continuous improvement. Today more than ever, Valeo must ensure that its industrial partners are able to provide the innovative technologies necessary to the implementation of its strategy, and that satisfy customer demands. This is why R&D has to play a part in the supplier development process.

INTERNATIONALLY RECOGNIZED OPERATIONAL EXCELLENCE
In 2014, Valeo received numerous awards and honors, reflecting the recognition by its customers and partners of the quality of its products and services and demonstrating both its innovation capacity and its operational excellence.

All Valeo’s Business Groups – a total of 16 plants in countries from Hungary to Japan and Mexico – received Supplier Quality Excellence awards from General Motors. Three Valeo plants in China also received awards from Nissan (China).

PSA Peugeot Citroën rewarded Valeo for its competitiveness in Europe and for contributing to the success of the Peugeot 308, which won the European Car of the Year award. The Group was also named Manufacturer of the Year 2014 at the fifth Assises de l’industrie (Industry Symposium), organized by weekly French business magazine L’Usine Nouvelle.

Kohnan: combining solidarity and efficiency
Fuji Heavy Industries (Subaru) honored the Kohnan plant (Thermal Systems) in Japan with a Production Contribution award. Despite substantial damage caused by exceptional snowfall in January 2014, the plant was quickly able to return to production and meet its delivery targets thanks to the dedication of its employees and the solidarity shown by Valeo’s other plants in Japan, together with support from a team of experts from Subaru.
3 PPM<sup>(1)</sup>
The Group’s quality level at the end of 2014, the best result ever achieved and a 43% improvement on the 2013 level.

52% of the Group’s plants are at less than 1 ppm.

<sup>(1)</sup> Defective parts per million.
WE ARE WHERE THE WORLD IS ACCELERATING
With a balanced customer portfolio and geographical presence, record order intake and an automotive market that is expected to grow by 3% per year between now and 2020, Valeo can look to the future with confidence.
MARKET-BEATING PERFORMANCE

In 2014, growth in original equipment sales outpaced the 2.7% increase in global automotive production(1) by 6.5 percentage points. Automakers’ confidence in Valeo is illustrated by the Group’s record order intake of 17.5 billion euros (an increase of 18% compared with 2013), split between the major automotive production regions, Europe (44%), Asia (34%) and the Americas (22%). Order intake, the pace of which has doubled in the last five years, is driven by innovative products and systems, and by the Group’s accelerating growth in Asia and emerging markets. At the end of 2014, the Group’s order book contained 85% of its 2017 sales target and 50% of its 2019 sales target. Growth in Asia, particularly in China and emerging markets, is one of Valeo’s strategic priorities. Asia currently accounts for over 50%(2) of global automotive production and 28% of the Group’s original equipment sales, up from 12%(3) in 2007. This geographical positioning reflects the Group’s balanced customer portfolio. German automakers remained the Group’s leading customers in 2014, accounting for 30% of original equipment sales, while Asian customers (including Nissan) represented 26%, and US customers 22%. French automakers accounted for 16% of original equipment sales.

To better serve its customers around the world, Valeo continued to reinforce its industrial footprint and build up its workforce in 2014. The installation of product development and production capabilities near its automaker customers allows Valeo to react faster, while reducing inventories and logistics costs.

(1) Light vehicle production.
(2) Source: LMC and Valeo estimates.
(3) Valeo original equipment sales.
CLOSE LINKS WITH CUSTOMERS

In-depth knowledge of the needs of automaker customers allows a customized approach to innovation. To strengthen its close ties with its automaker customers and better understand their needs, every year Valeo holds events to which it invites automaker representatives. The Group’s Tech’Days, for example, are an opportunity to present in a targeted manner its latest innovations designed to meet specific customer needs. They also provide the opportunity for customers to test drive demonstration vehicles featuring these innovations. Organized primarily at customer sites on all continents and lasting one or more days, these events can be attended by several hundred participants (senior managers, representatives of R&D and purchasing departments). In addition to these operations, Valeo invites executives from automakers to visit its R&D centers and industrial plants. The Group also takes part in the world’s major autoshows, including Auto China in Beijing and the Paris Motor Show, both of which were held in 2014. These events are a key opportunity to exchange views and cement relationships between Valeo and automakers, as well as to present innovations in confidential showrooms.

Valeo China honored

During the third France China Trophy ceremony, which recognizes French companies that achieve success in the Chinese market, the Group was awarded the Growth Trophy for its performance in terms of sales, long-term growth rates and partnership strategy. At the 2014 China Automobile and Parts Industry Development and Innovation Awards organized by Automobile & Parts magazine, Valeo China received an Innovation Award for the second year running, in recognition of its efforts in the development of innovative technologies and in the area of corporate social responsibility. The operational excellence of Valeo’s plants in China has also been recognized by many international and local automakers.
Valeo has been present in China for 20 years and is now a key market player. Automotive production in China was up 8% in 2014 and has more than doubled since 2007, with more than 23 million vehicles produced in 2014, representing 27% of global production. China has become the world’s biggest market, and is projected to account for approximately one-third of the global market by 2030.

Valeo supports both its international customers as they deploy their development strategies in China and supplies the country’s fast-growing domestic automakers. Valeo’s sales in China rose by 28% in 2014, and totaled 15% of the Group’s original equipment sales. Beating Chinese automotive production by 20 percentage points, this performance reflects Valeo’s momentum in China, which also generated 24% of the Group’s order intake in 2014.

