2012
Corporate governance and sustainability report
Extract of Registration Document
INTERVIEW WITH JACQUES ASCHENBROICH, CHIEF EXECUTIVE OFFICER OF VALEO

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SAFE HARBOR STATEMENT
THE INFORMATION FROM THE ANNUAL FINANCIAL REPORT IS CLEARLY IDENTIFIED IN THE TABLE OF CONTENTS BY THE RFA SYMBOL

This label recognizes the most transparent Registration Documents based on the Annual Transparency Ranking criteria.
Our operations are entirely dedicated to the automotive sector and we offer technological solutions to our automaker customers. The Group serves both the original equipment market and the aftermarket. Our activities, design and production processes, and manufactured products all contribute to the automotive sector’s gradual shift towards a carbon-free energy paradigm and to mobility networks that are more environmentally respectful.

The Group takes care to comply with legal, environmental and labor-related criteria across its entire operating base. This commitment is shared unreservedly by the Group’s General Management, employees, customers and suppliers. All of the Group’s sites and installed systems in 29 countries successfully meet objectives that are increasingly ambitious and regularly updated. Commitments are enshrined in charters, codes of conduct and alert mechanisms. They concern the safety, well-being and respectful treatment of all, responsible energy usage, CO₂ emissions reduction, and measures concerning the consumption of natural resources and raw materials.

All of Valeo’s activities are conducted with due regard to the economic, social and environmental aspects of sustainable development as applied to the automotive sector. In addition, the Group is currently in an organic growth phase entailing the widespread deployment of businesses and projects throughout the world, especially in emerging markets.
2012 HIGHLIGHTS

Amid the global economic headwinds, Valeo has confirmed and stepped up its efforts in developing technologies that reduce CO$_2$ emissions, improve vehicle connectivity and make driving increasingly intuitive. These sustained efforts achieved international recognition in the form of the confidence accorded by our customers, as reflected by a record order intake of around 15.8 billion euros. Of course, this in turn drives the future of the Group’s activities, ensuring their sustainable development.

Since the Ethics and Compliance Department was set up, Valeo has implemented various internal rules and procedures that apply to its 73,000 employees across the 29 countries in which the Group operates. Certain procedures have been adapted by subsidiaries in order to take into account their country’s legal and cultural specificities.

The Group has also trained more than 5,000 managers in the fight against anti-competitive practices and corruption, through in-class training sessions, conducted in 15 languages, 17 legal regimes and 24 countries. In addition, more than 9,000 managers received training on the same topics through e-learning modules based on concrete and practical examples and case studies. Furthermore, during our annual leaders meeting, the Group’s 350 most senior managers participated in a session dedicated to raising awareness on compliance issues.

This substantive work is an indication of Valeo’s adoption of a compliance policy, which supplements the ethics initiatives that have characterized the Group over the past few years.

As regards the Group’s environmental performance, we are continuing our efforts to reduce CO$_2$ emissions, energy consumption and waste. **We have established a 2015 environmental performance plan which sets out objectives for our sites, including a 10% reduction in water consumption and direct and indirect greenhouse gas emissions and a 7% reduction in packaging materials and hazardous and non-hazardous waste.** Maintaining the same level of environmental performance poses a real challenge given the sustained growth of our activities.

**Promoting diversity and equal opportunities at work is one of Valeo’s chosen priorities.** Diversity is not only a corporate responsibility issue; it is also a vital means of boosting skills, creativity and performance. A diverse workforce has a competitive edge allowing it to capture top performers. A Diversity Committee was set up on my initiative. Four key topics have been identified as priorities for the Group: socially responsible and cultural issues, disability, age discrimination and gender. Valeo employees have been given responsibility for these topics so that they may put forward their ideas for improvement.

For the first time, our Plants’ Initiatives program, through which the Group’s sites across the world can put forward local initiatives, obtained 100% feedback and recorded continuous improvement in all the initiatives undertaken.

**Valeo continues to demonstrate and boost its commitment to sustainable development, which represents a core driver of our development strategy.** By strengthening our procedures and actions, the Group will be in a position to draw on this sustainable development policy that respects all stakeholders and their environment.

