VALEO, AN INSPIRED COMPANY

2015 ACTIVITY AND SUSTAINABLE DEVELOPMENT REPORT
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Valeo is an automotive supplier that partners all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO₂ emissions and to the development of intuitive driving.

€14.5BN
IN SALES

10.4%
OF OE SALES
INVESTED IN R&D

30
COUNTRIES

82,800
EMPLOYEES

134
PLANTS

17
RESEARCH CENTERS

35
DEVELOPMENT CENTERS

15
DISTRIBUTION PLATFORMS
THE CAR OF TOMORROW, OUR PRIME INSPIRATION

Valeo’s growth is fueled by innovation. Between 2009 and 2015, the Group more than doubled its order intake to 20.15 billion euros, with innovative products(1) accounting for 37% of the total. In light of this accomplishment, in 2015 Valeo was named a Top 100 Global Innovator(2) and received a PACE(3) award for its high efficiency EG alternator, among numerous other awards during the year.

(1) Products and technologies in series production for less than three years.
(2) Thomson Reuters listing.
(3) Premier Automotive Suppliers’ Contribution to Excellence.
OUR CUSTOMERS SHOW THEIR SATISFACTION

The quality of Valeo’s products and services was recognized by numerous automakers in 2015, with almost 60 quality awards presented to the Group’s sites worldwide. The contribution of Valeo teams from different continents was recognized for example by Ford, which gave Q1 Awards to sites in Europe, North America and China.
At end-2015, Valeo had a headcount of 82,800 (up from 54,000 at end-2010) in 30 countries and the Group plans to hire over 47,000 people worldwide over the next five years. During 2015, Valeo was certified as a Global Top Employer in 22 countries, up from 18 in 2014, recognizing the excellence of its services in support of employees, particularly through best-in-class talent and career management.
A SOARING SHARE PRICE

The Valeo stock has seen remarkable growth since 2009, increasing in value by more than ten-fold. Consolidated sales have grown by more than two-thirds over the same period, while operating margin(1) has more than tripled to 7.7%, confirming we are on course to meet our objective of operating margin between 8% and 9% by 2020.

(1) As a percentage of sales.
As I write my last message as Chairman of Valeo’s Board of Directors, I look back with pride at our achievements since 2009: under the leadership of Jacques Aschenbroich, now Chairman and Chief Executive Officer, Valeo has experienced exceptional growth. Over that period, the Group has returned to the CAC 40 index and seen a significant rise in the share price and the level of shareholder return. Valeo can also claim to have become a benchmark in terms of corporate governance. Since 2009, we have been committed to applying the most stringent corporate governance rules, and we have often been pioneers in this area. Our growth model, based on a strong corporate governance structure, allows the Group to implement its strategy in accordance with the strictest principles of ethics and compliance and in line with our sustainable development commitments. On behalf of the Board of Directors, I would like to acknowledge the excellent results in 2015 and congratulate Management and employees for their unfailing commitment.

The principal role of Valeo’s Board of Directors is to determine the Group’s business strategies and ensure that they are implemented effectively. It is supported by three Committees: the Audit & Risks Committee, the Appointment, Compensation & Governance Committee, and the Strategy Committee. The Board of Directors met on nine occasions in 2015 – i.e., three times as many meetings as the minimum stipulated in the internal procedures – with a 92.6% average attendance rate, once again demonstrating the commitment of its members, as confirmed by the similar attendance rates of the Board’s three Committees. In a context of major technological shifts in the automotive industry, the Board of Directors paid close attention to the Group’s strategy, both in terms of organic growth and acquisition opportunities. It also reviewed the cumulative efforts in risk and compliance analysis undertaken in recent years and ensured that the internal control framework always remained in step with the Group’s growth and challenges. After Germany, China, Japan and the United States over the past few years, 2015 saw the Group’s annual strategy seminar return to France, at two of the Group’s sites.

This year’s strategy seminar focused particularly on driving assistance technologies, Valeo Service and digital production developments.

The Board of Directors’ strength lies in its diversity: its 12 members have different backgrounds and enable the Group to benefit from their experience and skills in a variety of fields. Seventy-five percent of the Board’s current members are under 70 and 83% are considered independent according to both the criteria set out in the internal procedures and in the AFEP-MEDEF Code to which Valeo refers. In 2015, the Board noted with regret the departure of Lord Michael Jay of Ewelme for personal reasons. Aware of the importance of developing new expertise in a rapidly evolving technological environment and of the equal representation of women and men on the Board, the Board of Directors will ask the Shareholders’ Meeting of 2016 to appoint Véronique Weill, Chief Operating Officer of the AXA group in charge of marketing, digital operations, distribution, IT, operating excellence and procurement, and Mari-Noëlle Jégo-Laveissière, Senior Executive Vice-President in charge of the Innovation, Marketing and Technology (IMT) Division of Orange. Valeo will, therefore, fully satisfy regulatory requirements for diversity, and the percentage of women on the Board of Directors will be lifted from 33% to 40%.

(1) Having reached the age limit set out in Valeo’s articles of association, Pascal Colombani stepped down as Chairman of the Board of Directors on February 18, 2016. He was subsequently appointed as Honorary Chairman of Valeo and remains a director of the Group.

(2) The average attendance rate of the members of the Board of Directors (in person or by proxy) during 2015 was 98%. The average attendance rate of the members of the Board of Directors in person during 2015 was 92.6%.
"I LOOK BACK WITH PRIDE ON OUR ACHIEVEMENTS SINCE 2009"

MEMBERS OF THE BOARD OF DIRECTORS

PASCAL COLOMBANI
Honorary Chairman since February 18, 2016, Senior Advisor, A.T. Kearney

JACQUES ASCHENBROICH
Chairman and Chief Executive Officer since February 18, 2016

GÉRARD BLANC
Chairman and CEO, Montagne Gestion SAS

DANIEL CAMUS
Chief Financial Officer, The Global Fund

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

SOPHIE DUTORDOIR
Director, (various companies)

THIERRY MOCOLUGUET
Director, (various companies)

MAURY DEVINE
Director, (various companies)

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

ULRIKE STEINHORST
Senior Advisor to the Chief Technical Officer, Airbus group

MICHAEL JAY
Member of the House of Lords

NOËLLE LENOIR
Partner, Kleinwort Hambros

ULRIKE STEINHORST
Senior Advisor to the Chief Technical Officer, Airbus group

GEORGES PAUGET
Chairman, Economie Finances et Strategie SAS

(3) 75% of directors are independent, 33% of members of the Board of Directors are women.
(4) Until April 23, 2015.
“MADE IN VALEO’ STANDS FOR BOLDNESS AND INNOVATION”

JACQUES ASCHENBROICH
Chairman and Chief Executive Officer of Valeo

INTERVIEW WITH JACQUES ASCHENBROICH, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF VALEO
THINKING AND ACTING OUTSIDE THE BOX

In 2015, Valeo significantly outperformed the market worldwide. What drove this performance?

Jacques Aschenbroich – At Valeo we are obsessed by growth and profitability, for one simple reason: growth cannot be achieved without the profitability to finance it, in the same way that long-term profitability cannot be achieved without growth. Through a commitment to innovation and Research and Development, our product offering satisfies our customers’ demands in two areas that are undergoing major technological change: intuitive driving and CO₂ emissions reduction. At our Investor Day in March 2015, we revealed that we had the potential to outperform the automotive market by five percentage points. We beat our expectations in 2015, growing by 11% in Europe, 8% in China and 31% in India, to give just three examples. Our overall growth of 14% (including a 7% exchange rate impact) was coupled with a sharp rise in profitability, reflected in a 22% increase in our operating margin, a 30% increase in net income and a 73% increase in free cash flow. This stellar performance is without doubt the result of the strategy launched in 2009 with Pascal Colombani, who was Chairman of the Board of Directors until he reached the age limit. I would like to take this opportunity to pay tribute to Pascal Colombani and all he has accomplished over the past seven years.
Is innovation the key to your market-beating performance?

J.A. – Absolutely. Innovation is our main growth engine. Automotive production has regained its place as one of the most innovative industries in the world, particularly in the areas of energy efficiency and connected cars. Valeo is undoubtedly a forerunner in these areas, which are front of mind for consumers. Since 2013, innovative products have accounted for more than 30% of the Group’s order intake. And in 2015, our order intake increased by 15% to a record high of 20.1 billion euros, thanks to massive investments in Research and Development from 2009 despite the financial crisis. Since then, we have doubled our spending in this area, investing almost 11% of original equipment sales in Research and Development in 2015, one of the highest levels in the automotive industry. We have worked extremely hard to ensure that our customers associate ‘Made in Valeo’ with excellence, boldness and innovation.

You’re focusing in particular on clean, connected, delegated-driving vehicles, a market in which high-tech giants are also showing a strong interest. Why is this?

J.A. – We are already the world leader in driving assistance, with technologies that enable vehicles to park themselves or drive autonomously in urban environments. We strongly believe that connected and autonomous vehicles are a genuine consumer aspiration. Market studies show that factors such as the quality of the in-vehicle experience and the possibility of using time in the car to do things other than drive are top consumer concerns, along with fuel efficiency and safety. Valeo is best placed to meet these needs, with artificial intelligence software to rival any tech company. We further strengthened our expertise in late 2015 with the acquisition of peiker, a move that will enable us to offer automakers new telematics systems featuring high-speed connectivity and cybersecurity functions. The reality is that regulations and behaviors are the biggest obstacles to bringing autonomous cars to the market, not technology. It will take time for drivers to place their trust in vehicle intelligence, and it’s our job to convince them to do so.

How important are acquisitions and partnerships for continued innovation?

J.A. – Our innovation is becoming increasingly open, agile and digital, with an ever greater focus on sustainable mobility. We have simplified our decision-making process so that we can react more quickly and we share our research issues with a diverse range of partners including universities, large groups such as Safran, and start-ups. We currently have more than 12,000 researchers working for us across the world in close collaboration with our customers and with partners selected from among the best in their fields. We have had a presence in Silicon Valley for several years now, helping us to keep in tune with a start-up ecosystem that nurtures creativity, responsiveness and rapidity. Digital technology is set to disrupt the mobility market, which will unlock significant growth potential for Valeo. We must seize these opportunities and provide solutions for changing expectations and new customers.
Consumers may dream about connected cars, but their concern is to have a car that does not pollute the air – another of your focus areas.