Skills development in local research and development teams allows Valeo to provide products designed for the Chinese market and to introduce innovative technologies for reducing CO₂ emissions, improving vehicle performance and developing intuitive driving, while at the same time developing new technologies in China that can then be rolled out in the global market.

To achieve its growth objectives in China, Valeo is adjusting its production capacity to keep pace with the rapidly expanding market. In 2014, Valeo opened a new plant in Shanghai, its biggest yet, with a production capacity of 10 million alternators and starters per year. It also opened three other plants in Shenyang, Yantai and Foshan. With these major investments and its innovative products, the Group aims to double its sales in China every four years.

(4) Source: LMC and Valeo estimates.
(5) Source: BIPE and Valeo estimates.
Sustainable development
WE ACT FOR SUSTAINABLE GROWTH
A GLOBAL ECONOMIC AND INDUSTRIAL PLAYER
Under the concept of sustainable development, Valeo combines its initiatives in terms of innovation, environmental and social responsibility, and ethics and compliance. For Valeo, being responsible means developing safe and environmentally friendly products, while at the same time designing and manufacturing them in compliance with environmental and risk management standards. It also means ensuring safe and ergonomic working conditions mindful of each individual, in accordance with the rules of ethics, and acting responsibly alongside local communities.

SEVEN PILLARS FOR A SUSTAINABLE DEVELOPMENT POLICY
In 2014, Valeo continued to reinforce its sustainable development policy, which is built on seven pillars:
- eco-responsible, low-carbon and sustainable innovation in research, methodology, products and solutions;
- environmentally efficient industrial processes;
- workplace health and safety;
- human capital development;
- sustainable development principles applied in purchasing policy;
- ethics and compliance;
- the contribution of the Group’s sites on social issues.
Each of these pillars encompasses policies addressing the Group’s key challenges, which are monitored and managed through objectives and key performance indicators set by the various departments in their respective fields.
Since responsibility is not restricted merely to complying with regulations, Valeo has developed a proactive approach to promoting responsible practices in labor relations, and on social and environmental issues, often going beyond regulatory requirements. It is a dynamic vision that involves all stakeholder groups at all stages of the production process. This includes the design (research centers and universities, engineers), production (suppliers, employees) and sales (automakers, distribution networks) phases for the original equipment and aftermarket segments.

Following an internal competition, the logo designed by Jérôme Dern, Software Quality manager at the Comfort & Driving Assistance Business Group in Créteil (France), was selected to symbolize Valeo’s commitment to Corporate Social and Environmental Responsibility.
HUMAN RESOURCES STRATEGY IS A FUNDAMENTAL PART OF THE GROUP’S SOCIAL RESPONSIBILITY POLICY. IT RESULTS FROM A COMPREHENSIVE APPROACH THAT TAKES INTO ACCOUNT SPECIFIC CULTURAL, ECONOMIC AND MARKET CONDITIONS, ALLOWING THE GROUP TO DEAL WITH A BROAD RANGE OF SITUATIONS IN THE VARIOUS COUNTRIES WHERE IT OPERATES.

CORPORATE RESPONSIBILITY

A PRIORITY COMMITMENT
Valeo’s responsibility in respect of its employees is one of its human resources priorities. In addition to compliance with global standards in terms of non-discrimination, fair treatment and respect for health and safety, the Group has made commitments in the following areas: promotion of and compliance with Valeo’s values; employee health and safety, and improvement of workstation ergonomics; enhancement of the human aspect by fostering motivation and employee commitment, as well as gender, disability, social, cultural and generational diversity, and well-being at work.

STEPPING UP RECRUITMENT
More than ever at the service of the Group’s innovation and growth, recruitment was stepped up in 2014. Valeo continues to enrich the skills of its teams in support of its gradual shift from an industrial company to a technology company. The number of engineers and managers hired on permanent contracts increased by 39% in 2014.
Attracting top international talent, particularly in fast-growing markets and in fields related to CO₂ emissions reduction and improved vehicle performance as well as intuitive driving technologies, is a guarantee of success for Valeo. The Group can thus deliver added value to its customers around the world in terms of innovation, total quality, and competitive solutions and services. Valeo’s growth across the world has resulted in a 6% increase in the number of its employees. Today, 82% of Valeo’s total workforce is located in a country other than France, up from 66% in 2000, reflecting the Group’s internationalization policy.
“ZERO ACCIDENTS” OBJECTIVE
In the field of safety and working conditions, Valeo’s goal is “zero accidents”. The Group has implemented systematic audits performed by external consultants so that risks can be better assessed and managed, and quality standards improved, with the objective of obtaining OHSAS 18001 certification for all plants. To standardize and entrench safety culture at its plants, the Group has set up several internal training modules for its plant managers, covering all of its health, safety and environment guidelines. In keeping with its policy of continuous improvement and its determination to guarantee complete transparency, accident-tracking software known as “VIM Safety” (Valeo Incident Management) was implemented in all plants in 2013. The share of training hours allocated to health and safety was 15% in 2014. These efforts are paying off, as the number of accidents with lost time continued to fall, with an FR1\(^{(1)}\) ratio of 2.6 in 2014, down from 5.24 in 2008, a 50% improvement in the space of six years. The Group awarded the year’s Safety Prize to the Wemding plant (Germany) for improving its FR1 (no lost-time accidents) ratio and for demonstrating its commitment to reporting all accidents resulting in no injuries (increase in the FR2\(^{(2)}\) ratio). Reporting even minor accidents can help avoid more serious ones in the future, thanks to the analysis of the causes of accidents and the implementation of appropriate action plans.