Jacques Aschenbroich
Chief Executive Officer
## CORPORATE GOVERNANCE

### 3.1 CORPORATE GOVERNANCE STRUCTURE

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3.1 Corporate governance structure

The Company applies the AFEP-MEDEF Corporate Governance Code for Listed Companies published in December 2008 and revised in April 2010. As regards rules on auditor independence, the Company refers to the French audit profession's Code of Ethics incorporated into Appendix 8-1 of Book VIII of the regulatory section of the French Commercial Code (Code de commerce). Similarly, the Company also complies with the provisions set out in the French financial markets authority's (Autorité des marchés financiers – AMF) report on audit committees of July 22, 2010.

The application of the recommendations of the AFEP-MEDEF Corporate Governance Code is described in Chapter 6, section 6.1.6, page 309.


3.1.1 Corporate governance bodies

Executive Management

The Group’s Executive Management team includes the Chairman of the Board of Directors, the Chief Executive Officer, and the Functional and Operational Directors on the Operations Committee.

At its meeting on March 20, 2009, Valeo’s Board of Directors elected to separate the role of Chairman of the Board of Directors from that of Chief Executive Officer. Following the renewal of Pascal Colombani’s and Jacques Aschenbroich’s directorships by the Shareholders’ Meeting on June 8, 2011, Valeo’s Board of Directors, at its meeting on the same day, acting on the recommendation of the Appointment, Compensation and Governance Committee, maintained the separation of the roles of Chairman and Chief Executive Officer and renewed their respective terms of office.

The Group’s Chairman and Chief Executive Officer are:

Chairman of the Board of Directors
(non-executive)

Pascal Colombani

(Current term of office began on June 8, 2011 and expires at the close of the Shareholders’ Meeting that will be held to approve the financial statements for the year ending December 31, 2014).

In his capacity as Chairman of the Board of Directors, Pascal Colombani organizes and presides over the work performed by the Board of Directors, and presents a report on its activities to the Shareholders’ Meeting. He ensures that the Company’s governance bodies function effectively and in particular that the directors are able to perform their duties.

Chief Executive Officer
Jacques Aschenbroich

(Current term of office began on June 8, 2011 and expires at the close of the Shareholders’ Meeting that will be held to approve the financial statements for the year ending December 31, 2014).

In his capacity as Chief Executive Officer, Jacques Aschenbroich has the widest possible powers to act in any circumstances in the Company’s name. He exercises these powers within the limits of the Company’s corporate purpose and subject to the provisions of the law, the Company’s articles of association and internal procedures. The Chief Executive Officer represents the Company in its relations with third parties and the legal system. In compliance with the internal procedures, the Chief Executive Officer must obtain the prior approval of the Board of Directors for the acquisition or sale of any subsidiary, interest, or any other asset or investment, for a sum of more than 50 million euros per transaction.
Corporate governance structure

Operations Committee

1 Michel Boulain
   Senior Vice-President, Human Resources

2 Robert Charvier
   Chief Financial Officer

3 Robert de La Serve
   President, Valeo Service Activity

4 Catherine Delhaye
   Chief Ethics and Compliance Officer

5 Guillaume Devauchelle
   Group R&D Director and Product Marketing Senior Vice-President

6 Antoine Doutriaux
   President, Visibility Systems Business Group

7 Hans-Peter Kunze
   Senior Executive Vice-President, Sales & Business Development

8 Géric Lebedoff
   General Counsel

9 Claude Leïchlé
   President, Powertrain Systems Business Group

10 François Marion
   Vice-President, Corporate Strategy and Planning

11 Alain Marmugi
   President, Thermal Systems Business Group

12 Christophe Périllat
   Chief Operating Officer

13 Marc Vrecko
   President, Comfort and Driving Assistance Systems Business Group
3.1.2 Board of Directors

On March 31, 2003, the Company’s Board of Directors adopted a set of internal procedures, which have since been amended. The last amendments were made on October 18, 2012.

These internal procedures define the Board’s operating methods and the rules governing the appointment of Board members. They are applied alongside the provisions set down by law, the applicable regulations and the Company’s articles of association.

Internal procedures have also been drawn up for the Board’s Committees.

Composition and appointment

The Company’s articles of association provide that the Board of Directors must comprise at least 3 and no more than 18 members (subject to any amendments in line with changes in the applicable law). The Board of Directors currently has 12 members. There are no directors elected by employees and no non-voting directors.

Directors are appointed by shareholders at Shareholders’ Meetings on the recommendation of the Board of Directors, which in turn receives proposals from the Appointment, Compensation and Governance Committee.