J.A. – Non-polluting vehicles are a key pillar of our Research and Development strategy. We are constantly seeking solutions that offer both performance and lower fuel consumption. Our investment in this area enables us to remain at the cutting edge of powertrain innovation, particularly through the optimization of vehicle thermal systems and hybrid engine-related technologies.

What is Valeo’s outlook for 2016 and what is your vision for the Group in the medium term?

J. A. – Based on the assumption that global automotive production grows by around 2.5%, we expect another year of strong sales growth, with market-beating performances in the main automotive production regions, including in China. In 2016, this growth should once again allow us to slightly improve our operating margin, despite the expected increase in net Research and Development expenditure required to fuel the Group’s future growth. Our order intake in 2015 confirms that we are on track to achieve our 2020 objectives, presented in spring 2015, which include outperforming automotive production by five percentage points and generating operating margin of between 8% and 9%.

For all of these reasons I remain extremely optimistic about Valeo’s future and am confident in our employees’ ability to rise to the challenges that lie ahead.

“DIGITAL TECHNOLOGY IS SET TO DISRUPT THE MOBILITY MARKET, WE MUST SEIZE THIS OPPORTUNITY AND CONTINUE TO INNOVATE”
THE TWO FOCUSES OF VALEO’S GROWTH STRATEGY

1. INNOVATION
   WITH TECHNOLOGIES FOCUSED ON REDUCING CO₂ EMISSIONS AND DEVELOPING INTUITIVE DRIVING.

2. STRENGTHENING
   OUR PRESENCE IN HIGH-GROWTH POTENTIAL REGIONS, ESPECIALLY IN ASIA AND EMERGING COUNTRIES.
VALEO’S OPERATIONS COMMITTEE HAS 15 MEMBERS AND IS CHAIRMED BY THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER. ITS ROLE IS TO DEFINE THE GROUP’S OVERALL STRATEGIC DIRECTION, REVIEW THE OPERATIONAL MANAGEMENT OF THE BUSINESS GROUPS AND COORDINATE PROJECTS.

JACQUES ASCHENBROICH
Chairman and Chief Executive Officer

ROBERT CHARVIER
Chief Financial Officer

CHRISTOPHE PÉRILLAT
Chief Operating Officer

GEOFFREY BOUQUOT
Vice-President, Corporate Strategy and External Relations

FABIENNE DE BRÉBISSON
Vice-President, Communications

AXEL MASCHKA
Vice-President, Sales & Business Development

JEAN-FRANÇOIS TARABBIA
Senior Vice-President, Research & Development and Product Marketing
TRENDS IN WORLD AUTOMOTIVE PRODUCTION IN 2015

89 MILLION VEHICLES PRODUCED WORLDWIDE

Automotive production rose 2% year on year, benefiting from the upturn in the European market excluding Russia (up 8%), as well as continued expansion in North America (up 3%). In China, automotive production had to contend with high volatility in the second half of the year. After an 8% decline in the third quarter, production jumped 13% in the fourth quarter, with full-year growth coming out at 4%. Production in South America fell sharply (by 19%).

A GLOBAL FOOTPRINT

Valeo has 82,800 employees in 134 plants and 52 Research and Development centers spread across 30 countries, and a footprint in each of the world’s automotive production regions.

Europe
54 plants
28 R&D centers
8 distribution platforms
39,518 employees

North America
17 plants
5 R&D centers
2 distribution platforms
12,361 employees

Asia
51 plants
15 R&D centers
3 distribution platforms
25,574 employees

Africa
7 plants
1 R&D center
2,812 employees

82,800 employees
134 plants
35 development centers
30 countries
17 research centers
15 distribution platforms
RECORD SALES AND ORDER INTAKE

€14.5 BN

IN SALES IN 2015

Sales and order intake rose 14% and 15% respectively, confirming the solidity of Valeo’s growth model.
KEY FIGURES

NET RESEARCH AND DEVELOPMENT EXPENDITURE
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>614</td>
<td>685</td>
<td>797</td>
</tr>
<tr>
<td>%</td>
<td>5.3%</td>
<td>5.4%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

In 2015, gross Research and Development expenditure totaled 1.3 billion euros, or 10.4% of original equipment sales.

BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE
in euros

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>5.71</td>
<td>7.23</td>
<td>9.33</td>
</tr>
<tr>
<td>Dividends</td>
<td>1.70</td>
<td>2.20</td>
<td>3.00</td>
</tr>
</tbody>
</table>

A 2015 dividend of 3 euros, up 36% compared with 2014, will be proposed at the Shareholders’ Meeting called to approve the financial statements for the year ended December 31, 2015. It represents a payout ratio of 32%.

OPERATING MARGIN\(^{(1)}\)
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>792</td>
<td>913</td>
<td>1,116</td>
</tr>
<tr>
<td>%</td>
<td>6.8%</td>
<td>7.2%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>439</td>
<td>562</td>
<td>729</td>
</tr>
<tr>
<td>%</td>
<td>3.8%</td>
<td>4.4%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

OTHER PROFITABILITY INDICATORS

RETURN ON CAPITAL EMPLOYED (ROCE)
Operating margin\(^{(1)}\) as a proportion of capital employed excluding goodwill

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>32%</td>
<td>30%</td>
<td>33%</td>
</tr>
</tbody>
</table>

RETURN ON ASSETS (ROA)
Operating margin\(^{(1)}\) as a proportion of capital employed including goodwill

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>20%</td>
<td>19%</td>
<td>20%</td>
</tr>
</tbody>
</table>
CASH FLOW AND FINANCIAL POSITION

TOTAL EBITDA
BY BUSINESS GROUP
in millions of euros and as a % of sales

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visibility Systems</td>
<td>1,327</td>
<td>1,526</td>
<td>1,847</td>
</tr>
<tr>
<td>Thermal Systems</td>
<td>13.3%</td>
<td>12.6%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Powertrain Systems</td>
<td>10.5%</td>
<td>11.1%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Comfort &amp; Driving Assistance Systems</td>
<td>11.8%</td>
<td>10.6%</td>
<td>12.4%</td>
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</tbody>
</table>

FREE CASH FLOW
in millions of euros

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visibility Systems</td>
<td>341</td>
<td>327</td>
<td>565</td>
</tr>
</tbody>
</table>

INVESTMENT FLOWS
in millions of euros and as a % of sales
Investments in property, plant and equipment and intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visibility Systems</td>
<td>872</td>
<td>936</td>
<td>1,109</td>
</tr>
<tr>
<td>Thermal Systems</td>
<td>7.5%</td>
<td>7.4%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Powertrain Systems</td>
<td>12%</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>Comfort &amp; Driving Assistance Systems</td>
<td>11.8%</td>
<td>10.6%</td>
<td>12.4%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visibility Systems</td>
<td>290</td>
<td>377</td>
<td>124</td>
</tr>
</tbody>
</table>

(1) Including share in net earnings of equity-accounted companies.
SHAREHOLDER INFORMATION

SHARE PRICE RISE IN 2015

+37.6%

29.1 percentage points ahead of the Euronext Paris CAC 40 index, which rose by 8.5%.

OWNERSHIP STRUCTURE
AT MARCH 31, 2016
% of share capital

94.94%
Other(1)

5.06%
Lazard Asset Management LLC
Number of shares: 79,462,540

95.08%
Other(1)

4.92%
Lazard Asset Management LLC
Number of voting rights: 81,707,194

(1) Including 899,975 treasury shares (1.13% of the share capital).
Dividend of 3.00 euros per share proposed to the Shareholders’ Meeting called to approve the financial statements for the year ended December 31, 2015.

Eligible for the 40% tax allowance provided for in Article 158-3-2° of the French Tax Code (Code général des impôts) and subject to a 21% flat-rate tax prepayment on distributed revenues, deducted at source by the paying agent (Article 117 quater i.1 of said Code and Article 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.

### PER SHARE DATA

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>5.71</td>
<td>7.23</td>
<td>9.33</td>
</tr>
<tr>
<td>Earnings per share before non-recurring items</td>
<td>6.52</td>
<td>7.63</td>
<td>10.56</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>1.70(2)</td>
<td>2.20(2)</td>
<td>3.00(1)</td>
</tr>
</tbody>
</table>

(1) Dividend of 3.00 euros per share proposed to the Shareholders’ Meeting called to approve the financial statements for the year ended December 31, 2015.

(2) Eligible for the 40% tax allowance provided for in Article 158-3-2° of the French Tax Code (Code général des impôts) and subject to a 21% flat-rate tax prepayment on distributed revenues, deducted at source by the paying agent (Article 117 quater i.1 of said Code and Article 9 of the French Finance Law for 2013).

### SHARE PRICE

<table>
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<td>0</td>
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<tr>
<td>50</td>
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<tr>
<td>100</td>
<td></td>
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<tr>
<td>150</td>
<td></td>
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<tr>
<td>200</td>
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### STOCK MARKET DATA

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalization at year-end (in billions of euros)</td>
<td>6.39</td>
<td>8.23</td>
<td>11.33</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>81.15</td>
<td>106.05</td>
<td>156.70</td>
</tr>
<tr>
<td>Lowest share price (in euros)</td>
<td>37.25</td>
<td>73.94</td>
<td>99.60</td>
</tr>
<tr>
<td>Average share price (in euros)</td>
<td>55.22</td>
<td>93.75</td>
<td>132.78</td>
</tr>
<tr>
<td>Share price at year-end (in euros)</td>
<td>80.43</td>
<td>103.60</td>
<td>142.55</td>
</tr>
</tbody>
</table>
MAKING OUR INNOVATIONS A REALITY

BOLD, RESPONSIBLE, INTUITIVE – VALEO INNOVATION IS STRATEGIC BY DESIGN.
VALEO MOBIUS™ 2
Valeo Mobius™ 2 combines technology and ergonomics to allow motorists to switch smoothly from delegated to manual driving mode in complete safety, while offering a host of new services for drivers. During periods of delegated driving, Valeo Mobius™ 2 turns the digital dashboard into an extension of the user’s smartphone or tablet.

VALEO INSPIRED!