\(^{(1)}\) Formula for calculating FR1: (number of lost-time accidents \(\times 1,000,000\))/number of hours worked

\(^{(2)}\) Formula for calculating FR2: (number of accidents with or without lost time \(\times 1,000,000\))/number of hours worked
MAINTAINING QUALITY LABOR RELATIONS

Guaranteeing employee cohesion through quality labor relations is a critical step in implementing the measures needed to achieve the Group’s transformation, against the backdrop of the significant, deep and rapid change currently taking place within the automotive sector, and to meet the challenges stemming from the gradual cultural shift from an industrial company to a technology company. Valeo seeks to promote labor relations that provide a platform for exchanging points of view, fostering mutual understanding and finding well-balanced solutions in the interests of all stakeholders.

In 2014, 22 countries had at least one plant that had signed an agreement with labor organizations. In total, around 200 collective agreements were signed at local level at Valeo’s various sites worldwide in 2014. The topics covered by these agreements included working hours, pay, and health and/or safety. Lastly, Valeo’s corporate social responsibility policy fits into a universal framework of international commitments designed to guarantee the dignity of individuals and fundamental social rights (United Nations, International Labour Organization and the OECD’s Guiding Principles for multinationals). These commitments were formalized in 2005 through their inclusion in the Valeo Code of Ethics, which has been in force since 1997.

WELL-BEING AT WORK: A GLOBAL PROCESS

Taking care of the well-being of its employees helps ensure their long-term commitment. This is what underlies the “Well-Being at Work” approach implemented by Valeo over the last five years in France and the last three years worldwide. In 2013, following the third engagement survey of engineers and managers, a measurement of “well-being” was added to the index. At the end of 2014, an internal survey to measure well-being was conducted among technicians, operators and other non-managerial staff in order to accurately gauge their perception of four factors: work-life balance, recognition, freedom in decision-making and support.

The results of this survey, which point to signs of progress, will be used to draft an action plan for 2015-2016. Lastly, Valeo’s excellence in human resources management was once again acknowledged in 2014: the Group was awarded the Top Employers label in 18 countries for 2014 (six more than for 2013), from the United Kingdom to China, as well as Brazil and the United States.

Well-Being at Work drivers

Well-being at Work

- WORK-LIFE BALANCE
  - Role
  - Workload
  - Work organization

- RECOGNITION
  - Recognition
  - Career prospects

- SUPPORT
  - Support from managers
  - Support from peers
  - Strong working relationships

- FREEDOM IN DECISION-MAKING
  - Freedom in decision-making
  - Involvement in change

Well-Being at Work drivers

- WORK-LIFE BALANCE
  - Role
  - Workload
  - Work organization

- RECOGNITION
  - Recognition
  - Career prospects

- SUPPORT
  - Support from managers
  - Support from peers
  - Strong working relationships

- FREEDOM IN DECISION-MAKING
  - Freedom in decision-making
  - Involvement in change
PROMOTING DIVERSITY AT ALL LEVELS
WHATEVER THE JOB OR FUNCTION
A means of building skills, fostering creativity and enhancing performance, diversity is one of Valeo’s fundamental values. The Group is committed to promoting diversity at all levels whatever the job or function. In addition to the Diversity Committee, chaired by the Group HR Senior Vice-President, which monitors the implementation of policy and the achievement of a better understanding of the strategic importance of diversity by managers, four specific committees (Gender, Disability, Culture and Generations) have been set up. Their role is to make proposals for improvement. These guidelines have also been included in the new Recruitment Guide, making it a valuable tool for all those involved in the candidate selection process.

In 2014, Valeo continued its initiatives to help people with disabilities (the threshold of 1,000 has now been exceeded), with the aim of significantly and sustainably improving their integration into the Group. Disability-awareness training has been stepped up, with the selection of in-house trainers at each of the French plants. To support these measures, a large-scale communication campaign has been implemented to promote disability diversity Valeo’s policy with regard to the younger generation is reflected in the deepening of its relations with higher education institutions and the development of selective partnerships with internationally renowned universities and schools, as well as its involvement in numerous forums around the world, and notably in 32 Chinese universities. In addition, initiatives in favor of youth employment and the integration of young people in the workplace have allowed the Group to welcome 1,321 interns, 867 people on apprenticeships or on-the-job training contracts, and 123 people...
Developing Talent and Skills

Valeo ensures that it offers all of its employees career development opportunities. It is the Group’s policy that at least three out of four positions be filled internally. Also in order to promote management in step with specific cultural and linguistic requirements, Valeo seeks to promote the hiring of local managers: over 70% of plant managers are nationals of the country in which they work.

In 2014, the Group continued to extend its training policy to include as many employees as possible: 92.2% of employees (up from 89.8% in 2013) attended at least one training session during the year, with 100% of engineers and managers receiving training. Training expenditure increased to 1.51% of personnel expenses, excluding social security contributions, from 1.45% in 2013. The number of training hours and trainees rose by 6% and 6.4% respectively year on year. To support the Group’s innovation and technological development policy, programs related to the knowledge of materials, products, and production systems and processes were stepped up and accounted for 21% of the total number of training hours delivered in 2014.

Cultural Diversity in Figures

Operations in 29 countries.
More than 100 nationalities.
The ten most widely represented nationalities within the Group are Chinese, French, Mexican, Polish, German, Thai, Brazilian, American, Spanish and Japanese.