Members of the Board are appointed for renewable four-year terms which expire at the close of the Ordinary Shareholders’ Meeting called to approve the financial statements for the year in which their terms expire. They can be re-elected. Where one or more seats on the Board become vacant due to the death or resignation of any member or members, the Board of Directors may appoint new members on a temporary basis until the next Shareholders’ Meeting, in accordance with the applicable legislation. The term of office of the Chairman may not exceed his term of office as a director.

To ensure the smooth renewal of the Board of Directors in compliance with the recommendations of the AFEP-MEDEF Corporate Governance Code for Listed Companies, the Company’s articles of association were amended by the Shareholders’ Meeting on June 8, 2011 to allow the renewal of the directors on a one-fourth rotation basis.

The proportion of Board members over the age of 70 may not exceed one-third. This age limit applies both to individuals and to permanent representatives of legal entities holding directorships.

The Chairman’s term of office expires at the latest at the close of the Shareholders’ Meeting held to approve the financial statements for the year in which he/she reaches his/her 70th birthday. The Chief Executive Officer’s term of office expires at the latest at the close of the Shareholders’ Meeting held to approve the financial statements for the year in which he/she reaches his/her 65th birthday.

Directors may be removed from office by the Shareholders’ Meeting at any time.

At December 31, 2012, the members of the Board of Directors were:
- Pascal Colombani
- Jacques Aschenbroich
- Gérard Blanc
- Daniel Camus
- Jérôme Contamine
- Michel de Fabiani
- Michael Jay
- Helle Kristoffersen
- Noëlle Lenoir
- Thierry Moulonguet
- Georges Pauget
- Ulrike Steinhorst

Independence of directors

At December 31, 2012 the Board of Directors had nine independent directors.

Classification as an independent director is reviewed by the Appointment, Compensation and Governance Committee and the Board of Directors before the annual report is prepared. Thus, on January 22, 2013, the Board of Directors reviewed whether its members could still be classified as independent in light of the criteria in the internal procedures. In compliance with the AFEP-MEDEF Corporate Governance Code (adopted by Valeo), the Board’s internal procedures classify as independent a director who has no relations whatsoever with the Company, the Group or the Group’s management that may compromise his or her ability to exercise freedom of judgment.

The independence criteria relating to directors are described in Chapter 6, section 6.1.1, page 299.

Women on the Board of Directors

Since the beginning of 2011, the Board of Directors has included three women: Helle Kristoffersen, Noëlle Lenoir and Ulrike Steinhorst. The Shareholders’ Meeting on June 4, 2012 renewed the term of office of Ulrike Steinhorst.

Women currently hold 25% of the seats on the Board of Directors. As such, the Company meets the first threshold stipulated by the French law of January 27, 2011 regarding equal representation of women and men on the Board of Directors.
Pascal Colombani
Chairman of the Board of Directors
Chairman of the Strategy Committee

French
Valeo
43, rue Bayen
75017 Paris, France

Number of Valeo shares held: 600
First appointed: 05/21/2007
Start of current term of office: 06/08/2011
End of current term of office: Shareholders’ Meeting called to approve the 2014 financial statements

Main position held outside the Company

- Senior Advisor, A.T. Kearney

Other directorships and positions currently held in companies other than Valeo subsidiaries

- Director, Alstom SA
- Technip SA
- Energy Solutions Inc. (US)
- Member, French Academy of Technology (Académie des technologies)

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years

- Director, British Energy Group Plc, Rhodia SA
- Senior Advisor, Detryot et Associés, Arjil Banque

Experience

Pascal Colombani is Chairman of the Board of Directors of Valeo and Senior Advisor for innovation, high technology and energy at the A.T. Kearney strategic consultancy firm.

He is a member of the French Academy of Technology and a Director of Technip SA, Alstom SA and Energy Solutions Inc. In January 2000, he was appointed Managing Director of the French Atomic Energy Commission (Commissariat à l’énergie atomique – CEA), a position that he held until December 2002. The instigator of the restructuring of the industrial holdings of the CEA and the creation of Areva in 2000, he chaired the Supervisory Board of Areva until May 2003. Between 1997 and 1999, he was the Director of Technology at the French Ministry for Research.

Pascal Colombani spent close to 20 years (1978-1997) at Schlumberger in various positions, in the US and in Europe, before becoming Chairman and CEO of its Japanese subsidiary in Tokyo.

