PRESENTATION OF THE PROPOSED RESOLUTIONS

Report of the Board of Directors

This report describes the proposed resolutions that are being submitted to the Shareholders' Meeting by your Board of Directors. Its purpose is to draw your attention to the important points in the proposed resolutions, in accordance with applicable laws and regulations and with best corporate governance practices for companies listed in Paris. It is not intended as an exhaustive guide; therefore it is essential that you read the proposed resolutions carefully before exercising your vote.

The presentation of the financial situation, business and performance of Valeo and its Group over the past financial year, as well as various information required by applicable legal and regulatory provisions, also appear in the Board of Directors' report on the financial year ended 31 December 2015, included in the 2015 Reference Document which you are invited to read.

Dear Shareholders,

We have convened this combined Shareholders' Meeting (ordinary and extraordinary) of Valeo SA (the "**Company**") to submit the 24 resolutions described in this report for your approval.

I. Resolutions within the powers of the ordinary Shareholders' Meeting

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A. Approval of financial statements and allocation of profits (*first, second and third resolutions*)

The Shareholders' Meeting is first convened to approve the unconsolidated financial statements (*first resolution*) and the consolidated financial statements (*second resolution*) of your Company for the financial year ended 31 December 2015, to allocate the profits and to set the amount of the dividend (*third resolution*) (please refer to the term "dividend" in the glossary for the tax related information relating to the dividend for the past three financial years).

The unconsolidated financial statements of your Company for the financial year ended 31 December 2015 show a profit of EUR 243,740,414.47. The Company's Board of Directors suggests that you distribute a dividend of EUR 3 per share for all shares with dividend rights, an increase of 36% over the dividend paid for the financial year ended on 31 December 2014.

It is suggested that you appropriate a total of EUR 235,371,555 of the profit for the financial year ended 31 December 2015 to a distribution (*i.e.*, a dividend of EUR 3 per share for all shares with dividend rights) and EUR 8,368,859.47 to the "Retained Earnings" account, which will hold a total of EUR 1,502,017,375.21 after this appropriation.

B. Approval of related agreements (*fourth and fifth resolutions*)

Certain agreements entered into by the Company in connection with its activities are subject to a specific procedure: they include, in particular, agreements that may be directly or indirectly entered into between the Company and any other company with which it has corporate officers in common, or between the Company and its corporate officers or a shareholder holding more than 10% of the share capital of the Company.

Pursuant to the provisions of Article L. 225-38 of the French Commercial Code, any new "regulated" agreement, including any undertaking referred to in article L. 225-42-1 of the French Commercial Code, must be the subject of prior approval by the Board of Directors, a special report of the Statutory Auditors and approval by the shareholders at an ordinary General Meeting.

- ***Agreements and undertakings previously authorised at the Shareholders' Meeting and which continued to be in effect during the financial year ended 31 December 2015 or that have already been approved by the shareholders during the financial year ended 31 December 2015 (fourth resolution)***

The special report from the Company's Statutory Auditors on the agreements and undertakings governed by Articles L. 225-38 *et seq* of the French Commercial Code describes the agreements and undertakings previously authorised by the Board of Directors and approved at the Shareholders' Meeting and which continued during the financial year ended 31 December 2015. The special report also refers to the agreements and undertakings that were authorised by the Board of Directors during the financial year ended 31 December 2015 and approved at the Shareholders' Meeting held on 26 May 2015. These agreements and undertakings thus do not require any new authorisation from you. You are requested, under the fourth resolution, to acknowledge that no new agreements or undertakings have been authorised over the financial year ended 31 December 2015 that have not yet been approved by the shareholders.

The agreements and commitments referred to in the fourth resolution are the following:

(a) the granting of a life insurance policy covering death, disability or any other consequence of an accident occurring during a business travel to the Chief Executive Officer Jacques Aschenbroich (authorised by the Board of Directors on 9 April 2009, and approved at the Shareholders' Meeting on 3 June 2010);

(b) the granting of a fixed retirement benefit (article L. 137-11 of the French Social Security Code) applicable to the Group's senior executives starting 1 January 2010 to the Chief Executive Officer (Board of Directors decision of 9 April 2009 implemented on 20 October 2009, amended by Board of Directors' decisions on 21 February 2012, 23 January 2014 and 18 February 2016, and approved at the Shareholders' Meeting on 3 June 2010). The main characteristics of the benefit are as follows:

- cap due to the nature of the plan: additional pension of 1% of the reference salary per year of seniority, up to a maximum of 20%;
- cap on the basis for determining entitlement: the total amount of retirement rights, all retirement schemes combined, cannot be greater than 55% of the reference salary based on fixed compensation only. The reference salary is the end-of-career salary, which is equal to the average last 36 months of fixed compensation, increased, for the periods subsequent to 1 February 2014, by variable compensation, which is in turn equal to the average variable compensation received over the last 36 months for full-time work at the Valeo Group.

In accordance with its decision of 9 April 2009, the Board of Directors decided to credit Jacques Aschenbroich with five additional years of seniority at the start of his tenure, in view of his age and the fact that he was not covered by any other supplementary pension plan (see below for the new terms of the retirement scheme applicable to Jacques Aschenbroich after his appointment as Chairman and Chief Executive Officer);

(c) the granting of a severance package to the Chief Executive Officer, under which he would be entitled, in the event of a non-voluntary departure further to a change of control or of strategy (forced resignation or revocation of term of office as Chief Executive Officer, unless for gross misconduct) to a severance payment subject to performance conditions of a maximum of twice his annual compensation (fixed and variable) received over the three financial years preceding the year of his departure (Board of Directors' authorisations of 24 February 2010, 24 February 2011 and 24 February 2015, shareholders' approval at meetings on 3 June 2010, 8 June 2011 and 26 May 2015);