The countries with the highest number of different nationalities:
France (72 nationalities), Germany (54), Ireland (32), the United States (30) and the Czech Republic (25).

On VIE (international business volunteering) programs throughout the world. Valeo is also committed to employing older workers. This is a key policy aimed at allowing the Group to benefit from experience, to anticipate the development and transfer of expertise, and to foster intergenerational diversity. In addition to the “intergenerational contracts” negotiated at sites in France, the global working group set up on this issue in 2013 continued its work, meeting nine times in 2014.
Women at Valeo

Valeo is committed to respecting, in comparable situations, equality between men and women in terms of career development, training and compensation. The proportion of women engineers and managers among new hires increased to 24.30% in 2014, 0.1 percentage points more than in 2013. In some high-growth countries such as China, women accounted for 32% of new hires.

One of the key objectives in 2014 was to promote better visibility of women in the Company. Exchange meetings were held in the Business Groups, and several functional departments also made specific efforts to promote gender diversity. They include the Supplier Quality Assurance network, which carried out an awareness campaign on this theme on three continents (America, Asia and Europe). To help women improve their leadership skills, the Group also set up a mentoring program in 2014. Fifteen women managers have already taken part. Lastly, the Valeo Women Connected network, launched in 2012, now has more than 1,000 members, both women and men, in 12 countries.

In terms of external visibility, the Group continued to partner with organizations that seek to promote industrial careers among young women. It also regularly partners with engineering schools with the aim of raising the awareness of students on the issue of gender diversity and turning them into diversity advocates right from the outset of their careers.
VALEO TAKES A BROAD VIEW OF THE CONCEPT OF RESPONSIBILITY AND HAS A PROACTIVE APPROACH GEARED TOWARDS PROMOTING RESPONSIBLE PRACTICES ON SOCIAL ISSUES. THE GROUP AIMS TO RAISE AWARENESS AMONG ITS EMPLOYEES ON EMERGING ETHICAL AND COMPLIANCE ISSUES, WHILE PLACING SUSTAINABLE DEVELOPMENT AT THE HEART OF ITS RELATIONSHIPS WITH SUPPLIERS AND LOCAL COMMUNITIES.

ETHICS AND COMPLIANCE
To effectively fight corruption and anti-competitive practices, Valeo’s Ethics and Compliance Department implements programs on these issues for all employees. The Valeo Code of Ethics, which has been in place since 1997, is available in 17 languages, and is the cornerstone of the Group’s policy on the matter. Updated in 2014, its worldwide deployment in strict compliance with the principles governing labor relations and related regulations is scheduled to be completed in 2015. To improve access, understanding and appropriation of these issues by employees, a team of compliance champions was set up in 2014: 70 experienced managers act as experts on these issues within their network, their function and their country. At the same time, the “Compliance” program was one of the Group’s key training initiatives in 2014, with 24,666 employees trained on the two new modules launched during the year. All managers, engineers and other employees exposed to the risk of non-compliance in the course of their activities are systematically trained, as are newcomers within a month of their arrival. Valeo accordingly trained 99.4% of its target population in 2014. Lastly, in 2014, the Ethics and Compliance Department established a global alert line to allow employees to alert management of potential or confirmed cases of non-compliance. Free and anonymous, it is open to all personnel in all countries, and in all of the Valeo Group’s languages. It is run by a specialist external company so as to guarantee confidentiality, as required by regulations.

APPLYING CORPORATE SOCIAL RESPONSIBILITY PRINCIPLES IN PURCHASING PROCESSES
Social responsibility does not end at the gates to Valeo’s plants. It must also be a key parameter of the relationship with suppliers. Three priorities govern the Group’s relations with its suppliers: quality, industrial footprint and competitiveness, in accordance with the prevailing standards and laws, and in keeping with
Valeo’s sustainable development and ethics and compliance requirements. Every year, the Group organizes many conventions and opportunities for exchange, including Tech'Days during which suppliers present their latest innovations to Valeo’s R&D teams. The integration of suppliers into the Valeo supplier base is based on six criteria, including non-economic criteria, which make up over 90% of the mandatory questions in the supplier qualification questionnaire. Among them, sustainable development criteria are given a weighting of 20% in the supplier’s final score, and any failure to meet these criteria automatically disqualifies suppliers from Valeo’s supplier base. By the end of 2014, over 80% of Valeo’s direct suppliers had signed the Valeo Supplier Requirements Charter. The evaluation of suppliers’ sustainable development practices was reinforced in 2014 and rolled out more widely, addressing some 400 major suppliers accounting for 44% of the Group’s production purchases.

INTEGRATING SUSTAINABLE DEVELOPMENT FROM THE DESIGN PHASE
Eco-design is central to Valeo’s research and development process. Since 2007, the internal “Eco-design standard” directive and eco-design guidelines by product line enable engineers to assess a product’s environmental impacts at all stages of its life cycle, starting from the development phase. To ensure the circulation and application of this directive, Valeo has established an “Eco-design checklist,” which aims to ensure that development projects meet the following criteria: reduction in CO₂ emissions, recyclability of materials and systems, and safety of materials. This easy-to-use tool ensures that eco-design criteria are integrated upstream in the product development process in compliance with Valeo sustainable development principles. This approach will ultimately help the Group respond to changes in the European ELV directive (end-of-life vehicles), which since January 1, 2015 has required automakers to achieve a minimum rate of reuse and recycling of 85% by weight of the ELV, and a rate of 95% when taking into account incineration. Valeo is also actively working to ensure compliance with the European REACH(1) regulation, which aims to limit the danger posed by the production and use of chemicals in industry. The Group has built up a network of dedicated REACH managers at each of its plants and technical centers.