REMOTE CLEAN4U™, A REMOTE WINDSHIELD DEFROSTING AND CLEANING SYSTEM
The revolutionary Remote Clean4U™ system has two innovative functions that the user can control remotely from a smartphone: defrosting, which automatically clears the windshield in less than 90 seconds, and debugging, which washes away insects stuck to the windshield in record time.

THE EG HIGH EFFICIENCY ALTERNATOR
Thanks to its micro-electronic structure and based on a technique known as synchronous rectification, the EG high efficiency alternator practically eliminates voltage drops, thereby improving the alternator’s efficiency by 10%.
**SIGHTSTREAM®, SMART MIRRORS**

Sightstream® is a new camera system that replaces conventional side view mirrors, sharpening the motorist’s perception of driving conditions for enhanced safety, particularly in poor weather conditions such as rain or fog. Sightstream® also improves the vehicle’s aerodynamics, thereby reducing fuel consumption.

**HIGH-PERFORMANCE CABIN FILTERS**

Valeo improves air quality in the vehicle cabin by offering anti-allergenic and very-high-performance PM2.5 filters for eliminating fine particles.

**LES LUNETTES BY VALEO, SMART ANTI-GLARE GLASSES**

Synchronized with the pulsed light emitted by the vehicle’s headlamps, Les Lunettes by Valeo improve driver visibility day and night by preventing glare, resulting in a safer, more comfortable driving experience. For example, the driver’s eyes are shielded from glare during the day when exiting a tunnel, when passing oncoming vehicles at night or while passengers are using the car’s interior lighting.

**ELECTRIC SUPERCHARGER**

Valeo’s electric supercharger, which is driven by an instant-response (250 milliseconds) electric motor, reduces fuel consumption and enhances performance. When coupled with a Valeo energy recovery system, the electric supercharger offers a hybrid solution that delivers fuel savings of 15% to 20%.
Valeo is developing intuitive driving to facilitate maneuvers in urban settings, assist motorists in difficult driving situations and encourage interaction between the vehicle, the driver and the surrounding environment.

**DELEGATED-DRIVING VEHICLES**

Freeing up time for drivers to handle other tasks and improving vehicle safety: these are the aims of delegated driving, which calls on laser scanners – key enablers for highly automated driving due to their extended detection range, wide field of view and accuracy – as well as sensors and cameras.
...CONNECTED VEHICLES

Vehicles that are connected to the surrounding environment receive and transmit data in real time. This enables them to constantly adapt to driving conditions and allows drivers to control applications and access certain vehicle data remotely via smartphone. Thanks to the Valeo InBlue® system, drivers can use their smartphone or smart watch to unlock, lock and start the vehicle. With Valeo InBlue®, drivers can also transmit their car key virtually and remotely at any time and from any place, to allow another user to access and use the vehicle permanently or temporarily.

...CLEAN VEHICLES

Reducing emissions of CO₂ and pollutants is a key social expectation. Valeo’s response has been to develop innovative technologies designed to reduce fuel consumption by increasing the efficiency of internal combustion engines, electrifying powertrains, making vehicle functions more energy efficient, optimizing thermal management systems and reducing component weight.
INNOVATION, THE KEY TO VALEO’S SUCCESS

Innovation is our watchword: Research and Development spending is increasing at the same pace as sales, innovative technologies(1) account for 37% of our order intake, and 12,000 engineers and technicians anticipate automaker and driver needs each day.

A
nchored in CO₂ emissions reduction and intuitive driving, innovation forms the basis of Valeo’s strategy. The vast resources committed by the Group to remain at the cutting edge of technology are a testament to this strategic focus. Valeo is engaged in over 2,500 projects with automakers worldwide and, in 2015, invested more than 1.3 billion euros in Research and Development as well as filing 1,406 patents, 27% more than in 2014. Equally impressive is Valeo’s human capital commitment, with a total of 12,000 engineers and technicians working at 17 research centers and 35 development centers across the world. Thanks to its ability to innovate, Valeo was named in the Thomson Reuters list of Top 100 Global Innovators 2015. The Group’s ability to innovate affords it the flexibility more commonly associated with Silicon Valley start-ups. Agility and adaptability are necessary to keep abreast of social megatrends and continue tailoring products to our customers’ needs. That is why the Group is diversifying its sources of inspiration through open innovation, forming partnerships with universities, laboratories, major industrial groups and promising start-ups. To this end, in 2015 the Group: (i) kicked off the third edition of its student contest, the Valeo Innovation Challenge; (ii) acquired stakes in Cathay Capital, a cross-border investment vehicle dedicated to venture capital financing for innovative start-ups, and in Aledia; and (iii) began collaborating with Safran and Mobileye.

For Valeo, being a tech company means knowing how to think outside the box and venture off the beaten track. Innovation is, first and foremost, a state of mind. We must live, think and breathe innovation while remaining in tune with the world around us. While the Group designs the technical solutions, innovation is defined through constant interaction with customers and consumers. That’s why Valeo surveys almost 20,000 people directly each year in the United States, Europe, Japan, South Korea and China, with one simple aim: anticipate driver preferences before anyone else. Valeo has often been a pioneer in this area – for example by introducing the first micro-hybrid Stop-Start system – and is now better placed than ever to continue leading the way.

VALEO NAMED ONE OF THE
100 MOST INNOVATIVE
COMPANIES IN THE WORLD
in the Thomson Reuters list of Top 100 Global Innovators 2015
VALÉO TAKES A FRENCH ROAD TRIP IN ITS CRUISE4U® AUTONOMOUS CAR

Featuring a Valeo SCALA™ laser scanner and a Valeo camera to detect both stationary and non-stationary obstacles with extreme precision, in October 2015 the Cruise4U® vehicle completed a French road trip of over 4,000 km in real traffic conditions and in automated driving mode. Travel took place during the day and at night and at varying speeds of up to 130 km/h.

R&D KEY FIGURES

37% OF 2015 ORDER INTAKE RELATED TO INNOVATIVE PRODUCTS(1)

€1.3BN INVESTED IN RESEARCH AND DEVELOPMENT, UP 16% VS. 2014

1,406 PATENTS FILED IN 2015, 27% MORE THAN IN 2014

37,000 PATENTS IN VALEO’S PORTFOLIO

(1) Products and technologies in series production for less than three years.
Tomorrow’s cars will be highly automated and increasingly connected with numerous innovative interfaces to support this functional enhancement. The Comfort & Driving Assistance Systems Business Group focuses on the driver experience and develops a portfolio of unique solutions to make driving more intuitive and mobility safer and greener. Comfort & Driving Assistance Systems has three Product Groups: Driving Assistance, Interior Controls and Interior Electronics. In 2015, the Business Group continued to go from strength to strength, with 40% of orders taken in Europe, 33% in Asia and 27% in North America, while continuing to develop its teams in North America and Asia (China, Japan and South Korea). The intuitive driving strategy was further reinforced around the development of detection, connection and interface systems. In the field of human-machine interfaces, impressions from user and simulator testing of the Valeo Mobius™ cockpit, designed to support the user in the runup to fully automated driving, were very positive. In the field of connected vehicles, the Business Group’s technological leadership and product offering will be further strengthened by two developments: the acquisition of peiker, a leader in on-board telematics, and the linkup with Capgemini to create a connected mobility solution using the Valeo InBlue® system. In 2016, the Business Group is releasing breakthrough innovations, such as Park4U® Remote (automated parking controlled from a smartphone), with a premium German automaker. It is also continuing to develop active safety features and automated driving systems for city and highway conditions, using cutting-edge technologies such as front cameras and Valeo SCALA™ laser scanners. Combining its own Research and Development investments with strategic partnerships and collaborative projects, the Comfort & Driving Assistance Systems Business Group is guided by its vision of the vehicles of tomorrow: intuitive, energy-efficient, cost-optimized and in step with modern mobility.

ADVANCED TELEMATICS MODULE
The LTE high-speed telematics control unit connects vehicle users with broadband internet. From online entertainment to real-time traffic information, safety enhancements such as intelligent automatic emergency calling and comfort features like concierge service – the Advanced Telematics Module forms the technical foundation for automakers’ services and applications offerings.
The Powertrain Systems Business Group develops innovative powertrain solutions aimed at reducing fuel consumption and CO₂ and pollutant emissions, without compromising on driving performance or pleasure. These innovations cover a comprehensive product range, from optimization of internal combustion engines to varying levels of vehicle electrification, and from Stop-Start systems to the electric car. Powertrain Systems has four Product Groups: Electrical Systems, Transmission Systems, Combustion Engine Systems and Electronics. In 2015, the Business Group’s growth momentum continued, with many successes in the field of vehicle electrification, including a high level of order intake for 48 V electric machines in Europe and China, which will make Valeo a world leader in the field by 2020. Series production of a high-voltage inverter for a French electric urban car began during the year, as well as the expert phase for the supply of a full electric powertrain (electric motor plus high-voltage power electronics), and there were substantial orders for on-board battery chargers in Europe and China. Powertrain Systems also won new transmission system contracts for dual-clutch modules (wet and dry) and the dual-mass flywheel with pendulum, for manual, automatic and dual-clutch transmissions. In 2016, Powertrain Systems will pursue a strategy in line with customer expectations and regulatory changes, focusing on two key goals: developing powertrain systems that help to reduce CO₂ emissions (downsizing engines, automating transmissions and electrifying the drivechain), and stepping up business in China and the United States.