As part of Jacques Aschenbroich's appointment as Chairman of the Board of Directors by unanimous decision of the members of the Board of Directors on 18 February 2016 – whereby Jacques Aschenbroich became Chairman of the Board of Directors and Chief Executive Officer of the Company further to a Board of Directors' decision taken on that same date to combine the roles of Chairman of the Board of Directors and Chief Executive Officer – Jacques Aschenbroich informed the Board of Directors of his decision to waive his severance package as from 18 February 2016;

(d) the **non-competition payment** granted to the Chief Executive Officer, Jacques Aschenbroich, under which he would be barred from collaborating in any way whatsoever with an automotive supplier and generally with a Valeo competitor for the 12 months following the end of his duties as Valeo's Chief Executive Officer for any reason whatsoever. If implemented, this clause would give rise to a non-competition payment equal to 12 months' compensation (calculated on the same basis as his compensation used to calculate the abovementioned severance package) being paid to Jacques Aschenbroich (Board of Directors' authorisations of 24 February 2010, 24 February 2011 (continued without amendment) and 24 February 2015, approval at Shareholders Meetings of 3 June 2010 and 26 May 2015).

- ***Agreements and undertakings authorised by your Board of Directors (since the beginning of the 2016 financial year) (fifth resolution)***

As part of Jacques Aschenbroich's appointment as Chairman of the Board of Directors by unanimous decision of the members of the Board of Directors on 18 February 2016 – whereby Jacques Aschenbroich became Chairman of the Board of Directors and Chief Executive Officer of the Company further to a Board of Directors' decision taken on that same date to combine the roles of Chairman of the Board of Directors and Chief Executive Officer – the Board of Directors decided, on the recommendation of the Appointment, Compensation and Governance Committee, to continue to offer the Chairman of the Board of Directors and Chief Executive Officer coverage under the fixed benefit supplementary retirement scheme established and funded by the Company. In light of Jacques Aschenbroich's appointment as Chairman of the Board of Directors and Chief Executive Officer, however, the supplementary retirement commitment offered to him in his capacity as Chief Executive Officer must be put in compliance with the provisions of the Macron Law. On the recommendation of the Appointment, Compensation and Governance Committee, the Board of Directors allowed a condition tied to the beneficiary's performance to be added at their meeting held on 18 February 2016. This condition will be deemed satisfied if the Chairman of the Board of Directors and Chief Executive Officer's variable compensation paid for year N in year N+1 is at least equal to 100% of his fixed compensation owed for year N. If the variable part of compensation does not attain 100% of his fixed compensation, the rights granted will be calculated *pro rata*. All other terms are unchanged.

The special report of the Company's Statutory Auditors on the agreements and undertakings governed by Article L. 225-42-1 of the French Commercial Code refers to the changes made to this commitment. You are asked to pass the fifth resolution to approve the changes made to the supplementary retirement scheme in order to satisfy the requirements of article L. 225-42-1, as amended by the Macron Law.

C. Appointment/re-appointment of members of the Board of Directors (*sixth to ninth resolutions*)

The Board of Directors of a French *société anonyme* may be made up of between three and eighteen members, subject to exceptions. As at the date of this report, the Board of Directors of the Company is composed of twelve directors, one third of which are renewed every year.

Pursuant to the articles of association, the directors' term of office is four years.

- ***Appointment of Mari-Noëlle Jégo-Laveissière and Véronique Weill as directors (sixth and seventh resolutions)***

As proposed by the Appointment, Compensation and Governance Committee, the Board of Directors decided to suggest that the shareholders appoint Mari-Noëlle Jégo-Laveissière (*sixth resolution*) and Véronique Weill (*seventh resolution*) as directors.

Mari-Noëlle Jégo-Laveissière and Véronique Weill would be independent directors under the criteria set out in the Board of Directors' Internal Regulations and by the AFEP-MEDEF Code (Code of corporate governance for listed companies issued by the AFEP and the MEDEF, as revised in November 2015) which the Company uses as a reference. They would provide the Company's Board of Directors with a recognised technical experience.

You are asked to appoint Mari-Noëlle Jégo-Laveissière and Véronique Weill as members of the Board of Directors for a term of four years, *i.e.*, until the end of the ordinary Shareholders Meeting held to approve the financial statements for the financial year ending 31 December 2019. These appointments enable the Company to be compliant with legal provisions regarding the percentage of female Board members.

<u>*Biography of Mari-Noëlle Jégo-Laveissière*</u>

Mari-Noëlle Jégo-Laveissière, born on 13 March 1968, (age 48), a French national, began her career in 1996 at the Paris regional office (*Direction Régionale de Paris*), in the sales distribution network of France Télécom. She later held a number of management positions within the Orange group: head of Consumer Marketing France (*Marketing Grand Public France*), Director of Research and Development, Director of International Networks. She joined the Executive Committee of the Orange Group in March 2014 as Executive Director of Innovation, Marketing and Technologies. Since 28 April 2015, she has been an independent member of the Board of Directors at Engie.

Mari-Noëlle Jégo-Laveissière holds a degree from the *École Normale Supérieure* and is an engineer in the *Corps des Mines* Telecom. She also holds a doctorate in quantum chemistry from the University of Paris XI – Waterloo.

As at the date of this report finalised on 24 March 2016, Mari-Noëlle Jégo-Laveissière held no Company shares but shall own at least 500 within the legal time frame.

<u>*Biography of Véronique Weill*</u>

Véronique Weill, born on 16 September 1959 (age 56), a French national, has spent over 20 years at J.P. Morgan, occupying the position of Global Head of Operations for Investment Banking and Global Head of IT & Operations for Asset Management and Private Clients. Véronique Weill joined AXA Group in June 2006 as Chief Executive Officer of AXA Business Services and Head of Operational Excellence of AXA Group. She is currently Chief Operating Officer of AXA Group in charge of Group Marketing, Digital, Distribution, IT, Operational Excellence and Procurement. Véronique Weill has been a member of the Management Committee of AXA Group since January 2013. She also has a seat on the AXA Research Fund Scientific Committee, on the Board of Directors of the Fondation Gustave Roussy and the Board of Directors of the Louvre.