(1) Registration, Evaluation, Authorisation Chemicals.
PLAYING A major role on social issues

Valeo is also responsible and committed in its relations with its stakeholders. Given its size and worldwide footprint, Valeo is in a position to play an important economic and social role. Whether at Group or plant level, Valeo contributes to the economy, employment and social fabric of its host communities through actions in favor of employees and their families and seeks to set an example in environmental matters with regard to the local community.

Local communities also benefit from actions put in place by Valeo's local plants, known as "Plants' Initiatives". As in 2013, 100% of plants implemented at least one social initiative in 2014. During Sustainable Development Week, which takes place in June each year, many plants often organize open days which are an opportunity for them to showcase their manufacturing processes, technologies and products, and to raise the awareness of visitors on the different environmental issues confronting the Group.

As an independent, global tier-one automotive equipment supplier, Valeo is a member of the key organizations (in Europe, the United States, Brazil, Japan) representing the interests of original equipment and aftermarket suppliers on the world's biggest automotive markets. The Group also establishes institutional relations within the framework of regular dialog with relevant authorities (international, national and local) and with international organizations including the UN Global Compact, the OECD and the World Bank.

COLLECTING AND REMANUFACTURING USED PARTS

A player in the remanufacturing market, Valeo puts its expertise in the design and manufacture of original equipment at the service of the remanufacturing process, so as to offer high-quality products that respect the environment.

The Group collects used parts with its e-CORPS system, which permits the immediate identification of product references (type of part, origin, size, production year, etc.). Once parts have been recovered from repair shops and mechanics, Valeo disassembles, inspects and cleans them and subjects them to electrical and electronic tests before engaging the remanufacturing process that also eliminates all traces of hazardous substances so as to guarantee the protection of both employees and end-users. With over 40 checks on test benches performed on alternators and starters for example, Valeo meets the standards of the original equipment market. All remanufactured products are thus fully tested before sale on the aftermarket.
BECAUSE OF THE VARIOUS IMPACTS OF ITS ACTIVITIES, VALEO HAS A POLICY OF ENCOURAGING ITS PLANTS TO TAKE RESPONSIBILITY AND TO SUPPORT LOCAL INITIATIVES AROUND THE WORLD. EACH YEAR, TEAMS IMPLEMENT ACTIONS KNOWN AS “PLANTS’ INITIATIVES”, IN ACCORDANCE WITH THE IDENTIFIED NEEDS OF LOCAL COMMUNITIES AND EMPLOYEES.

GERMANY
Bietigheim
Around 30 disabled people from a sheltered workshop were invited to visit Valeo’s plant and discover its products.

ENGLAND
Redditch
During the Christmas season, funds were raised for Nightstop, an organization that provides, amongst others, emergency shelter for homeless young people.

BRAZIL
Campinas/São Bernardo do Campo
A solidarity campaign was held during the Easter holidays, with the distribution of Easter eggs to pupils of two neighboring schools by Campinas employees, and a visit to the Vincenza orphanage led by São Bernardo employees, who dressed up as Easter bunnies to distribute eggs to children.

CHINA
Wuhan
Staff and members of their families visited a primary school in a remote mountainous area to give children in-kind and monetary donations.

SOUTH KOREA
Kyong Ju
A donation was made to the Korean Committee for UNICEF for the victims of the Sewol ferry disaster in April 2014.

EGYPT
Cairo
A special recycling day was organized, with the collection of used or unwanted items that were then sent to an NGO for recycling. Donations were also collected to provide prostheses for disabled people and educational recordings for people with hearing impairments.

UNITED STATES
Auburn Hills
Around twenty Tech Center employees went over to the Walton Charter Academy to help students and teachers with their annual “Math Blast Carnival,” which aims to recognize students’ achievements in their maths and science studies, and to take part in some of the many activities organized throughout the day.

FRANCE
Issoise/Sainte-Florine/Limoges
Employees at the Issoise, Sainte-Florine and Limoges plants took part in the 2014 Diversity Raid, organized by Terre d’Equilibre, an NGO, to raise awareness about disabilities. The competition featured mixed teams of employees from various local businesses and associations that help people with disabilities find their place in the working world.

INDIA
Chennai
A group of young engineers took part in a reading weekend with visually impaired students. The plant’s employees also took part in a half marathon to raise awareness about mental illness and the prevention of suicide, the third-biggest cause of death in India.

MEXICO
San Luis Potosí
The Ezequiel Hernández-Romo institute for the blind and visually impaired was welcomed at the site for a conference and an awareness-raising workshop for employees, followed by a lunch at which integration and tolerance were the main topics discussed.

POLAND
Czechowice Dziedzice/Chrzanów/Skawina/Warsaw
These sites took part for the fourth time in the “Noble Parcel” campaign organized by Wiosna, a charity that collects food, clothing, school supplies and other necessities for families in need in their local community.

CZECH REPUBLIC
Žebrák
On Children’s Day, primary school pupils took part in a drawing competition giving their perception of Valeo.

ROMANIA
Timisoara
In collaboration with the city of Giarmata, a group of employees helped renovate a local kindergarten, repainting, cleaning up and properly insulating the games room.