Pascal Colombani is a graduate of École normale supérieure de Saint-Cloud, is an associate professor of physics and has a doctorate in science.

♦ Listed company.
Jacques Aschenbroich
Chief Executive Officer

French
Age: 58

Valeo
43, rue Bayen
75017 Paris, France

Number of Valeo shares held: 57,000(1)
First appointed: 03/20/2009
Start of current term of office: 06/08/2011
End of current term of office: Shareholders’ Meeting called to approve the 2014 financial statements

**Main positions held outside the Company**

- Chairman, Valeo Finance, Valeo Service, Valeo S.p.A. (Italy), Valeo (UK) Limited (UK)
- Director, Valeo Service España, SA (Spain)

**Other directorships and positions currently held in companies other than Valeo subsidiaries**

- Chairman of the Board of Directors, École nationale supérieure des mines ParisTech
- Director, Veolia

**Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years**

- Chairman, CEO and director, SEPR – Société européenne des produits réfractaires (France)
- Chairman and CEO, Saint-Gobain Glass (France)
- Chairman, Saint-Gobain Sekurit (France)
- Vice-Chairman, Chairman, CEO and director, Saint-Gobain Corporation (US)
- Chairman and CEO, Saint-Gobain Advanced Ceramics Corp. (US)
- Chairman, Saint-Gobain Abrasives Inc. (US)
- Chairman, Saint-Gobain Corporation Foundation Inc. (US), and Saint-Gobain Ceramics & Plastics Inc. (US)
- Director, Saint-Gobain Corporation (US), Saint-Gobain, Corporation Foundation Inc. (US), Saint-Gobain Performance Plastics Corp. (US), Saint-Gobain Containers Inc. (US), Solaglas Ltd. (UK), Saint-Gobain Sekurit Hanglasi Polska (Poland), Saint-Gobain Sekurit Benelux SA (Belgium), Saint-Gobain Sekurit Italia (Italy), Grindwell Norton Ltd. (India), Saint-Gobain Glass India Ltd. (India) and Saint-Gobain Sekurit India (India), Saint-Gobain KK (Japan), Hankuk Glass Industries Inc. (South Korea), Saint-Gobain Glass Mexico (Mexico), Saint-Gobain Sekurit Mexico (Mexico) and Esso SAF
- Member of the Supervisory Board, Saint-Gobain Autoglas Gmbh (Germany) and Saint-Gobain Glass Deutschland GmbH (Germany)
- Member of the Advisory Board, Avancis GmbH & Co. KG (Germany)

**Experience**

Jacques Aschenbroich is the Chief Executive Officer and a member of the Board of Directors of Valeo.

He is Chairman of the Board of Directors of École nationale supérieure des mines ParisTech. He is also Chairman of Valeo Finance, Valeo Service, Valeo S.p.A., Valeo (UK) Limited and a Director of Valeo Service España, SA.

He held several positions in the French administration and served the Prime Minister’s office in 1987 and 1988. He then pursued an industrial career in the Saint-Gobain group from 1988 to 2008. After having managed subsidiaries in Brazil and Germany, he became Managing Director of the Flat Glass Division of Compagnie de Saint-Gobain and went on to become Chairman of Saint-Gobain Vitrage in 1996. Then, as Senior Vice-President of Compagnie de Saint-Gobain from October 2001 to December 2008, he managed the flat glass and high performance materials sectors as from January 2007 and, as the Vice-Chairman of Saint-Gobain Corporation and General Delegate to the United States and Canada, he directed the operations of the group in the United States as from September 1, 2007.

He was also a Director with Esso SAF until June 2009.

Jacques Aschenbroich graduated in engineering from École des mines.

(1) Including 50,000 shares vested on June 24, 2012 following the two-year vesting period applicable to the performance shares allotted to Mr Aschenbroich under the June 24, 2010 share plan. These 50,000 shares are subject to the mandatory two-year holding period provided for by French law (therefore they will only be available for trading from June 24, 2014). Jacques Aschenbroich must also hold half of these 50,000 shares in registered form until the end of his term of office.
Gérard Blanc
Independent director
Member of the Strategy Committee

French
Age: 69
Marignac Gestion S.A.S.
17, rue Joseph Marignac
31300 Toulouse, France

Number of Valeo shares held: 500
First appointed: 05/21/2007
Start of current term of office: 06/08/2011
End of current term of office: Shareholders’ Meeting called to approve the 2012 financial statements

Main position held outside the Company

- Chairman and CEO, Marignac Gestion S.A.S.