Véronique Weill graduated from the *Institut d'Etudes Politiques of Paris* (IEP) and from the University of Paris - la Sorbonne (with a degree in literature).

As at the date of this report finalised on 24 March 2016, Véronique Weill held 500 Company shares.

- ***Re-appointment of Thierry Moulonguet, Georges Pauget and Ulrike Steinhorst as directors (eighth to tenth resolutions)***

As proposed by the Appointment, Compensation and Governance Committee, the Board of Directors decided to suggest that the shareholders renew the terms of office of Thierry Moulonguet (*eighth resolution*), Georges Pauget (*ninth resolution*) and Ulrike Steinhorst (*tenth resolution*), which will expire at the end of your meeting, for a new term of four years ending with the ordinary Shareholders Meeting held to approve the financial statements for the year ending 31 December 2019.

<u>*Biography of Thierry Moulonguet*</u>

Thierry Moulonguet, born on 27 February 1951 (age 65), a French national, has been a Company director since 8 June 2011 and he is also a member of the Company's Audit and Risks Committee and the Strategy Committee. He is considered by the Board of Directors as an independent director under its Internal Regulations and the AFEP-MEDEF Code.

He is a director at Fimalac SA, Fimalac Développement, the Lucien Barrière Group, HSBC France and HSBC Europe. He is also Vice-President of the Webedia (Fimalac Group) Supervisory Board.

He spent most of his career with the Renault-Nissan Group, which he joined in February 1991 as Head of Banking Strategy and Financial Communication. He later served as Director of Financial Relations, Capital Expenditure Controller, Vice-Chief Executive Officer and Chief Financial Officer of Nissan before becoming Vice-Chief Executive Officer and Chief Financial Officer of the Renault Group, also in charge of Information Systems, and then member of the Management Committee for the Americas and a member of its Executive Committee from January 2004 to 1 July 2010. He served as Special Advisor to Renault's Chairman of the Board of Directors and Chief Executive Officer, Carlos Ghosn, until 31 March 2011, the date on which he retired.

He served as Board director of Fitch Ratings Ltd, Ssangyong Motor Co. (Korea), Avtovaz (Russia), RCI Banque and Renault Retail Group.

Thierry Moulonguet is a graduate of *École nationale d'administration* and *Institut d'études politiques de Paris* (IEP).

As at the date of this report finalised on 24 March 2016, he held 500 Company shares.

Biography of Georges Pauget

Georges Pauget, born on 7 June 1947 (age 68), a French national, has been a Company director since 10 April 2007 and is also Chairman of the Appointment, Compensation and Governance Committee and a member of the Company Strategy Committee. On 18 February 2016, he was appointed as Lead Director. He is considered as an independent director by the Board of Directors based on its Internal Regulations and the AFEP-MEDEF Code.

Georges Pauget is President of *Économie Finance et Stratégie* SAS, member of the Supervisory Board of Eurazeo and member of the Board of Directors and Chairman of the Compensation Committee of Tikehau, member of the Board of Directors of Danelys, and Vice-President of Club Med. He is also Honorary Chairman of the Board of Directors of LCL – Le Crédit Lyonnais, and President of the Institute for the Financial Education of the Public (IEFP). He was Scientific Director of the Chair of Asset Management and Adjunct Professor at the University of Paris Dauphine, and Visiting Professor at the University of Beijing until 2015. Georges Pauget was also Chairman of the Board of Directors of Viel & Cie until 14 March 2012. He spent most of his career with the Crédit Agricole Group where he was Chief Executive Officer from September 2005 to March 2010.

He was the permanent representative of Crédit Agricole SA on the Supervisory Board of Fonds de garantie des dépôts, as well as Chief Operating Officer. He was a member of the Executive Committee and Director of the Regional Banks Division of Crédit Agricole SA. He was also, in particular, Chairman of the Board of Directors of LCL – Le Crédit Lyonnais, and Chairman of the Board of Directors of Calyon until March 2010, Chief Executive Officer and Chairman of the Executive Committee of LCL – Le Crédit Lyonnais, permanent representative of LCL – Le Crédit Lyonnais at the *Fondation de France* and Chairman of the Executive Committee of the French Banking Federation until September 2009.

Georges Pauget is a Doctor of Economic Sciences.

As at the date of this report finalised on 24 March 2016, he held 500 Company shares.

Biography of Ulrike Steinhorst

Ulrike Steinhorst, born on 2 December 1951 (age 64), a German national, has been a Company director since 24 February 2011 and is also a member of the Company's Appointment, Compensation and Governance Committee and Strategy Committee. She is considered as an independent director by the Board of Directors based on its Internal Regulations and the AFEP-MEDEF Code.

Ulrike Steinhorst is Senior Advisor to the Chief Technical Officer of Airbus Group since January 2016, after serving as Strategy, Planning and Finance Director at the Airbus Group's Technical Division.

She is also a member of the Supervisory Board of Mersen SA and of the Board of Directors of the *Institut des maladies génétiques* IMAGINE, of F2I (UIMM) and of the Franco-German Chamber of Commerce and Industry.

Ulrike Steinhorst started her career in France at the French Minister for European Affairs where she was in charge of relations with Germany during the reunification. From 1990 to 1998, she held various positions at EDF first in the International Division, then in charge of international and institutional issues within the General Management, before being responsible for supervising subsidiaries in the Industrial Division. In 1999, she joined Degussa AG Group where she was Head of Human Resources of a division, and then Head of Executive Development at Group level. She later headed the subsidiary Degussa France before being responsible for the Group's representation office in Brussels. She then joined EADS in 2007 where she served as Director of the Cabinet of the Chief Executive Officer.