RUSSIA
Togliatti
To encourage industrial vocations, the plant invited a group of young orphans to visit. They received safety training and took part in a safety game at the end of their visit.

TURKEY
Bursa
The Valeo Turkey Charity Club, which was set up in January 2014, provided furniture, computers and books donated by employees to create a Valeo library in a high school for girls from disadvantaged backgrounds in Bursa.
ORGANIZING THE APPROACH

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 in each Business Group, country and plant. At each plant, an HSE manager is tasked with overseeing the practical implementation of Group standards with respect to health and safety at work, the environment, and the safety and security of buildings and facilities. At Group level, a Risk Management Committee, comprising the head of the RIE Department and the HSE managers of the four Business Groups and Valeo Service, meets once a month to capitalize on the feedback from each of its members and to advance the Group’s environmental policy and the management of its industrial risks. In total, nearly 300 people are directly involved in the day-to-day management of HSE issues within the Group.

CERTIFYING ENVIRONMENTAL POLICY

For over 15 years, Valeo has been committed to a process of certification of its environmental management systems. The Group has a duty to respect its commitment to reduce its environmental impact and improve the health and safety conditions of its employees, but also to show its stakeholders the depth of its commitment in these areas. As of the end of 2014, 95% of Valeo plants had obtained ISO 14001 certification, and 90% OHSAS 18001 certification. To go even further in its objectives on improving environmental performance between 2013 and 2015, Valeo aims for 10% of its plants to obtain ISO 50001 energy management certification by the end of 2015, as seven plants did in 2014.
CONTROLLING RISKS
To effectively prevent environmental risks and pollution, Valeo implements measures to ensure that all plants comply with applicable regulations and internal standards, and to help them control their environmental impacts and improve their performance. The Risk Management Manual contains all of Valeo’s standards (known as operational directives) with respect to the environment, workplace health and safety, and the safety and security of installations. It includes a specific chapter on the prevention of crisis situations. The Group requires each plant to establish an emergency response and business recovery plan. In 2008, Valeo developed the Valeo Emergency and Recovery Management system (VERM) to assist in the design and implementation of emergency, crisis management and business recovery plans. Based on the feedback from plants’ crisis management and business recovery plans, Valeo stepped up the process to simplify this tool in 2014, with the aim of rolling out the upgraded version by mid-2015.

PERFORMING EXTERNAL AUDITS WORLDWIDE
To ensure the effectiveness of its environmental approach, Valeo has implemented a comprehensive audit program worldwide. In 2014, 146 external audits were performed, in addition to 153 ISO 14001, OHSAS 18001 and ISO 50001 certification and monitoring audits. The RIE Department introduced a new audit standard in 2014, strictly consistent with the requirements set out in the Group's HSE directives. As well as ensuring that plants address all of Valeo's HSE requirements, the new standard provides a sounder basis for comparison between plants and generates a greater amount of feedback. On the basis of the findings and recommendations prioritized in accordance with the level of risk, these audits result in the drafting of action plans for each plant, using a tool known as HSE Action Plan. In addition, the self-evaluation tool “Roadmap” allows plants to monitor their compliance with Group directives, and gives Group managers, Business Group HSE managers and the RIE Department an overview of the degree of compliance with directives at the operational level. The Group also promotes the practice of cross-plant verification audits. Carried out at one plant by the HSE manager of another plant, these audits are intended to verify the
implementation of HSE management systems and to ensure consistency between self-evaluation findings and the practical measures taken in response. As such, they also promote performance improvement, exchanges between plants and competency-sharing.

MANAGING ENVIRONMENTAL PERFORMANCE

For over ten years, Valeo has deployed a centralized reporting tool, Valeo Risk Indicators (VRI), across all of its plants via an internet platform. At regular intervals, this tool collects over 200 indicators, which serve as a basis for steering the environmental performance of the Group’s plants and ensuring that its goals are met. In 2014, the VRIs were updated to further improve the reliability of plant reporting. For example, each reporting module (water, energy, waste, etc.) now includes a warning that requires the respondent to provide a justification when the figures show too great a variation compared with the data reported for the previous year. Also in the aim of improving the reliability of its reporting, the Group set up a training program taught in local languages for the Brazilian, Chinese, Indian, Japanese, Mexican and South Korean plants in 2014.

PREVENTING POLLUTION AND IMPROVING WASTE MANAGEMENT

To minimize the environmental impact of its activities, Valeo has an active policy aimed at preventing, reducing and remediating the impact of emissions into the air, water and soil. The Group accordingly works at all plants to reduce air emissions associated with its activities, including VOCs (volatile organic compounds), which were down 5% in 2014. Valeo has for several years been proactive in reducing emissions of ozone-depleting substances: use of chlorofluorocarbons (CFC) and halons is prohibited; for hydrochlorofluorocarbons (HCFC), the objective is to anticipate elimination targets set under the Montreal Protocol.

As regards rivers and other bodies of water, while Valeo’s activities do not generate high-pollution industrial effluents, the plants nevertheless measure the degree of pollution of effluents when required by local regulations and, where appropriate, install systems to treat wastewater before discharging it into the natural environment or the public system.

As for soil, plants are equipped to prevent accidental spills into the natural environment. 2014 saw the implementation of a directive entitled “means of intervention and limitation of consequences,” which focuses on the human and material resources needed at plants to prevent, detect and limit the consequences of emergencies liable to have a direct impact on human health or the
environment. The proportion of waste recycled by the Group continues to increase, rising from 75% in 2013 to 86% in 2014, while the proportion of hazardous waste continues to decline, from 10% in 2013 to 9% in 2014.