**48-VOLT STARTER-ALTERNATOR**

The 48 V starter-alternator offers a competitive alternative that responds to the dual challenge of ambitious CO₂ emissions reduction targets and significant production costs for high-voltage (300 V and above) hybrid transmission systems. Using a voltage of 48 V helps bring component costs down and paves the way for hybrid features such as power boost and regenerative braking. The 48 V starter-alternator can easily replace a conventional alternator. Valeo is already a leader in 12 V alternators and starter-alternators, and is now developing a range of 48 V starter-alternators.
The Thermal Systems Business Group develops systems, modules and components to ensure thermal energy management of the powertrain and optimum comfort for vehicle occupants during all phases of vehicle use, as well as protecting against pollutants entering the cabin. Its products help to reduce fuel consumption, as well as CO₂ emissions, other pollutants and harmful particles produced by internal combustion engines. Thermal Systems has four Product Groups: Thermal Climate Control, Thermal Powertrain, Thermal Compressor and Thermal Front End. In 2015, the Business Group took advantage of the development of global platforms by international automakers to win new contracts worldwide, taking the order book to an all-time high. This was especially the case in Europe, with major increases in orders from German automakers. It also extended its activities to the dynamic and profitable market for bus air conditioning systems by acquiring Spheros, the worldwide leader in the field. New technologies and innovations also enabled the Business Group to seize growth opportunities, illustrated by a major order received for the second generation water-cooled condenser, which is 30% lighter and frees up space in the front end of the vehicle. As for the battery cooling systems market, Thermal Systems received a major order from a leading electric vehicle manufacturer and agreed a development plan with several customers on future generations of hybrid and electric vehicles. It also bolstered its position as a supplier-developer in the field of air conditioning with the signing of a contract for an entire climate control system with a Japanese automaker. The Business Group’s competitiveness was confirmed by an order for 3 million additional electric heating modules from a German customer, to equip its entire model range based on a global platform. In 2016, Thermal Systems will continue to pursue growth in all regions by focusing on the main strategic priorities of innovation in CO₂ emissions reduction, powertrain electrification, and enhanced in-vehicle comfort, health and well-being, as well as customer wins and expansion in high-growth markets, mainly in Asia.

NEW HIGH-PERFORMANCE ELECTRIC COMPRESSOR

Valeo’s high-voltage compressor is designed for battery-cooling and air-conditioning systems in hybrid and electric vehicles (including heat pumps). It uses scroll technology, with an integrated inverter and electric motor constructed without rare-earth metals. Its exceptionally light and compact design (the same size as a 27 cc supercharger) and 34 cc displacement offer the best cooling performance on the market, optimal annual energy consumption and improved acoustics. Series production is planned for 2019 in China.
The Visibility Systems Business Group develops high-performance and innovative systems which support the driver and passengers in all weather, day and night, and in their various on-board activities. Visibility Systems has two Product Groups: Lighting Systems and Wiper Systems. The Business Group’s products are designed to meet driver needs by allowing them to see and be seen clearly, ensure driver safety and comfort and keep on-board cameras and optical sensors clean, which is crucial to the development of advanced driving assistance systems and automated vehicles. In 2015, market share for LED headlamps continued to rise steeply, reflected by the success of modular LED solutions in Europe, North America and China, particularly with the BiLED® module and the distinctively styled PowerFullLED40®. LED technology is both stylish and essential to the performance of intelligent lighting systems connected to cameras, such as the BeamAtic® Premium LED glare-free high-beam headlamps, featured on various models released in 2015.

Distinctively designed LED rear light signatures were also released and major contracts with premium and volume automakers for upmarket internal lighting solutions, scheduled for series production in 2017, lent weight to the Business Group’s ambitions to become a major player in this segment. As for Wiper Systems products, there was also a steep rise in sales of electronic wiper motors and a shift from traditional washer components (hood-mounted nozzles) to wiper systems with integrated nozzles (on the arm or blade). The AquaBlade® wiper system and electronically controlled wiper motor are used on several models, including a fully electric SUV in the United States. In 2016, business for Wiper Systems will be driven by sustained growth in China combined with stable sales in Europe. Lighting Systems will also benefit from growth in China and the expansion of LED technology in European and North American markets.

**BEAMATIC® PREMIUM LED HEADLAMPS**
These headlamps, designed for a European premium vehicle, are equipped with the BeamAtic® Premium LED function which prevents dazzling other drivers, even on high beam. They use Sail Beam technology which was developed exclusively by the Visibility Systems Business Group’s teams to meet the automaker’s exacting style and performance requirements.
VALEO SERVICE, THE AFTERMARKET MULTI-SPECIALIST

Valeo Service is a major aftermarket player, supplying and distributing spare parts to both automakers and independent operators.

Valeo Service offers all aftermarket channels worldwide a wide range of products and services to help boost the efficiency of repairs, and provide greater safety, comfort and driving pleasure to consumers. It also offers support and technical services that are constantly enhanced and developed, such as diagnostics, training and sales tools, and marketing and technical assistance. Valeo Service acts as a premium multi-specialist on all its markets, and organizes its development strategy around three different approaches: multi-product, with a diversified but consistent product and service portfolio that adds an average of 3,500 new products a year; multi-region, with a footprint in over 150 countries; and lastly, multi-channel, with expertise across all distribution channels specialized in business-to-business (traditional auto networks) and business-to-consumer (supermarkets, auto centers) together with a constantly growing presence on online channels over the last few years.

2015 HIGHLIGHTS
2015 saw the opening of a new division in Mexico and very sharp growth in the Asia-Pacific region, with China and India up 42% and 65%, respectively. Valeo Service also added 3,500 new products to its catalog, including 800 for the Asia-Pacific region. The other main trend was the substantial expansion in industrial vehicle business volumes with the launch of new product ranges and broader geographical reach.

AWARD-WINNING PERFORMANCE
Valeo Service received several awards for its expertise in 2015, attesting to the recognition of its customers. These notably included the “Logistics Performance” prize awarded by Groupauto International, and the “Supplier of the Year” prize awarded by CAT (Car and Accessory Trader) magazine to Valeo Service UK, which also received the “G-Logix” prize awarded by the Groupauto UK national distribution center.

VALEO SERVICE PUTS ON A SHOW
As part of its development strategy and to present its many product range extensions addressing local markets, Valeo Service boosted its participation at auto shows in 2015, including the Automec show in Brazil, the AAPEX show in the United States and the Moscow International Motor Show (MIMS) in Russia. It also reasserted its leadership in re-manufactured parts and confirmed its environmental commitment at the ReMafec show in...
Amsterdam (Netherlands), Europe’s biggest remanufacturing event. Valeo Service also participated in Europe’s major industrial vehicle trade shows, such as the CV Show (Commercial Vehicle Show) in the United Kingdom, Agritechnica in Hanover, Germany and Solutrans in France.

OUTLOOK

The total number of vehicles worldwide is expected to grow at an average of 3% to 4% per year, and is set to top 1.5 billion by 2020. Asia will account for the largest proportion of the total, with more than 520 million vehicles. Valeo is aiming to capture more of this market potential through its four Business Groups – which supply Valeo Service – for which the aftermarket is an important driver of growth and profitability. This will be achieved by creating new products for mature markets and also by responding to the growing need for replacement parts in major emerging countries, where the number of both passenger and commercial vehicles is rising sharply. The key factors for success are extensive product ranges with innovative marketing services, support for customers in their geographic areas, and service rate, all of which are exactly Valeo Service’s strengths.
IN ORDER TO ENSURE TOTAL CUSTOMER SATISFACTION IN TERMS OF QUALITY, COSTS AND DELIVERY, VALEO IS COMMITTED TO OPERATIONAL EXCELLENCE, AT ALL LEVELS OF THE BUSINESS, EACH AND EVERY DAY.
OPERATIONAL EXCELLENCE
AT THE SERVICE
OF OUR CUSTOMERS

Operational excellence is a pillar of Valeo’s corporate culture, guaranteeing world-class production quality standards. It is underpinned by methods and values shared by all of the Group’s employees, and reflects Valeo’s commitment to total customer satisfaction.

THE CUSTOMER AT THE HEART OF THE 5 AXES METHODOLOGY

At the same time as Valeo offers innovative technologies and undergoes significant growth, the Group has developed and strictly applies the 5 Axes methodology to guarantee total customer satisfaction. The 5 Axes drive the working processes that have a direct impact on customer satisfaction. A roadmap, setting out a path of continuous improvement toward operational excellence, is assigned to each process. Regular audits are carried out to ensure that the roadmaps are being correctly applied while indicators measure the achievement of objectives associated with each process.

THE 5 AXES IN 2015

The 5 Axes methodology was entirely reviewed and updated in 2015, 25 years after its creation and five years after the most recent review, based on a new diagram with customer satisfaction at its heart. Operational excellence requires commitment from everybody involved and now, during a period of growth when Valeo is aiming to recruit large numbers of talented people worldwide, it is critical that the 5 Axes be made easier to understand and apply, with ever-clearer expectations, in order to guarantee ever-higher standards. Consequently, the roadmaps have been reduced in number and revamped, and the indicators have been redefined. Furthermore, the “Product Development” Axis has been renamed and the roadmaps related to product and project launches have been strengthened. Three new “Total Quality” roadmaps have been developed to achieve excellence in understanding and satisfying implicit and explicit customer expectations during the product development phases and the product life cycle.

AT END-DECEMBER 2015, THE GROUP RECORDED A LEVEL OF CUSTOMER RETURNS OF 4.2 PARTS PER MILLION PRODUCTS DELIVERED
Involvement of Personnel: inspire the ongoing commitment of all Group employees by creating a safe working environment that fosters employee well-being.

Product Development: constantly offer innovative technologies while guaranteeing flawless launches.

Total Quality: provide products and services of uncompromising quality.

Valeo Production System: formalize methods and tools to support the Group’s industrial strategy.

Supplier Integration: maintain a supplier base of the most innovative and efficient suppliers that complies with the highest standards.
“EVERYONE, WHATEVER THEIR LEVEL, IS AT THE SERVICE OF OUR CUSTOMERS”

CHRISTOPHE PÉRILLAT
Chief Operating Officer

“Thanks to the 5 Axes – the pillar of our operational excellence since 1991 – we have a common language, tools and methodology. In a business like ours, which is experiencing rapid and sustained growth, we have no choice but to continue improving the method to ensure that the 5 Axes are easier to understand – especially for new employees – that they better express our expectations and demands, and that each process is more customer-centric. The 2015 version of the 5 Axes takes all these considerations into account. We are confident that it will make a decisive contribution to major advances toward achieving total customer satisfaction and excellence.”
THE WORLD IS OUR MARKET

CUSTOMER PROXIMITY ON EVERY CONTINENT, WITH INNOVATION AND PRODUCTION TAILORED TO AUTOMAKERS’ NEEDS.
CUSTOMER PROXIMITY

The Group’s strength lies in its incredible ability to adapt. Valeo has become Chinese in China, German in Germany, American in the United States... In order to develop products best adapted to each geographic area, Valeo puts its human and industrial expertise at the service of its customers in order to better understand their expectations and to deliver the same level of operational excellence and service worldwide.