Ulrike Steinhorst is a German lawyer with a degree from CPA/HEC and a DEA from the University of Paris II – Panthéon (post-graduate degree) and from the *École Nationale d'Administration*.

As at the date of this report finalised on 24 March 2016, she held 500 Company shares.

D. Director fees (*eleventh resolution*)

The shareholders set the director fee amount to be granted to the members of the Board of Directors for one or more financial years. Since the Shareholders Meeting held on 21 May 2014, this amount has been set at EUR 700,000 per financial year.

At its meeting held on 21 January 2016, the Board of Directors decided, at the suggestion of the Appointment, Compensation and Governance Committee, to ask the shareholders to modify the budget for director fees, setting it at EUR 1.1M for the 2016 financial year and all later years until a new decision is taken by the shareholders (*eleventh resolution*). Amongst other things, this proposal is based on the fact that (i) according to an external study on the compensation of CAC 40 company Board members, the average amount received by the Company's Board members is lower than the average observed in these companies, (ii) the number of directors eligible to receive director fees could increase if the shareholders follow the Board of Directors' proposal on director appointments and renewals, (iii) beginning at the end of his duties as Chairman of the Board of Directors, Pascal Colombani will collect director fees (which was not the case when he was an executive corporate officer) and (iv) the Lead Director receives additional director fees for his specific mission.

In light of the above, you are asked to approve a total director fee budget of EUR 1.1M for the 2016 financial year and all later years until a new shareholders' decision is taken.

E. Re-appointment of Principal Statutory Auditors and appointment of a new Alternate Statutory Auditor (*twelfth to fifteenth resolutions*)

Ernst & Young et autres and Mazars became the Principal Statutory Auditors of the Company further to a decision by the shareholders at a General Meeting held on 3 June 2010 to appoint them in that capacity for a period of six financial years. Auditex and Philippe Castagnac were appointed by the shareholders as Alternate Statutory Auditors for the same term. Their terms of office will expire at the end of the present Shareholders Meeting.

The Board of Directors, acting at the suggestion of the Audit and Risks Committee, decided to ask the shareholders:

- to renew the terms of office of Ernst & Young et autres (*twelfth resolution*) and of Mazars (*thirteenth resolution*) as Principal Statutory Auditors, and the term of office of Auditex as the Alternate Statutory Auditor of Ernst & Young et autres (*fourteenth resolution*), as their current terms are set to expire at the close of your Meeting; the renewal will be for a new six-year period ending at the close of the ordinary Shareholders Meeting to approve the financial statements for the financial year ending 31 December 2021;
- to appoint, in replacement of Philippe Castagnac, whose term of office will expire after at the close of your Meeting, Jean-Maurice El Nouchi as the Alternate Statutory Auditor of Mazars (*fifteenth resolution*); the appointment will be for a six-year period ending at the close of the ordinary Shareholders Meeting to approve the financial statements for the financial year ending 31 December 2021.

F. Opinion on the compensation components owed or awarded to executive corporate officers for the financial year ended 31 December 2015 (*sixteenth and seventeenth resolutions*

The Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee and pursuant to article 24.3 of the AFEP-MEDEF Code which the Company uses as a reference, decided at the meeting held on 18 February 2016 to submit to the opinion of the Shareholders' Meeting the compensation components owed or awarded to each executive corporate officer by Group companies for the financial year ended 31 December 2015.

For information purposes, the Board of Directors submits to the Shareholders' Meeting a special report on the compensation components owed or awarded by all Group companies to each executive corporate officer for the financial year ended 31 December 2015 (the "**Special Report on Compensation**").

- ***Opinion on the compensation components owed or awarded to Pascal Colombani, regarding his duties as Chairman of the Board of Directors, for the financial year ended 31 December 2015 (sixteenth resolution)***

Under the sixteenth resolution, we propose that you give an opinion in favour of the sole compensation component owed or awarded to Pascal Colombani by the Company for the financial year ended 31 December 2015, *i.e.* the amount of his fixed annual compensation, as presented in the Special Report on Compensation.

- ***Opinion on the compensation components owed or awarded to Jacques Aschenbroich, regarding his duties as Chief Executive Officer, for the financial year ended 31 December 2015 (seventeenth resolution)***

Under the seventeenth resolution, we propose that you give an opinion in favour of the following compensation components owed or awarded to Jacques Aschenbroich by the Company for the financial year ended 31 December 2015, as presented in the Special Report on Compensation:

- the amount of his fixed compensation;
- the amount of his annual variable compensation;
- the number and accounting valuation of the performance shares allotted to him in 2015;
- the valuation of benefits in kind (company car, annual contribution to the *Garantie Sociale des Chefs and Dirigeants d'entreprise* insurance scheme and annual pension contribution) granted to him; and
- the severance package, non-competition payment and benefit of the retirement scheme granted, it being understood that no sums are owed under these headings of compensation for the financial year ended 31 December 2015.

As part of Jacques Aschenbroich's appointment as Chairman of the Board of Directors by unanimous decision of the members of the Board of Directors on 18 February 2016 – whereby Jacques Aschenbroich became Chairman of the Board of Directors and Chief Executive Officer further to a Board of Directors' decision taken on that same date to combine the roles of Chairman of the Board of Directors and Chief Executive Officer – you are reminded that:

- Jacques Aschenbroich has informed the Board of Directors of his decision to waive his severance package as from 18 February 2016;
- the supplementary retirement commitment offered to Jacques Aschenbroich in his capacity as Chief Executive Officer must be put in compliance with the provisions of the Macron Law. On the recommendation of the Appointment, Compensation and Governance Committee, the Board of Directors allowed a condition tied to the beneficiary's performance to be added at their meeting held on 18 February 2016 (for more details on the performance-related condition, see section B above).