Other directorships and positions currently held in companies other than Valeo subsidiaries

- Director, Sogeclair

Experience

Gérard Blanc is Chairman and CEO of Marignac Gestion S.A.S. and a director of Sogeclair. Earlier in his career he held the position of Executive Vice-President, Programs at Airbus until 2003 when he was appointed Executive Vice-President of Operations, a position he held until 2005.

Gérard Blanc graduated from HEC business school in Paris.

* Listed company.
Corporate governance structure

Daniel Camus
Independent director
Chairman of the Audit and Risks Committee
French
Age: 60
The Global Fund
Chemin de Blandonnet 8
1214 Vernier, Switzerland

Number of Valeo shares held: 500
First appointed: 05/17/2006
Start of current term of office: 06/03/2010
End of current term of office: Shareholders’ Meeting called to approve the 2013 financial statements

Main position held outside the Company
- Chief Financial Officer, The Global Fund

Other directorships and positions currently held in companies other than Valeo subsidiaries
- Member of the Supervisory Board, Morphosys AG (Germany)
- SGL Group SE (Germany)
- Vivendi SA
- Cameco Corp. (Canada)

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years
- Member of the Supervisory Board, EnBW (Germany) and Dalkia SAS
- Chairman of the Board of Directors, EDF International
- Chief Financial Officer and subsequently Group Executive Vice-President in charge of International Activities and Strategy, EDF group
- Director, EDF Energy (UK) and Edison (Italy)
- Senior Advisor, Roland Berger Strategy Consultants

Experience
Daniel Camus is Chief Financial Officer of The Global Fund.
He is a member of the Supervisory Boards of Morphosys AG (Germany), SGL Group SE (Germany), Cameco Corp. (Canada) and Vivendi SA.
He was Senior Advisor at Roland Berger Strategy Consultants up to 2012.
Prior to this, he served as group Executive Vice-President in charge of International Activities and Strategy at the EDF group until December 1, 2010. After working in the chemicals and pharmaceuticals industry for 25 years within the Hoechst-Aventis group in Germany, Canada, the United States and France, he joined the EDF group in 2002 as group Chief Financial Officer.
Daniel Camus holds a doctorate in economics, is an associate professor of management sciences and graduated with distinction from the Institut d’études politiques de Paris (IEP).

♦ Listed company.
Jérôme Contamine
Independent director
Chairman of the Appointment, Compensation and Governance Committee

French
Age: 55
Sanofi
54, rue de La Boétie
75414 Paris Cedex 8, France

Number of Valeo shares held: 2,000
First appointed: 05/17/2006
Start of current term of office: 06/03/2010
End of current term of office: Shareholders’ Meeting called to approve the 2013 financial statements

Main position held outside the Company
- Executive Vice-President and Chief Financial Officer, Sanofi

Other directorships and positions currently held in companies other than Valeo subsidiaries
Sanofi group
- President, SECIPE and Sanofi 1
- Manager, Sanofi 4 and Sanofi North America
- CEO, Sanofi Europe and Sanofi Participations
- Director, Sanofi Pasteur Holding and Merial Ltd. (UK)

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years
Sanofi group
- Director, Zentiva NV (Netherlands)
- Outside Sanofi group
  - Executive General Manager, Veolia Environnement
  - Chairman, VE Europe Services (Belgium)
  - Director, Veolia Transport, Veolia Propreté, VE Services-Ré, Veolia Environmental Services Plc (UK), Veolia ES Holdings Plc (UK), Veetra, Venac (US), Rhodia
  - Director and Managing Director, Veolia UK
  - CEO and Chairman of Venao (US)
  - Chairman, VE IT
  - Member of the Supervisory Board, Veolia Eau, Dalkia France
  - Member, Dalkia’s A and B Supervisory Boards