“VALEO IS STRENGTHENING ITS INDUSTRIAL FOOTPRINT AND ENHANCING ITS RESEARCH AND DEVELOPMENT RESOURCES ON EVERY CONTINENT”
OUTPERFORMANCE IN ALL PRODUCTION COUNTRIES

In a global auto market that expanded by 2% in 2015, Valeo’s original equipment sales rose 8%, outperforming the market by 6 percentage points.

North America
Valeo outperformance +5%
22% of OE sales

Europe and Africa
Valeo outperformance +11%
49% of OE sales

South America
Valeo outperformance -18%
2% of OE sales

China
Valeo outperformance +8%
14% of OE sales

Asia (excluding China)
Valeo outperformance +6%
13% of OE sales

Worldwide
Valeo outperformance +8%

(1) Growth in Valeo original equipment sales in 2015 (on a like-for-like basis).
(2) Asia including the Middle East.

Countries where Valeo operates.
Valeo Service has a footprint through resellers in 150 countries worldwide and delivers spare parts directly in 117 countries.
ASEAN: NEW TERRITORIES

Valeo is already well established in the ASEAN (Association of Southeast Asian Nations) region, particularly through its Thermal Systems and Comfort & Driving Assistance Systems Business Groups, and employs 4,800 people across eight sites. Approximately 10% of the world’s population lives in the ten member states(1) that make up the ASEAN region and their combined GDP represents the seventh-largest economy in the world. The Group’s headquarters in the region are located in Chonburi in Thailand, but Valeo also has sites in Rayong, and in Purwakarta and Batam in Indonesia, with plans to open another in Malacca in Malaysia in 2016. The Group also has three sites managed by Ichikoh, its Visibility Systems Business Group partner, in Malaysia, Indonesia and Thailand. This emerging automotive market, with only 50 vehicles for every 1,000 people, presents remarkable growth opportunities. Some 3.5 million vehicles, mainly destined for local markets dominated by Japanese automakers such as Toyota and Honda, are manufactured in the ASEAN region, particularly in Thailand (1.8 million), Indonesia (1 million) and Malaysia (600,000). The aftermarket also represents significant growth potential, which prompted the Group to open a division of Valeo Service in Thailand in 2014.

DESTINATION ASIA AND EMERGING COUNTRIES

Development in Asia, particularly China, and in high-growth potential countries remains one of Valeo’s strategic focuses for the years to come: by 2020, Valeo aims to generate more than one-third of total sales in Asia, with China alone representing 20%. The exceptionally dynamic nature of these markets presents a multitude of opportunities and challenges, which are both sources of inspiration for our engineers and growth engines for the Group.

The world’s biggest producer of automobiles with more than 23 million vehicles produced in 2015, China is more central than ever to Valeo’s global ambitions. Valeo grew sales in the country by 8% in 2015, outperforming growth in local automotive production by four percentage points. The Chinese market accounts for 14% of the Group’s total sales. The Group has been active in the country for over 20 years and is now a key player, combining a leadership position with genuine local understanding and culture. This enables Valeo to support both its international customers as they deploy their development strategies in China as well as the country’s fast-growing domestic automakers. In 2015, China accounted for 20% of the Group’s total order intake, of which 41% was booked with Chinese automakers.

“THINK GLOBAL, ACT LOCAL”

Key to Valeo’s international success are its ability to constantly adapt to customers’ local expectations and a global industrial footprint that enables products to be delivered to the same exacting standards of quality and reliability in all markets. Over the past several years, Valeo has strengthened its industrial footprint and enhanced its Research and Development resources on every continent, enabling it to supply products specifically designed for local markets and also to introduce innovative technologies aimed at reducing CO2 emissions and promoting intuitive driving. Consequently, three of Valeo’s four specialized Development centers are located in Asia – one in India, at the Chennai plant, and two in China, at the Wuhan and Shenzhen plants – to source inspiration from the challenges facing emerging countries and to offer the best solutions for tomorrow’s connected world.

(1) The ten ASEAN member countries are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.
VALEO HAS MADE SUSTAINABLE DEVELOPMENT ONE OF THE CORNERSTONES OF ITS GROWTH MODEL, BOTH INTERNALLY AND WITH CUSTOMERS AND SUPPLIERS.

SUSTAINABLE COMMITMENTS
VALEO, ACTING FOR SUSTAINABLE GROWTH

VALEO WORKS IN CONSTANT CONTACT WITH ITS VARIOUS STAKEHOLDERS TO FOSTER SUSTAINABLE DEVELOPMENT, SETTING AMBITIOUS GOALS IN THE AREAS OF RESEARCH AND DEVELOPMENT, SITE ENVIRONMENTAL FOOTPRINT MANAGEMENT, HUMAN RESOURCES AND CORPORATE CITIZENSHIP

SUSTAINABLE DEVELOPMENT, CENTRAL TO VALEO’S RELATIONS WITH AUTOMAKERS

Valeo places sustainable development at the center of its relations with customers. Valeo has a relevant, structured approach to sustainable development that is an important part of business relationships based on trust and transparency. The Group is able to provide credible responses to automakers’ demands concerning both its own activities and those of its suppliers located further up the value chain. Since setting up a dedicated function in 2010, Valeo has put in place a special dialog on sustainable development with certain customers, based on validation of its sustainable development approach and performance and verification of the practices of a significant selection of tier-one suppliers. Since January 2016, automakers’ teams have also begun performing sustainable development audits at Group sites.

AN APPROACH BUILT ON TRANSPARENCY

In recent years, Valeo has stepped up communications on its sustainable development policy, which focuses on the excellence of the Group’s products and how they contribute to low-carbon mobility. In doing so, it meets a growing demand from employees and from automaker customers. Building on automaker requirements and following validation of the strategy by the Board of Directors, in 2014 the Group started to develop a materiality matrix which was rolled out in 2015.
In 2015, Valeo gained further recognition for its commitment to sustainable development.

- Valeo took first place in the automotive segment of the 2015 Low Carbon 100 Europe index launched by Euronext to coincide with COP21 in December 2015.
- The Carbon Disclosure Project (CDP), which assesses the transparency and performance of companies in terms of their carbon footprint, awarded Valeo a score of 95 out of 100 on transparency, well above the average for the automotive supplier category (83 points), and a C for performance, in line with the industry average.
- Sustainalytics successively ranked Valeo “industry leader” in 2014, then “outperformer” in 2015, awarding the Group a rating of 76 out of 100.
- The Harvard Business Review ranked Jacques Aschenbroich as the leading Chief Executive Officer in France (and 14th worldwide) in its list of Top 100 Best-Performing CEOs in the World in 2015. Fully 20% of the final assessment was based on the Group’s excellent score in sustainable development, which put Valeo in the number two place in the automotive sector.

“In 2015, Valeo conducted a materiality analysis to compare internal sustainable development ambitions with all external stakeholders’ expectations. We are now able to identify key areas and prioritize our actions not only according to Valeo’s needs and expectations, but also to those of our stakeholders in the broadest sense of the term. Above all, this means our customers, our employees and the investors and SRI agencies that rate the Group. Designed to evolve over time, this matrix will be of particular help in ensuring that we do not lose sight of our priorities and that we adapt our governance methods to reflect constantly changing challenges.”

JEAN-LUC DI PAOLA-GALLONI,
Vice-President Sustainable Development and External Relations
INNOVATING FOR SUSTAINABLE MOBILITY

Valeo’s Research and Development strategy, which forms a fundamental part of its sustainable development policy, aims to effectively meet market demands today while anticipating the car of tomorrow. By analyzing trends, it seeks to understand how to respond to users’ future needs, while staying one step ahead of the changes that will shape autonomous, connected and less carbon-intensive mobility.

RESEARCH AND DEVELOPMENT: A CENTRAL PART OF SUSTAINABLE DEVELOPMENT POLICY

As the driving force behind the Group’s growth, Valeo’s Research and Development policy, focused on CO₂ emissions reduction and intuitive driving, contributes to the transition to low-carbon mobility. To foster the emergence of innovative solutions across its entire value chain, Valeo takes an all-encompassing, customer-centric approach to Research and Development that is simultaneously forward-looking, integrated, local and collaborative. The Group also permanently studies worldwide social trends, from urban mobility to evolving legislative requirements, to stay in tune with market expectations and anticipate structural changes in the sector, all while developing its ability to deliver effective responses. This approach determines Valeo’s priorities in terms of technological innovation, which range from reducing CO₂ and pollutant emissions and conserving raw materials to developing intuitive driving and improving vehicle safety.

The customers’ voice

In tune with customer requirements in all its host regions, Valeo has structured its Research and Development operations based on an organization that combines projects and expertise and allows each entity to appropriate and contribute to the Group’s objectives. As part of this, 17 research centers are currently dedicated to basic research, advanced engineering and the formulation of new product standards. Thirty-five development centers adapt standards in line with customer requirements and coordinate the work of launch and support teams together with customer front offices. And Valeo’s base in the San Francisco Bay Area, opened in 2014, carries out prospective monitoring of automakers, electronics and digital technology players, universities and local start-ups.

MULTIFACETED STRATEGIC PARTNERSHIPS

The connected, autonomous car of tomorrow will have little in common with previous generations. To design and produce this vehicle, the automotive industry today needs to incorporate an increasingly wide range of skill sets. For this reason, Valeo works with players of varying size and vocation, ranging from start-ups and universities to major groups such as Safran, which entered into a technological partnership with the Group in 2013. Valeo helps fund numerous doctoral theses and several university chairs, along with

EXAMPLES OF RECYCLABILITY

The new generation Valeo i-STARS starter-alternator has a recycling rate of 98.2% and a recovery rate of 99.5%. The Valeo e-supercharger has a recycling rate of 94.8% and a recovery rate of 97.6% (based on internal assessments).
many research projects involving public and private entities. The Group co-chairs the European Road Transport Research Advisory Council (ERTRAC), the European Commission’s technology platform for research on road transportation. And Valeo is involved in a number of competitiveness clusters such as Mov’eo and VeDeCom, an energy transition institute whose Board of Administrators is chaired by Valeo.