G. Share buy-back programme (*eighteenth resolution*)

Possible reasons for use of the resolution

The companies whose shares are admitted to trading on a regulated market may decide to set up buy-back programmes of their own shares, provided that they pursue certain objectives set out by the provisions of the applicable European and French laws and regulations.

During the financial year ended 31 December 2015, the Company used the authorisations granted by the Shareholders' Meeting on 21 May 2014 and 26 May 2015, respectively pursuant to the eleventh and twelfth resolutions (it being understood that the twelfth resolution of the Shareholders Meeting passed on 26 May 2015 superseded the authorisation granted by the shareholders on 21 May 2014), for the purpose of proceeding with the buy-back of its own shares. These authorisations have been implemented to ensure the market-making in the market of the Company's share pursuant to a liquidity contract compliant with the AFEI Code of Ethics (French Association of Investment Firms) executed with an investment services provider on 22 April 2004. Detailed information on these transactions is provided for in Chapter 6.5 "Share buyback Programme" of the 2015 Registration Document of the Company.

Implementation modalities

As the authorisation granted by the Shareholders' Meeting of 26 May 2015 will expire during the 2016 financial year, the Shareholders' Meeting is requested to grant the Board of Directors a new authorisation to carry out transactions in shares issued by the Company for the purpose of:

- the implementation of any Company stock option plan or any other similar plan, in particular, by any employee or corporate officer;
- the allotment of free shares and performance shares, in particular, to any employee and corporate officer;
- the allotment or sale of shares to employees as part of their involvement in the performance and the growth of the Company or for the implementation of any employee savings plans (or similar plans) under the conditions set out by the applicable laws;
- as a general matter, to comply with obligations in respect of stock options plans or other allocations of shares to employees or corporate officers;
- the delivery of shares upon exercise of the rights attached to securities giving access to the share capital;
- retaining and subsequently delivering these securities in the context of an external growth transaction, a merger, a spin-off or a contribution;
- the cancellation of all or part of the shares acquired (pursuant to the conditions set out in the nineteenth resolution at the Shareholders Meeting of 26 May 2015);
- ensuring the market-making of the secondary market or the maintenance of the liquidity of the Company's share by an investment services provider pursuant to a liquidity contract compliant with the ethical code recognised by the French *Autorité des marchés financiers* (AMF); or
- carrying out any market practice that is or may become authorised by the AMF.

It is further stated that this programme is also intended to allow the Company to carry out any transaction on its shares for any other purpose that is or may become authorised by the applicable laws or regulations. In such case, the Company will inform its shareholders by way of a press release.

The Board of Directors would be granted full powers (with powers to sub-delegate under the conditions set out by the applicable laws) to implement this resolution, not least the power to adjust the maximum purchase price referred to below if the shareholders agree to divide the par value of Company's shares by three as proposed in the nineteenth resolution.

The resolution may be implemented at any time. However, **without prior consent from the Shareholders' Meeting, the Board of Directors may not use this authorisation following the submission by a third party of a preliminary public tender offer for the shares of the Company** and until the end of the offer period.

Share purchase price

The **maximum purchase price** is set at **EUR 210** per share (it being understood that if the shareholders agree to a 3-for-1 stock split on Company shares as suggested in the nineteenth resolution, the maximum buy back price will be **EUR 70** per share).

Ceiling

The maximum number of shares that may be bought by the Company or a third party on behalf of the Company is set at **10% of the Company's share capital** or **5% of the share capital** in the event of shares acquired in view of their retention and future delivery in payment or in exchange in connection with external growth transactions, at any time, as adjusted to reflect transactions affecting the share capital subsequently to this Shareholders' Meeting.

The **maximum amount** of funds that the Company may allocate to this share buyback programme would be EUR **1,668,713,340**.

It is understood that, in compliance with applicable laws, **the Company cannot hold more than 10% of the Company's share capital**.

Period of validity

The authorisation is valid for a period of **18 months** as from this Shareholders' Meeting and would cancel, as of the same date, the unused portion as at the date of this Shareholders' Meeting, of the authorisation granted by the Shareholders' Meeting of 26 May 2015 under its twelfth resolution.

The proposed resolution is included in the summary table attached in Schedule 1 of this report.

II. Resolutions within the powers of the extraordinary Shareholders' Meeting

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We propose for your review (i) a resolution to divide the par value of each Company share by three (*nineteenth resolution*) and (ii) a resolution to include salaried personal and corporate officers as shareholders in the Company by authorising the Board of Directors to make grants of free existing shares or new shares to be issued to said personal and officers (*twentieth resolution*).

A. Stock split (*nineteenth resolution*)

Reasons for the resolution

From 20 March 2009 to 31 December 2015, the Company share price increased by 1,181%, going from EUR 11.13 to EUR 142.55. This strong increase in the share price led the Board of Directors to reflect on whether it was opportune to divide the par value of Company shares. This topic was previously raised by a shareholder at the General Meeting held on 26 May 2015.

Upon reflexion and after consulting with the Audit and Risks Committee, the Board of Directors decided to suggest the shareholders agree to divide the par value of Company shares. In practice, this would involve reducing the par value of a Company share by dividing it by three and thereby multiplying the number of shares representing Company share capital by the same factor. In this type of transaction, the share capital amount would remain unchanged, and in theory the share price should adjust accordingly. This operation should enable the Company to continue diversifying and broadening its shareholder base.

Implementation

The par value of each existing Company share would be divided by three, bringing it down from three euros to one euro.

Each share of a par value of three euros making up Company's share capital and existing on the effective date of the division of the par value would automatically be exchanged for three new shares of a par value of one euro each. The division of the par value and exchange of existing shares for new shares would not affect the rights attached to such shares as provided by the Company's articles of association and by law, including any double voting rights.