**PRESERVING NATURAL RESOURCES**

Valeo pursues two areas of improvement in terms of the preservation of resources, namely reducing the consumption of raw materials and promoting the use of recyclable and recycled materials, which are systematically taken into account by its research & development teams.

Respectful of the regions where it operates, Valeo adapts its water consumption and supply in line with local constraints. To measure the overall impact of its activities on water resources, the Group distinguishes the different sources of withdrawals and uses of water at its plants (industrial water, domestic water) when measuring its consumption. The percentage of Valeo’s supplies derived from groundwater fell from 14.7% in 2013 to 11.7% in 2014, due to a shift in favor of municipal water supplies. Furthermore, in accordance with the Group’s requirements, the water used to cool production lines circulates in a closed loop at all plants.

Energy consumption as a proportion of sales was down 1.3% compared with 2013. Electricity and natural gas have for several years accounted for 60% of energy consumption in the Group, reaching 63% in 2014. To maintain its position in terms of its energy consumption, the Group is committed to reducing its consumption each year and has reduced its energy consumption by 1.7% compared to 2013.

**Train and educate teams**

In 2014, nearly 47,700 hours of environmental training were provided across all Valeo plants. To raise the awareness of different employee populations to environmental issues, the Group relies on both internal communication actions, notably via Valeo Info, a quarterly internal magazine translated into 15 languages, and a range of training modules.
years been the two main sources of energy used by plants. They account for nearly 98% of total energy consumption. The proportion of electricity (indirect energy) continued to grow, at the expense of oil and gas, with fuel oil representing only 1.2% of total energy consumed. In 2014, 65 plants launched new energy efficiency actions, with the objective of achieving overall energy savings in 2015 of nearly 2% of the Group’s total 2014 consumption.

The Group aims to limit the quantity of packaging materials. In 2014, total consumption of packaging materials as a proportion of sales decreased by 4.5% compared with 2013, while the total consumption of packaging materials stabilized. To reduce its environmental footprint, Valeo puts particular emphasis on the use of recycled materials, primarily through the reuse of packaging materials and the purchase of recycled plastics for manufacturing purposes. In 2014, approximately 790 metric tons of packaging materials were recovered internally and reused, nearly four times more than in 2013 (203 metric tons).

FIGHTING CLIMATE CHANGE

Since 2009, Valeo has made progress in the analysis of its carbon footprint by evaluating the direct and indirect greenhouse gas (GHG) emissions resulting from its activities. In 2014, the Group recorded a decline of 3.4% in direct emissions (Scope 1) compared with 2013. The Group’s carbon footprint (Scopes 1, 2 and 3) meanwhile represented approximately 6.28 million metric tons of CO2 equivalent.

This stems from growth in business, primarily in Asia, where indirect emissions are still very high, but also from the greater reliability of the reporting of greenhouse gas emissions. The Group continues to step up its initiatives to reduce its carbon footprint, both at plant level, in logistics, and upstream in the product design phase.

Commitment to transparency

In 2014, Valeo earned a score of 87 points out of 100 in its response to the Carbon Disclosure Project survey, which assesses companies on the transparency of their communication on climate impact. This is well above the industry average of 53. Its performance score was also above average, with a B rating.
PROTECTING BIODIVERSITY

More than 90% of Valeo’s operating plants are located in urban areas or areas zoned for industrial use. Even though its activities are not of a nature to significantly alter ecological processes, the Group conducts an annual inventory of plants located in or near (within 10 km) protected areas in respect of biodiversity in order to gain a more detailed understanding of the potential impacts. Seventeen such plants were inventoried in 2014: two in Asia, four in South America and eleven in Europe.

The precise identification of significant direct impacts on biodiversity is conducted across plants through environmental analysis, a crucial step in the implementation of an ISO 14001 certified environmental management system.

Many plants take action in support of biodiversity, particularly during sustainable development week. Tangible initiatives include the recovery of electronic equipment, planting trees and the distribution of seeds or plants to employees.
Under its new Environmental Action Plan for 2013-2015, the Risk Insurance Environment (RIE) Department has set ambitious quantified targets for the Group, based on the results from the previous plan for 2010-2012.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Unit</th>
<th>2015 target (base = 2012)</th>
<th>2012 results</th>
<th>2013 results</th>
<th>2014 results (base = 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable use of resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water consumption</td>
<td>m³/€m</td>
<td>-10%</td>
<td>215</td>
<td>211</td>
<td>219</td>
</tr>
<tr>
<td>Energy consumption</td>
<td>MWh/€m</td>
<td>-10%</td>
<td>158</td>
<td>158</td>
<td>156</td>
</tr>
<tr>
<td>Packaging materials consumption</td>
<td>kg/€m</td>
<td>-7%</td>
<td>6.1</td>
<td>6.6</td>
<td>6.3</td>
</tr>
<tr>
<td><strong>Production of waste</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production of hazardous and non-hazardous waste</td>
<td>metric t/€m</td>
<td>-7%</td>
<td>17.0</td>
<td>17.0</td>
<td>17.1</td>
</tr>
<tr>
<td><strong>Carbon emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct and indirect greenhouse gas emissions</td>
<td>metric t CO₂/€m</td>
<td>-10%</td>
<td>56.7</td>
<td>59.6</td>
<td>63.2</td>
</tr>
<tr>
<td><strong>Management systems</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISO 14001 certification (environmental management)</td>
<td>% of plants</td>
<td>100%</td>
<td>96%</td>
<td>94%</td>
<td>95%</td>
</tr>
<tr>
<td>OHSAS 18001 certification (occupational health and safety)</td>
<td>% of plants</td>
<td>100%</td>
<td>88%</td>
<td>88%</td>
<td>90%</td>
</tr>
<tr>
<td>ISO 50001 certification (energy management)</td>
<td>% of plants</td>
<td>10%</td>
<td>—</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>