RESOURCES, MATERIALS AND ECO-DESIGN
From the early phases of new product design, Valeo privileges an approach based on eco-design and conservation of natural resources. In this context, Valeo has rolled out an action plan across all levels designed to reduce its products’ carbon footprint, limit the consumption of raw materials and chemical products and increase the use of recyclable and recycled materials. This strategy is in line with its goal of reducing vehicles’ CO₂ emissions using a range of tools that notably take into account customer requirements and regulatory obligations governing the fight against hazardous substances.

Eco-design is based on internal directives and guidelines that enable engineers to assess the major environmental impacts of products throughout their life cycles, particularly during use, which accounts for 90% of the total impact. These measures enable Valeo to respond effectively to 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.

TALENT FUELING INNOVATION
Without the best people to design and develop them, technological innovations may very well never exist. For this reason, Valeo increased Research and Development staff numbers worldwide by 12% in 2015, bringing the total to 11,620 compared with 10,400 in 2014. In addition to its exclusive network of experts, the Group again stepped up its training program for its technicians and engineers in 2015 (adding 6.4% more training hours), particularly in high-growth markets. Valeo prefers to hire Research and Development teams from the local employment area because it believes that they can use their first-hand knowledge of local society, lifestyles and consumption patterns to analyze the needs of local customers and consumers. As the Group’s capacity to adapt to local markets is essential for its expansion, Valeo focuses its Research and Development activity on competitively priced design solutions in emerging countries. It also promotes standardized practices such as those implemented at the VIPL (Valeo India Partnership Limited) Technical Services Center in India, which aims to develop projects designed for these markets’ expectations.

ELIMINATING HAZARDOUS SUBSTANCES
For Valeo, eliminating hazardous substances from its products is a key challenge. In line with REACH’s regulations, the Group set up an organization comprising representatives from each Business Group and correspondents at all sites. The Research and Development, Purchasing and Customer Quality Departments are responsible for having a full understanding of Valeo’s products and communicating with external parties (suppliers, customers and competent authorities).

VALEO EXPERTS: A NETWORK TO DRIVE INNOVATION
To give impetus to its innovation strategy, Valeo has set up a network of experts that currently includes 834 members, representing one expert for every 14 engineers. These experts have a three-year research tenure and are mainly tasked with defining best practices that will be incorporated into design standards and explained to newcomers. They are a driving force within the R&D team, and share their expertise throughout the R&D network.
ENVIRONMENTAL MANAGEMENT AND PERFORMANCE OF GROUP SITES

Starting from a set of ambitious goals, Valeo has made major achievements with respect to reducing energy and water consumption, curbing greenhouse gas emissions, managing discharges and waste, optimizing transportation and logistics and protecting biodiversity.

IRM COMMITMENTS

For more than 20 years now, Valeo has been working to limit the impact of its activities on the environment. The Group will continue to uphold its commitments to guarantee that its activities remain in compliance with applicable legislation and its own standards, which are often more stringent than local requirements. Valeo has deployed the ISO 14001 environmental management system at all its sites. The Group is committed to improving the environmental performance of its processes, optimizing the transportation of people and goods in order to reduce greenhouse gas emissions, limiting the use of natural resources, promoting the use of renewable resources and energy, and eliminating the use of substances that are hazardous to the environment or health. The Group’s Environmental Charter enshrines these commitments, which are developed and implemented by the Risk Insurance Environment Department (RIE), with day-to-day support from a dedicated network of more than 300 people across all Group sites.

Three triennial plans since 2008

Since 2008, Valeo has led three successive 3-year plans designed to improve environmental performance in terms of water, energy, materials, VOC and CO₂ emissions, waste, packaging, and health, safety and environment certifications. As a result, the Group has made significant reductions, particularly in terms of water and energy consumption, which decreased by 46% and 28% respectively as a proportion of sales between 2008 and 2015. Total consumption of packaging also fell by a sharp 25% over the period. Lastly, Valeo conducts an annual inventory of plants located in or near protected areas in respect of biodiversity. Twenty such sites were inventoried in 2015: two in Asia, five in South America and thirteen in Europe. The initiative is governed by the Group’s “Biodiversity” Directive, which lays down guidelines to regulate practices in terms of biodiversity conservation over a site’s entire life cycle, from selection to closure.

ASSESSING AND CERTIFYING THE ENVIRONMENTAL POLICY

To measure the performance of its environmental policy, Valeo implements a program of regular audits worldwide, including

98% OF SITES CERTIFIED ISO 14001 AT END-2015

324 AUDITS PERFORMED AT VALEO SITES IN 2015
external audits to assess compliance with Group directives and certifications, along with self-evaluations and cross-site verification audits performed by site Health, Safety, Environment (HSE) managers. As of the end of 2015, 98% of Valeo sites had obtained ISO 14001 environmental certification and 94% OHSAS 18001 health and safety certification.

**ACTIVELY MANAGING ENVIRONMENTAL PERFORMANCE**

Valeo measures its environmental performance using a centralized reporting tool called Valeo Risk Indicators (VRI). Over 200 indicators are collected, on a quarterly or sometimes annual basis. Responses from the sites are then consolidated and undergo in-depth verification by an external service provider, with nearly 100,000 data items processed and validated each year. In 2015, the response rate per indicator was 100% for most indicators published. In accordance with the Grenelle 2 law, an independent third party was commissioned to verify the 2015 disclosures, auditing several sites in South Korea, Spain, the United States, France, Hungary and Thailand.

**REDUCING ENERGY CONSUMPTION**

For years, electricity and natural gas have been the two main sources of energy used by Valeo sites, accounting for nearly 98% of total consumption. The Group’s efforts to optimize energy are paying off, with energy consumption as a proportion of sales down 9% in 2015 compared with 2014. The decrease was evenly split between direct and indirect energy, and the downward trend
KYONGJU REWARDED FOR WATER MANAGEMENT

At the seventh World Water Forum, the two Kyongju sites in South Korea (Powertrain Systems) received awards for their exemplary endeavors to cut down drinking water consumption, allow for environmental factors when setting up new industrial processes, and detect water leaks in pipes. The awards also acknowledged their work with the local government on setting up a wastewater separation system to prevent groundwater pollution.

REDUCING GREENHOUSE GAS EMISSIONS

Aware of the need to reduce greenhouse gas emissions, Valeo committed to minimizing its carbon footprint in 2009. Between 2014 and 2015, the Group reduced its indirect greenhouse gas emissions as a proportion of sales by 6%. Valeo’s overall carbon footprint totaled approximately 6.8 million metric tons of CO₂ equivalent in 2015, an increase of 8.3% compared with 2014. As a proportion of Valeo’s sales, however, the 2015 carbon footprint shrunk by 3.9% compared with 2014. For the 2016-2020 period, Valeo has set itself the goal of reducing its direct and indirect greenhouse gas emissions as a proportion of sales by 8%.

LIMITING WASTE AND DISCHARGES

For years, Valeo has been proactively managing the risk of toxic substances being discharged into the air or soil. Valeo sites are required to identify any prohibited or regulated substances in their buildings, manufacturing equipment or products by referring to a database known by the acronym BRDS (Banned, Regulated and Declared Substances). The Group has committed to reducing air emissions, particularly ozone-depleting substances (CFCs and HCFCs), with action on replacement and periodic monitoring of leaks from equipment containing refrigerants. This resulted in a 3.8% reduction in CFC emissions in 2015. In respect of air emissions, each site must implement solutions to ensure compliance with regulatory requirements. In 2015, Valeo recorded a 1.7% fall in VOC emissions as a proportion of sales, and a 9.5% decrease in NOx emissions as a proportion of sales. Although Valeo does not generate industrial wastewater containing large amounts of pollutants, each site scrupulously manages its effluents and is equipped to prevent accidental spills into the environment. In 2015, the total volume of effluents discharged by the Group’s sites was down by 11% compared with 2014, and no significant spills were recorded for the year.

ENERGY CONSUMPTION: PILOT PROJECT AT THE ANGERS SITE

The Angers site (France) took part in a pilot project in 2015 involving the installation of innovative measurement devices on the site’s various electrical junction boxes. The project points to a possible reduction in current total consumption of between 10% and 15%, representing potential annual savings of some 300,000 euros for the site. In the long term, the Group plans to extend this method to other sites.

MANAGING WASTE AND OPTIMIZING PACKAGING

Sites optimize the manufacturing process in order to limit waste production, and recycle everything that can be reused in the manufacturing process, without compromising product quality. In 2015, the total amount of waste as a proportion of sales fell by just over 4% compared with 2014. For the 2016-2020 period, Valeo has set itself the goal of reducing its waste production as a proportion of sales by 5%.

Packaging is essential to the handling, transportation and storage of products, with cardboard and wood accounting for 90% of packaging materials used. Valeo is working to optimize its packaging in partnership with suppliers and customers. In 2015, total consumption of packaging materials as a proportion of sales decreased by 11% compared with 2014, while total consumption of packaging materials stabilized.
MANAGING THE CARBON FOOTPRINT
OF TRANSPORTATION AND LOGISTICS
In 2015, Valeo continued to strengthen its requirements in terms of the organization of transportation, demonstrating its commitment to optimizing logistics costs and reducing its greenhouse gas emissions. The Group rarely used air transportation, except when other logistics chains failed, and transported the same amount of parts by air over the year as in 2014. In 2015, the optimization of air transportation through dedicated shipments with a load factor of 100% reduced CO₂ emissions caused by this mode of transportation from 85,000 to 63,000 metric tons of carbon dioxide equivalent (t CO₂ eq.). In road transportation, optimization work performed in previous years continued, primarily through the widespread use of collection routes, which increased the average truck load factor from 70% in 2014 to 73% in 2015. Over the year, the Group worked in particular to optimize rail flows from Asia to Europe, which have several advantages compared with shipping due to the shorter distance involved (32,000 km by sea versus 10,500 km by rail).