Your Board of Directors would have all powers to:

- organise and carry out the division of the par value of Company shares and set the effective date, which must be later than the payment date of the dividend for the financial year ended 31 December 2015;
- determine the precise number of new Company shares to be issued depending on the number of shares comprising the Company's share capital on the effective date of the division and manage the exchange of new shares for these shares;
- make all adjustments as may be necessary as a result of the division of the par value;
- make the corresponding amendments to (i) article 6 (Share capital) with respect to the share capital amount and total number of shares and (ii) article 14 (Directors' term of office – Age limit – Conditions – Compensation) with respect to the number of shares to be held by each director;
- carry out all actions and complete all formalities and filings as may be necessary as a result of this decision; and
- in general, take all necessary or useful steps to implement this resolution.

B. <u>Inclusion of salaried employees and corporate officers as Company shareholders: grant of existing or future shares free of charge (*twentieth resolution*)</u>

Possible reasons for use of the resolutions

This resolution allows the Company to involve employees and corporate officers in the Group's success through an incentive scheme. The purpose of the resolution is to set up plans for the attribution of free shares or performance shares, in order to incentivise and retain Company corporate officers and employees, especially those who are vital to the Company's future: key employees, high potential young recruits and the newly promoted. The scheme will also be used to encourage the development of employee shareholders, and to cement the Company's position in its historical markets and in emerging markets that are so essential to growth for the Group. The Company is facing a highly volatile employment environment on these markets. The resolution takes into account amendments to the legal rules for grants of free shares under the Macron Law.

Implementation and ceilings

As the shareholders' authorisation from 21 May 2014 will expire during the 2016 financial year, you are asked to grant the Board of Directors a new authorisation to attribute free shares. The Board of Directors, at the suggestion of the Appointment, Compensation and Governance Committee, has determined the guidelines for granting free shares or performance shares under the twentieth resolution, subject to its passage at the Shareholders Meeting. The Board of Directors decided that:

- grants would be staggered over the 2016 and 2017 financial years;
- the maximum total number of free shares (including performance shares) that may be granted would be 1,300,000 shares (1.64% of share capital as at 31 December 2015) or 3,467,000 shares after dividing the par value of Company shares (1.45% of share capital on the basis of outstanding capital as at 31 December 2015);
- the beneficiaries would be: the Chairman of the Board of Directors and Chief Executive Officer, the members of the Operational Committee, the members of the Liaison Committee, the main N-1 of the Liaison Committee members, employees participating in a Company shareholding plan outside France and all employees;
- the maximum number of performance shares that could be granted to the Chairman and Chief Executive Officer would be 65,000, *i.e.* approximately 0.08% of share capital as at 31 December 2015 or 195,000 if the par value of Company shares is divided. Please note that the maximum number of conditional performance shares that could be granted, valued based on IFRS standards, may not exceed 270% of his fixed annual compensation for the financial year in question;
- the performance shares allocated to the Chairman of the Board of Directors and Chief Executive Officer and members of the Operational Committee in 2016 and 2017 would be submitted to very high performance standards to be satisfied over a three-year period:
  - (i) the grant of performance shares would only be finalised after a minimum acquisition period of three years after the initial allocation date; and
  - (ii) finalisation would depend on performance as measured over financial exercises 2016, 2017 and 2018 for 2016 allocations and over financial exercises 2017, 2018 and 2019 for 2017 allocations, based on 3 criteria: the operating margin, return on capital employed (**ROCE**) and pre-tax rate of return on assets (**ROA**). The criteria for the operating margin, ROCE and ROA would be considered as satisfied if, for each of these criteria, the arithmetic average over the reference period of three exercises, of the ratio between the rate effectively achieved and the target rate set by the Board of Directors at the beginning of each exercise of reference, which must be at least equal to the "guidance" for the exercise in question, is equal to or greater than one, it being specified that the target rate set by the Board of Directors will not be modified subsequently. Thereafter:

(a) if all three criteria are satisfied, all performance shares allocated will be definitively granted;

(b) if two criteria are satisfied, 60% of the performance shares allocated will be definitively granted, the remainder being forfeited;

(c) if only one criterion has been satisfied, only 30% of the performance shares will be definitively granted, the remainder being forfeited;

(d) if no criteria are satisfied, no performance share will be definitively granted.

- The allocations of performance shares carried out in 2016 and 2017 to Liaison Committee members (other than Operational Committee members) and the main N-1 of the Liaison Committee members would be subject, up to 100% for the allocations to the Liaison Committee members and up to 50% for the allocations to the main N-1 of the Liaison Committee members, to performance as measured over a reference period of three financial years, based on two performance criteria: the operational margin and the ROCE. The rules for deeming these two criteria satisfied are the same as for allocations to the Chairman of the Board of Directors and Chief Executive Officer and members of the Operational Committee, and the following scale would apply to allocations subject to performance conditions:

  (a) if two criteria are satisfied, all allocated performance shares will be definitively granted;

  (b) if only one criteria is satisfied, only 50% of the performance shares subject to conditions will be definitively granted and the remaining shares subject to conditions will be forfeited;

  (c) if no criteria are satisfied, no performance shares will ultimately be granted;

- Free shares allocated under a worldwide employee shareholding plan to participants outside France could be allocated as a type of conditional matching (*abondement conditionnel*). For the avoidance of doubt, it is understood that these free shares are not subject to performance conditions;

- Free shares allocated to employees as a whole would not be subject to performance conditions;

- For the Chairman of the Board of Directors and Chief Executive Officer, all free shares or performance shares would only be allocated provided his term of office was in effect on the date of final allocation (with attendance requirements to be lifted at the discretion of the Board of Directors unless his departure is attributable to gross or wilful misconduct); for the other beneficiaries, provided their employment contract or corporate office is in effect and the beneficiary is not, on the date of final allocation, in a notice period prior to departure due to a resignation, dismissal, or mutual termination agreement, except in certain defined exceptions to this rule (death, total permanent disability, retirement or early retirement, beneficiary whose entity has been sold or as decided by the Board of Directors as its discretion);