(1) For new plants, ISO 14001 and OHSAS 18001 certification to be obtained in the third year following their entry into the Group.
In 2014, water consumption increased by 3.8% compared with 2013 as a proportion of sales across the Valeo Group. The increase in consumption was mainly attributable to improved access to domestic water in Wuhan (China), major leaks detected at the São Paulo plant (Brazil), and the triggering of the sprinkler system when a fire broke out at the Seymour plant in the United States.

Energy consumption as a proportion of sales was down 1.3% compared with 2013. Total energy consumption rose by 4.5%. However, there was a 15.6% decline in the direct energy ratio, resulting from reduced consumption of gas and fuel oil. This was attributable chiefly to more favorable weather in 2013.

In 2014, total consumption of packaging materials as a proportion of sales decreased by 4.5% compared with 2013. In absolute terms, total consumption of packaging materials stabilized. The reduction can be attributed to the many actions taken by plants in partnership with automakers to reduce amounts of packaging materials.

Valeo uses many different kinds of packaging materials, mainly cardboard, wood, plastics and metal. Cardboard and wood together account for approximately 98% of packaging materials used.
ENVIRONMENTAL INDICATORS

PRODUCTION OF HAZARDOUS AND NON-HAZARDOUS WASTE

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous waste/</td>
<td>197.3</td>
<td>199.9</td>
<td>213.7</td>
</tr>
<tr>
<td>Sales (metric</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tons/€m)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-hazardous</td>
<td>15.0</td>
<td>15.3</td>
<td>15.5</td>
</tr>
<tr>
<td>waste/Sales (</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>metric tons/€m)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total waste</td>
<td>17.0</td>
<td>17.0</td>
<td>17.1</td>
</tr>
<tr>
<td>generated (</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>thousands of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>metric tons)</td>
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</tbody>
</table>

In 2014, the total amount of waste increased by almost 7% compared with 2013, but was broadly stable as a proportion of sales. The proportion of hazardous waste continued to fall, from 10% in 2013 to 9% in 2014.

CONSUMPTION OF RAW MATERIALS

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metals (thousands of metric tons)</td>
<td>877</td>
<td>907</td>
<td>954</td>
</tr>
<tr>
<td>Plastics (thousands of metric tons)</td>
<td>195</td>
<td>202</td>
<td>223</td>
</tr>
</tbody>
</table>

Metal consumption increased by 5.2% in 2014, and that of plastics and resins by 10.4%. Overall consumption of raw materials increased by 6.1% compared with 2013. The pace of the increase was slower than the Group’s sales growth.

2014 BREAKDOWN OF MAIN GREENHOUSE GAS EMISSIONS

The above chart shows the preponderant contribution of materials used in industrial processes to the Group’s overall carbon footprint (approximately 82%, of which two-thirds for metals), whereas direct emissions represent only 4% of the overall footprint. The Group’s overall carbon footprint (Scopes 1, 2 and 3) totaled approximately 6.28 million metric tons of CO₂ equivalent, representing an increase of 10.6% compared with 2013.
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.

ISO 14001 environmental certification, OHSAS 18001 health and safety certification and ISO 50001 energy management certification provide assurance to stakeholders of the Group’s firm commitment to health, safety and environmental issues.

As of the end of 2014, 95% of Valeo plants had obtained ISO 14001 certification and 90% OHSAS 18001 certification.

ISO 50001 certification

In line with its objectives on improving environmental performance between 2013 and 2015, Valeo aims to see 10% of its plants obtain ISO 50001 energy management certification by the end of 2015.

As of the end of 2014, seven Group plants had obtained ISO 50001 certification.

Two plants had already obtained certification in 2013:
- Martorelles (Thermal Systems, Spain);
- Wemding (Comfort & Driving Assistance Systems, Germany).

An additional five plants were certified in 2014:
- Bursa (Powertrain Systems, Turkey);
- Issoire (Visibility Systems, France);
- Martos (Visibility Systems, Spain);
- Reims (Thermal Systems, France);
- Rodach (Thermal Systems, Germany).

ACTIVE CERTIFICATION POLICY

ISO 14001 and OHSAS 18001 certification

<table>
<thead>
<tr>
<th>Year</th>
<th>OHSAS 18001-Certified Sites</th>
<th>ISO 14001-Certified Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>96%</td>
<td>88%</td>
</tr>
<tr>
<td>2013</td>
<td>94%</td>
<td>88%</td>
</tr>
<tr>
<td>2014</td>
<td>95%</td>
<td>90%</td>
</tr>
</tbody>
</table>

■ % of OHSAS 18001-certified sites
■ % of ISO 14001-certified sites

As of the end of 2014, 95% of Valeo plants had obtained ISO 14001 certification and 90% OHSAS 18001 certification.
The full report on governance and sustainable development is included in the 2014 Registration Document and is available on the valeo.com website.