MANAGING WATER RESPONSIBLY
The Group’s objective is to limit and control its water consumption, reduce the risk of pollution of sources of supply and ensure the supply of good quality water for its staff. To manage and minimize their consumption, sites implement appropriate human and material resources that optimize and control water use. In 2015, Valeo reduced its water consumption as a proportion of sales by 9.6% compared with 2014, and is aiming for a 6% reduction between 2016 and 2020. Consumption of water for industrial purposes accounted for 44% of total water consumption, a figure stable compared with 2014. Valeo also measured its Water Footprint through the Carbon Disclosure Project in 2015, and will continue the program in 2016.
VALEO AND ITS EMPLOYEES

As a technology company with nearly 83,000 employees in 30 countries, Valeo has made its Human Resources policy a driver for growth. Designed to take into account the market’s specific local, cultural and economic conditions, the Group’s Human Resources actions are underpinned by objectives on workplace health and safety, employee engagement, attractiveness, talent development and diversity.
particular, which saw 10,789 Group employees receive training delivered by certified trainers in 17 countries. In all, 26% of general training hours were dedicated to safety.

**WELL-BEING AT WORK PROGRAM**

The “Well-Being at Work” program is run as a genuinely broader governance approach that includes senior management, local managers, employees and employee representatives. It has led to a considerable improvement in work-life balance, just one of the areas in which employees already hailed progress in a 2014 survey. Launched in 2011, the program is based on collecting best practices and spreading them to all Group sites. It has already helped identify several areas for improvement for the coming years, including offering support for employees in their work by developing tools, simplifying processes and offering guidance, and providing opportunities in career and skills development.

**PROMOTING SOCIAL DIALOG TO CULTIVATE ADAPTABILITY**

Sound labor relations are fundamental for the Group to be able to adapt to a constantly changing environment. The Group firmly believes that social dialog is an essential means of promoting profitable and sustainable growth. To this end, various committees have been established, such as the European Works Council, which in 2015 represented 42% of the Group’s registered headcount, or more than 31,000 employees. At global level, each country sets up specific bodies in line with local laws and regulations. In 2015, 93% of sites had formal bodies representing employees and unions. This representation at different levels of the organization has allowed Valeo to develop a policy of active dialog with employee representatives. In 2015, a total of 174 collective bargaining agreements were signed at local level, primarily covering compensation, working hours and health and safety.

Valeo’s Corporate Social Responsibility (CSR) policy is part of a universal framework of international commitments (United Nations and International Labour Organization) designed to guarantee the dignity of individuals and fundamental social rights. Valeo’s Code of Ethics and the Corporate Social Responsibility agreement reflect the Group’s culture of professional, individual and collective integrity.

**ZERO ACCIDENTS: RAKOVNIK’S PERFORMANCE**

The Rakovnik site (Czech Republic) reflects the success of safety performance improvement work. In 2015, teams here achieved a rate of zero lost-time accidents for the second consecutive year.
EMPLOYEE LOYALTY AND COMMITMENT

Valeo’s growth strategy also relies on its ability to attract and retain employees. The Group must be attentive to their views with regard to the Company and its strategy, but also in terms of quality of work life. In 2015, Valeo conducted a new survey on the engagement of all Group engineers and managers, entitled the “Employee Feedback Survey”. Conducted among 19,000 employees in 36 countries and eight languages, the survey achieved record participation levels with a response rate of 85%, demonstrating that the action plans implemented meet employees’ expectations. Employees have noticed the biggest improvements in areas such as diversity, ethics and communications since 2013. Participants also expressed the view that there were more opportunities for personal and professional development than before. Based on the survey results, each country and each site identified its own “Top 4 Challenges”, established action plans and began tracking results. The Group itself also rolled out an action plan structured around accountability, efficiency, personal development and alignment of all levels within Valeo. As part of its skills development policy to promote operational excellence, Valeo has established standard Individual Development Plans and career interviews for engineers and managers. Through this dynamic policy, more than 3,400 employees benefited from career opportunities in 2015.

DEVELOPING THE GROUP’S ATTRACTIVENESS

Attracting top talent is a major challenge for the Group, as a means of supporting the growth of its business worldwide. Valeo distinguishes itself by virtue of a strong employer brand, and implements an effective recruitment policy to attract candidates in an increasingly competitive market. To make its strategy more widely known, the Group has developed different ways to make contact with potential future employees, from students with the “Valeo Innovation Challenge”, to experienced professionals through increased presence on social networks. At end-2015, Valeo’s LinkedIn Careers page had more than 190,000 followers, and 170 engineers and managers were hired using social networks over the year.

MORE THAN
20,000
PEOPLE HIRED WORLDWIDE IN 2015

GIVING YOUTH FROM DISADVANTAGED NEIGHBORHOODS A CHANCE

Valeo has set itself the goal of promoting and fostering the integration of young people from disadvantaged neighborhoods in the workplace. In 2014, the Créteil site (France) joined the “Our Neighborhoods Have Talent” (Nos Quartiers ont des talents) association, which aims in particular to help young graduates with at least four years’ post-secondary education from disadvantaged neighborhoods find jobs. There were 21 active sponsors on the site at the end of 2015.

Continuous training

Convinced that training is a key factor in team engagement and skills development, Valeo continued to extend its training policy to include as many employees as possible. In all, 97.4% of employees took part in at least one training session in 2015, with numbers of training hours and trainees rising continuously (up 7.4% and 10.7% respectively year on year, in absolute terms). The 5 Axes training path represented 25% of general training hours in the Group in 2015, while induction programs for new hires accounted for 12%.

DIVERSITY, A SOCIAL AND PERFORMANCE-RELATED NECESSITY

As Valeo believes that diversity is both a question of social responsibility and a tool for performance, the Group has made diversity an integral part of its culture that significantly boosts its attractiveness. In line with this, a Diversity Committee was established in 2012 and organized into four specialized Committees: Gender, Disability, Cultural and Social and Generational. Each country now has a diversity component in its “Strategic Medium-term
At the Guangzhou site in China, Valeo established a partnership with a school for deaf students, while in Chennai, India, 25 people with disabilities joined the site teams as part of a partnership with the Youth 4 Jobs foundation.

Human Resources Plan”, which applies Group strategy while adapting it to the local culture.

Valeo is committed to respecting gender equality in terms of career development, training and compensation in comparable situations. In 2015, a full 80% of plants implemented at least one initiative in favor of gender diversity, representing a total of 178 initiatives. Valeo led initiatives at prestigious engineering schools in partnership with Companeros, and continued to promote engineering careers among girls in high school with the association Elles Bougent. The Group implemented specific programs over the year to encourage gender diversity in recruitment practices in several countries including China and Mexico. The Women Connected network is a platform for dialog and communication designed to promote networking among women in the workplace and help identify and encourage talent internally.

Promoting the employment of disabled persons
Ensuring equal access to employment for people with disabilities is a priority for Valeo. In France, the Group signed a second three-year agreement in 2015 to promote the integration of people with disabilities. At the same time, the Group renewed its partnership with recruitment firms and associations with a view to hiring greater numbers of people with disabilities. Thanks to this proactive approach, the percentage of people with disabilities employed within the Group in France amounted to 6.07% in 2015, a figure that exceeds the country’s minimum statutory requirement. In addition, 80% of Valeo’s workforce in France were made aware of disability. Since 2014, an international project group dubbed “DiversAbility” has been working to expand the disability policy to the rest of the Group. Its objectives include achieving a minimum employment level of 1.5% of workers with disabilities in all countries.

Transferring knowledge from generation to generation
Four generations work side by side at Valeo. Between the young, freshly hired generation and seniors approaching retirement, the challenge is to preserve and transfer know-how to support the Group’s growth ambitions and ensure its long-term viability. At the same time, in 2015, Valeo reaffirmed its commitment to sustaining job motivation among employees while developing their employability by providing them with the means to advance in their careers. A total of 13% of the registered headcount was aged over 50 during the year, representing 9,415 employees, compared with 8,376 in 2013. This increase resulted from a hiring policy under which the Group hired 341 people aged 50 and over in 2015, a total of 3.7% of new hires over the period.

Initiatives in favor of young people allowed the Group to welcome 1,490 interns, 892 apprentices and trainees and 130 French international volunteer scheme (VIE) applicants. Notable programs for the year included YES in China (200 positions available) and DRHW in Germany (130 apprenticeship positions offered) and Spain (20 apprentices). In France, Valeo also takes part in the Engagement Jeunes platform, which seeks to promote the employment of apprentices nearing the end of their training.

Promoting cultural diversity
The ten most widely represented nationalities within the Group are Chinese, French, Mexican, Polish, German, Spanish, Thai, American, South Korean and Czech, reflecting the incredible range of cultural diversity at Valeo, which is a real factor of performance. Under the impetus of the worldwide Cultural Diversity Committee, country management teams implement actions in line with their cultural and social reality. As part of this, more than 2,000 employees completed online training modules in 2015 to gain a better understanding of the issues related to cultural diversity.

97.4% OF EMPLOYEES TOOK PART IN AT LEAST ONE TRAINING SESSION IN 2015, COMPARED WITH 92.2% IN 2014
COMMITMENT TO CORPORATE CITIZENSHIP

A global business and major player in the automotive sector in the countries where it operates, Valeo is committed to making sustainable development a central feature of its relations with suppliers and local communities.

APPLICATION OF SUSTAINABLE DEVELOPMENT PRINCIPLES IN PURCHASING PROCESSES

Valeo includes sustainable development principles in its Purchasing processes in line with growing demand from stakeholders, with automaker customers foremost among them. For several years now, Valeo has used non-economic criteria when selecting suppliers and awarding bids and contracts. Today these criteria, relating to quality, production and sustainable development, account for more than 90% of the mandatory items in the supplier qualification questionnaire. As part of this process, sustainable development criteria are given a weighting of nearly 20% in the supplier’s final score, and any failure to meet them automatically disqualifies suppliers from Valeo’s supplier base. All suppliers must meet Valeo’s ethics, integrity and sustainable development requirements. In 2015, these obligations were combined in the Business Partner Code of Conduct, which is available on the Group’s website.

ASSESSMENT OF SUSTAINABLE DEVELOPMENT PRACTICES

In 2013, Valeo began assessing its suppliers’ sustainable development practices using an annual self-assessment. Run jointly by the Sustainable Development and External Relations, Purchasing and Quality Departments, the survey was sent to major suppliers accounting for 60% of Valeo’s production purchasing. The results showed that, in addition to meeting Valeo’s CSR requirements, nearly three-quarters of the respondent suppliers also have their own CSR policy based on a charter, a code of conduct, best practices and a set of guidelines. A large majority of Valeo suppliers responding to the survey have initiated voluntary certification and labeling programs for their environmental policies.