- The Chairman of the Board of Directors and Chief Executive Officer would also be subject to lock-up obligations. After the three-year acquisition period, a 2-year lock-up period will apply to an allocation made in 2016, and after the lock-up period expires, he must retain at least 50% of the performance shares definitively allocated as registered shares until such time as he leaves office;

- The Chairman of the Board of Directors and Chief Executive Officer, members of the Operational Committee and members of the Liaison Committee may not enter into risk hedging transactions;

It is specified that (i) outstanding free shares as at 31 December 2015 represented 1,43 % of the Company's share capital on that date and (ii) the Company has been in the habit of allocating existing shares and not issuing new shares, and thus there has been no dilution. If, despite this usual practice, the above were to be carried out entirely by issuing new shares, this resolution would have a limited diluting effect on Company share capital, as it would increase the percentage of outstanding free shares to 3,07 % of the share capital on the basis of the share capital as at 31 December 2015.

The average three-year unadjusted burn rate totals 0.47% (a rate that is lower than the maximum rate applicable to companies in the Company's sector). Annual volumes allocated under the twentieth resolution would be consistent with the Company's maximum burn rate.

In accordance with article L. 225-197-6 of the French Commercial Code, free shares can only be allocated to corporate officers at the Company if the Company implements one of the measures referred to in that article.

Period of validity

This authorisation would be valid for a period of **26 months** as from this Shareholders' Meeting and would cancel, as of the same date, the unused portion (as at the date of this Shareholders' Meeting) of the authorisation granted by the Shareholders' Meeting of 21 May 2014 under its twelfth resolution.

This draft resolution appears in the summary table appended hereto as Schedule 1 of this report.

C. Amendments of the articles of association

- **Age limits for directors – amendment to article 14.3 of the articles of association (*twenty-first resolution*)**

The Company's articles of association currently provide, pursuant to article 14.3, that no individual of more than seventy years of age can be appointed as a member of the Board of Directors if by virtue of the appointment, more than one-third of the Board of Directors would be aged seventy or more (this rule also applies to the permanent representative of a legal entity).

You are asked to amend this article by way of the twenty-first resolution, to provide that no individual may be appointed or renewed as a member of the Board of Directors if he/she is or will turn seventy during the financial year of the appointment or renewal (this rule also applies to the permanent representative of a legal entity).

- **Extension of the age limits for the Chief Executive Officer and Vice-Chief Executive Officers – amendment to article 18.7 of the articles of association (*twenty-second resolution*)**

The Company's articles of association currently provide, pursuant to article 18.7, that the duties of the Chief Executive Officer and Vice-Chief Executive Officers (it being understood that at the current time, the Company does not have any Vice-Chief Executive Officer) will end no later than at the close of the General Meeting held to approve the financial statements for the year in which the Chief Executive Officer or Vice-Chief Executive Officer turns sixty-five.

You are asked to amend this article by way of the twenty-second resolution such that it provides that the duties of the Chief Executive Officer and Vice-Chief Executive Officer will end no later than at the close of the general meeting held to approve the financial statements for the year in which the Chief Executive Officer or Vice-Chief Executive Officer will turn sixty-eight.

- **Amendment of the articles of association to put them in compliance with the new wording of articles L. 225-38 and L. 225-39 of the French Commercial Code derived from Order no. 2014-863 of 31 July 2014 – amendment to article 19 of the articles of association (*twenty-third resolution*)**

You are asked to amend article 19 by way of the twenty-third resolution, in order to put it in compliance with the new provisions of article L. 225-38 of the French Commercial Code requiring that prior authorisation from the Board of Directors for the agreements referred to in that article include reasons, and with article L. 225-39 of the French Commercial Code excluding from the rules set out in article L. 225-38 of the French Commercial Code agreements between two companies where one directly or indirectly holds all the share capital of the other, where relevant after subtracting the minimum number of shares necessary to meet the requirements of certain corporate forms under article 1832 of the French Civil Code or articles L. 225-1 and L. 226-1 of the French Commercial Code.

D. Powers to complete formalities (*twenty-fourth resolution*)

We propose that you grant full powers to complete all filings and formalities ensuring from this Shareholders' Meeting as required by the applicable laws.

III. Information relating to ongoing business since the beginning of the 2016 financial year

Based on the assumptions that the growth of global automotive production will be around 2.5% and that raw material prices and exchange rates will remain stable, the Group reasserts for the coming year its objective of above-market growth of its sales in the main production areas, including in China, and its objective of a slightly higher operating margin (expressed as a percentage of its sales revenue) despite the higher net costs of Research and Development necessary to the Group's future growth, especially in the fields of CO_2 reduction and intuitive driving.

The following events marked the beginning of the 2016 financial year:

- on 1 March 2016, the sale of the engine control unit business concluded on 27 November 2015 became final after receiving clearance from the relevant competition authorities;
- on 4 March 2016, Standard & Poor's raised the outlook for Valeo's credit rating from "stable" to "positive". The long term BBB rating and short term A-2 rating were confirmed;
- on 8 March 2016, the takeover of Peiker concluded on 21 December 2015 was confirmed after obtaining clearance from the relevant competition authorities;
- on 11 March 2016, Valeo announced it had placed EUR 600 million new bonds with a maturity date of 18 March 2026.