VALEO, COMMITTED TO REPLACEMENT PRODUCT AVAILABILITY

As a player in the aftermarket through Valeo Service, and with its strong presence in emerging countries, the Group strives to market products at the best price, without compromising the environment. This commitment is reflected in the Group’s extensive experience in designing, producing and marketing remanufactured products. Using an efficient system, Valeo collects used parts and then, once disassembled, remanufactures them to comply with original equipment market standards, notably eliminating any traces of hazardous substances to guarantee personal protection.

ETHICS AND COMPLIANCE: A KEY DEMAND FOR THE GROUP

The Ethics and Compliance Department is rolling out a detailed, specific program designed to combat corruption and anti-competitive practices. It applies throughout the Group and to all employees.

A comprehensive framework backed by training

Valeo’s ethics and compliance policy is based on a Code of Ethics – in force since 1997 (updated in 2015) and available in 22 languages – and on an Ethics and Compliance Program, which lays out Valeo’s rules on combating illegal practices. In 2015, Valeo harnessed these two tools to achieve the ambitious goal of training virtually the entire target population (mainly engineers...
and managers), i.e., 20,987 people (99% of the target population). Also in the year, Valeo adapted to accommodate new needs by releasing a Privacy, Image and Social Media Policy to protect confidential information, and a charter on the use of computer and electronic communication resources aimed at protecting intellectual property and information systems and ensuring the safety and integrity of the Group’s networks and resources.

Awareness, detection, prevention and alert
To improve the understanding and commitment of personnel on ethics and compliance issues, the Group set up a "Compliance Champion Team" comprising 70 experienced managers known for their knowledge on these matters within their networks. In line with the relevant standards, Valeo completed its policy by setting up a worldwide alert line enabling personnel to alert management, through various channels (phone interviews, email, letters), about actual or potential non-compliance with regulations or internal rules. Open to all personnel in all of the Group’s languages, the line offers anonymity if requested, and is free of charge. It is run by a third-party company and guarantees confidentiality and anonymity.

A MAJOR ROLE TO PLAY IN CORPORATE CITIZENSHIP
Valeo’s sites contribute to the economic and social fabric of the regions where the Group operates through actions in favor of employees and their families. In Asia for example, where nearly one-third of Valeo employees are located, more than 40% of sites offered their employees financial assistance to fund leisure activities, sports and holidays. Valeo also strives to protect the environment in association with local communities. Each site also organizes local actions, known as Plants’ Initiatives, to help local communities. In 2015, for the second year running, this program saw all sites run at least one corporate citizenship operation. During Sustainable Development Week, which takes place in June each year, many sites often organize open days which are an opportunity for Valeo to showcase its manufacturing processes, technologies and products, and to raise visitors’ awareness of the various environmental issues confronting the site. Lastly, each site determines its own donation policy, with most choosing to support educational and cultural activities.
Because of the various impacts of its activities, Valeo has a policy of encouraging its sites 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.

**BRAZIL**

*São Paulo*

In a true show of Christmas spirit, employees at the São Paulo site donated clothes, shoes and toys to some 20 children at the Casa da Criança e do Adolescente Santo Amaro Grossar, an organization that helps vulnerable children and teenagers.

**CHINA**

*All sites*

The Valeo Library Project, run as part of the national “Illuminating the Future” campaign, led to the establishment of ten libraries or reading rooms in rural schools attended by disadvantaged students. Each project was sponsored by volunteers from Chinese sites including Changchun, Foshan, Guanzhou, Nanjing, Shanghai, Shenyang, Shenzhen, Wuhan and Wuxi. A total of 7,500 books were donated.

**CZECH REPUBLIC**

*Rakovník*

The Rakovník site joined forces with the local town hall to help improve the areas around the town’s nursery schools by financing playground renovations.

**FRANCE**

*Sablé-sur-Sarthe*

The Sablé-sur-Sarthe site ran an awareness campaign to encourage people to become organ donors. Two members of the France-ADOT association, both transplant recipients themselves, shared their experiences and explained how to become a donor. Fifty-two people registered as a result.

**GERMANY**

*Ratingen*

Valeo Service employees in Germany took part in a day-long blood donation campaign organized with Esprit and the German Red Cross.

**INDIA**

*Chennai*

To celebrate Children’s Day, employees at the Chennai plant visited a local primary school bearing gifts of sports equipment and school supplies. A drawing competition was also organized for the students, with lots of prizes up for grabs.

**MEXICO**

*Río Bravo*

Río Bravo employees collected 13,000 bottle caps in a fund-raising event for Brazil’s national Health Day. The money raised went to the local cancer foundation to pay for cancer treatment for children.

**POLAND**

*Chrzanów*

For the third year in a row, the Chrzanów site hosted female students from a local secondary school to present career opportunities in the industry and debunk the stereotype that production jobs are for men only. Following a site visit, the students were introduced to female employees working in such diverse areas as production, quality, logistics and maintenance.

**ROMANIA**

*Timisoara*

The Timisoara site’s IT team, in association with the Lions Club Timisoara Bastion, donated a dozen computers to Pischia primary school. The donation was made as part of the site’s social and environmental responsibility program, Drive to Community, whose main focus is to support primary education.

**TURKEY**

*Bursa*

The Bursa site got involved in a nation-wide campaign to support the country’s vocational schools, spearheaded by Turkish automotive supplier association TAYSAD. As part of this, the lab team repaired and calibrated some 20 measurement instruments to help students learn their future trades.

**UNITED KINGDOM**

*Basildon*

Employees at the Basildon site took part in Red Nose Day to raise money for Comic Relief, a charity that aims to significantly improve the lives of individuals and communities in the United Kingdom and Africa. In a role reversal, the men baked cakes while the women played soccer.

**UNITED STATES**

*Troy*

Employees at the Troy site lent a hand to Life Remodeled, a Detroit-based non-profit organization that each year revitalizes a run-down neighborhood from the ground up. Valeo employees helped clean up debris and brush around homes abandoned after the sub-prime crisis alongside thousands of other volunteers from the community and other big companies such as General Motors, Ford and Fiat Chrysler.
KEY INDICATORS

KEY GROUP RESEARCH AND DEVELOPMENT INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net research and development expenditure (as a % of sales)</td>
<td>5.3% (1)</td>
<td>5.4%</td>
<td>5.5%</td>
<td>+0.1 pts</td>
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<tr>
<td>Research and Development headcount</td>
<td>9,200 (1)</td>
<td>10,400</td>
<td>11,620</td>
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</tr>
<tr>
<td>Number of customer projects managed</td>
<td>2,200</td>
<td>2,300</td>
<td>2,500</td>
<td>+9%</td>
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<tr>
<td>Number of collaborative projects</td>
<td>&gt;60</td>
<td>&gt;50</td>
<td>&gt;50</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of patents filed</td>
<td>786</td>
<td>1,108</td>
<td>1,406</td>
<td>+27%</td>
</tr>
<tr>
<td>Proportion of innovation in order intake</td>
<td>30%</td>
<td>35%</td>
<td>37%</td>
<td>+2 pts</td>
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</tbody>
</table>

(1) 2013 data have been restated to reflect the impact of IFRS 11 on the scope of consolidation.

ENVIRONMENTAL INDICATORS

ENERGY AND WATER CONSUMPTION

PERCENTAGE OF PLANTS CERTIFIED ISO 14001 AND OHSAS 18001
PACKAGING MATERIALS
CONSUMPTION

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>77.6</td>
<td>78.6</td>
<td>78.8</td>
</tr>
<tr>
<td>Packaging materials consumed</td>
<td>6.6</td>
<td>6.3</td>
<td>5.6</td>
</tr>
</tbody>
</table>

PRODUCTION OF HAZARDOUS
AND NON-HAZARDOUS WASTE

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>15.3</td>
<td>15.5</td>
<td>14.9</td>
</tr>
<tr>
<td>Non-hazardous waste</td>
<td>1.7</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Hazardous waste</td>
<td>16.4</td>
<td>15.1</td>
<td>14.4</td>
</tr>
</tbody>
</table>

LABOR-RELATED INDICATORS

BREAKDOWN OF TOTAL HEADCOUNT
BY GEOGRAPHIC AREA

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>32%</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td>South America</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>North America</td>
<td>13%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Africa</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>15%</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>32%</td>
<td>30%</td>
<td>30%</td>
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</table>

PERCENTAGE OF EMPLOYEES
TRAINED

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>89.8%</td>
<td>92.2%</td>
<td>97.4%</td>
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</table>
CORPORATE CITIZENSHIP INDICATORS

PROPORTION OF SITES WHOSE MANAGER WAS FROM THE LOCAL COUNTRY IN 2015

<table>
<thead>
<tr>
<th>Region</th>
<th>2015 Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>87%</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>47%</td>
</tr>
<tr>
<td>North America</td>
<td>41%</td>
</tr>
<tr>
<td>South America</td>
<td>100%</td>
</tr>
<tr>
<td>Asia</td>
<td>68%</td>
</tr>
<tr>
<td>Africa</td>
<td>75%</td>
</tr>
<tr>
<td>Total</td>
<td>71%</td>
</tr>
</tbody>
</table>

GROUP OCCUPATIONAL ACCIDENT FREQUENCY RATE (FR1/FR2)

- Group FR1 (lost-time accidents)
- Group FR2 (accidents with and without lost time)
PURCHASING LOCATION ALIGNED WITH AREA OF ORIGIN AND CONSUMPTION

BREAKDOWN OF DIRECT PURCHASES BY GEOGRAPHIC AREA OF ORIGIN

- Europe & Africa: 45%
- South America: 13%
- Asia: 40%
- North America: 2%

BREAKDOWN OF DIRECT PURCHASES BY GEOGRAPHIC AREA OF CONSUMPTION

- Europe & Africa: 51%
- South America: 18%
- Asia: 29%
- North America: 2%
The full report on governance and sustainable development is included in the 2015 Registration Document and is available on the valeo.com website.

Graphic design and production: LAVA WORLDWIDE PARIS
Prepared by: Corinne Martin – Valeo
Printing: ADVENCE
Printed on Salinat green paper (half-matt coated, 60% recycled fiber and 40% FSC-certified virgin fiber)