On 24 March 2016

SCHEDULE 1

Summary table on the financial resolutions submitted by the Board of Directors to this Shareholders' Meeting

N°	Purpose	Period of validity	Possible reasons for use of the delegated authority	Ceilings	Price (or method for determining the price)	Mode of Implementation
17	Authorisation to carry out transactions in shares issued by the Company.	18 months	Possible purposes for such share buy-back programme: ▪ The implementation of any Company stock option plan or any similar plan, in particular, by any employee or corporate officer ▪ The allocation of free shares, in particular, to any employee or corporate officer ▪ The allocation or sale of shares to employees as part of their involvement in the performance and growth of the Company or for the implementation of any employee savings plans (or similar plans) under the conditions set out by the applicable laws ▪ As a general matter, to comply with obligations in respect of stock options plans or other allocation of shares to employees or corporate officers ▪ The delivery of shares upon exercise of the rights attached to securities giving access to the share capital ▪ Retaining and subsequently delivering these securities in the context of an external growth transaction, a merger, a spin-off or a contribution ▪ The cancellation of all or part of the shares acquired (pursuant to the conditions set out in the nineteenth resolution)	▪ 10 % of the share capital (at any time) ▪ 5 % in the event of external growth transaction, merger, spin-off or contribution ▪ Global maximum amount allocated to the share buy-back programme: EUR 1,668,713,340	Maximum purchase price: EUR 210 per share (it being understood that the Board of Directors will have the necessary authority to adjust the above maximum purchase price if the shareholders approve the proposal in the nineteenth resolution to divide the par value of Company shares by three)	This resolution cannot be used in period of public offer

N°	Purpose	Period of validity	Possible reasons for use of the delegated authority	Ceilings	Price (or method for determining the price)	Mode of Implementation
			▪ Ensuring the market-making of the secondary market or the maintenance of the liquidity of the Company's share by an investment services provider pursuant to a liquidity contract compliant with the ethical code recognised by the AMF ▪ Carrying out any market practice that is or may become authorised by the AMF ▪ Carrying out any transaction for any other purpose that is or may become authorised by the applicable laws or regulations			
18	Authorisation for the Board of Directors to allocate free existing shares or shares to be issued in favour of employees and corporate officers of the Group or a subset thereof	26 months	May be used by the Board of Directors to make allocations of free existing shares or shares to be issued in favour of employees and corporate officers of the Group or a subset thereof	▪ Maximum total free/performance shares that can be allocated: 1,300,000 shares (3,467,000 shares in the event of a stock split) ▪ Maximum number of performance shares allocated to the Chairman-CEO: 65,000 (195,000 in the event of a stock split); the maximum number of conditional performance shares that can be allocated, valued under IFRS standards, cannot be more than 270% of his annual fixed compensation for the relevant financial year	N/A	▪ Recipients: Allocations of free shares and performance shares distributed over the 2016 and 2017 financial years to the Chairman-CEO, members of the Operational Committee, members of the Liaison Committee, the main N-1of members of the Liaison Committee, employees participating in an employee shareholding plan at the Company outside France and all employees ▪ Minimum acquisition period: 3 years ▪ Lock-up period: 2 years for French tax residents for allocations made in 2016 ▪ Performance conditions measured over three financial exercises applicable to the Chairman-CEO and Operational Committee members: operational margin, ROCE and ROA; satisfied if, for

N°	Purpose	Period of validity	Possible reasons for use of the delegated authority	Ceilings	Price (or method for determining the price)	Mode of Implementation
						each of these criteria, the arithmetic average over the reference period of three exercises, of the ratio between the rate effectively achieved and the target rate set by the Board of Directors at the beginning of each exercise of reference, which must be at least equal to the "guidance" for the exercise in question, is equal to or greater than one, it being specified that the target rate set by the Board of Directors will not be modified subsequently; the number of performance shares definitively granted varies depending on the number of satisfied criteria (three criteria = 100%; two criteria = 60%; one criterion = 30%; zero criteria = 0%) ▪ <u>Performance conditions measured over three financial exercises applicable to Liaison Committee members (other than Operational Committee members) and the main N-1 of the Liaison Committee members (for 100% of allocations to Liaison Committee members and 50% of allocations to the main N-1 of Liaison Committee members)</u>: operational margin and ROCE; satisfied if, for each of these criteria, the arithmetic average over the reference period of three exercises, of the ratio between the rate effectively achieved and the target rate set by the Board of Directors at the beginning of

N°	Purpose	Period of validity	Possible reasons for use of the delegated authority	Ceilings	Price (or method for determining the price)	Mode of Implementation
						each exercise of reference, which must be at least equal to the "guidance" for the exercise in question, is equal to or greater than one, it being specified that the target rate set by the Board of Directors will not be modified subsequently; the number of performance shares definitively granted varies depending on the number of satisfied criteria (two criteria = 100%; one criterion = 50%; zero criteria = 0%) ▪ Additional conditions applicable to the Chairman-CEO: - allocation subject to his term of office being in effect on the date the grant of shares is final - lock-up obligation for at least 50% of the number of performance shares definitively granted as registered shares until he leaves his position - commitment not to engage in risk hedging transactions ▪ Additional conditions applicable to beneficiaries other than the Chairman-CEO: must have an employment contract (or term of corporate office) in effect on the date the shares are definitively granted; must not be in a notice period on the date the shares are definitively granted due to resignation, dismissal or mutually agreed

N°	Purpose	Period of validity	Possible reasons for use of the delegated authority	Ceilings	Price (or method for determining the price)	Mode of Implementation
						termination, save defined exceptions. ▪ <u>Additional condition applicable to members of the Operational Committee and Liaison Committee</u>: commitment not to engage in risk hedging transactions

GLOSSARY

Dividend

Amount of dividends distributed in the three prior financial years:

- 2014 financial year: 172.1 million euros
- 2013 financial year: 132.4 million euros
- 2012 financial year: 115.4 million euros

All of these amounts were eligible for the 40% tax allowance provided for by Article 158,3-2° of the French General Tax Code when they were distributed to individual shareholders having their tax residence in France.