Experience
Jérôme Contamine has been Executive Vice-President and Chief Financial Officer of Sanofi since March 16, 2009.
He joined Veolia in 2000 as Executive Vice-President of Finance, before becoming Executive Vice-President responsible for cross-functional activities in 2002, and Senior Executive Vice-President of Veolia Environnement in 2003 until January 16, 2009. Between 1988 and 2000, he held several financial positions within the Elf group including Financing and Treasury Director (1991 to 1994), Deputy Director in Europe and the US for the Exploration and Production Division, and CEO of Elf Norway (1995-1998). In 1999 he was appointed Director of the integration group with Total, tasked with reorganizing the new merged entity, TotalFinaElf, and in 2000 became Vice-President of Continental European and Central Asian Operations for the Exploration and Production Division of Total.
Jérôme Contamine graduated from École polytechnique and from Ecole nationale d’administration and is a special advisor to the French Court of Auditors (Cour des comptes).
Corporate governance structure

Michel de Fabiani

Director
Member of the Audit and Risks Committee

Number of Valeo shares held: 500
First appointed: 10/20/2009
Start of current term of office: 06/08/2011
End of current term of office: Shareholders’ Meeting called to approve the 2014 financial statements

Main position held outside the Company
• Vice-President, Franco-British Chamber of Commerce and Industry

Other directorships and positions currently held in companies other than Valeo subsidiaries
• Director, BP France, EB Trans SA (Luxembourg)
• Member of the Supervisory Board, Vallourec
• Chairman of the Board of Directors, British Hertford Hospital Corporation (Levallois, France)
• Founding President, Cercle économique Sully (a think tank) and Association for the Promotion of Ecological Vehicles (Association pour la promotion des véhicules écologiques)
• Vice-President, Œuvre du perpétuel secours (a non-profit association) (Levallois, France)

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years
• Director, Rhodia group, Star Oil Mali, SEMS (Morocco)

Experience

Michel de Fabiani was the first Frenchman to become President, in 2005 and again in 2009, of the Franco-British Chamber of Commerce and Industry, an institution founded in 1873 to promote and develop business and trade between France and the UK.

He is also a Member of the Board of BP France and EB Trans SA (Luxembourg) and member of the Supervisory Board of Vallourec. In addition, he is Chairman of the Board of the British Hertford Hospital Corporation, Vice-President of the Œuvre du perpétuel secours and the Association for the Promotion of Ecological Vehicles. After joining the BP group in 1969, he held a number of positions in the nutrition, chemicals, finance and oil sectors in Milan, Paris and Brussels. In May 1995, Michel de Fabiani was named Chairman and CEO of BP France. In September 1997, he was appointed CEO of the BP/Mobil Joint Venture in Europe and in 1999, President, Europe of the BP group and Vice-President of Europia (European Oil Industry Association) in Brussels until 2004, when he left his executive position after 35 years with the BP group.

Michel de Fabiani graduated from École des hautes études commerciales de Paris.

* Listed company.
### Corporate governance structure

**Michael Jay**  
**Independent director**  
**Member of the Appointment, Compensation and Governance Committee**

<table>
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<th>British</th>
<th>House of Lords Westminster London SW1A OPW United Kingdom</th>
</tr>
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<tbody>
<tr>
<td>Age: 66</td>
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*Number of Valeo shares held: 500*

*First appointed: 05/21/2007*

*Start of current term of office: 06/08/2011*

*End of current term of office: Shareholders’ Meeting called to approve the 2012 financial statements*

#### Main position held outside the Company

- Member of the House of Lords in the UK

#### Other directorships and positions currently held in companies other than Valeo subsidiaries

- Director, EDF ♦
- Non-executive Director, Associated British Foods (ABF) (UK) ♦, Candover Investments Plc (UK) ♦
- Independent member of the House of Lords (UK)
- Chairman, House of Lords Appointments Commission (UK)
- Vice-Chairman, Business for New Europe (UK)
- Chairman, Merlin (an international medical charity) (UK)
- Member, British Library Advisory Council (UK)

#### Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years

- Director, Crédit Agricole
- Chairman, Culham Languages and Sciences (an educational charity) (UK)
- Trustee, British Council (UK)

#### Experience

*Michael Jay* is an independent member of the House of Lords in the UK.  
He is also a non-executive Director of Associated British Foods (ABF) and Candover Investments Plc, Chairman of the House of Lords Appointments Commission and of Merlin (an international medical charity), Vice-Chairman of Business for New Europe, a director of EDF and a member of the British Library Advisory Council.

Michael Jay was also a member of the European Sub-Committee on EU Law and Institutions and the House of Lords Select Committee on International Institutions and a member of GLOBE, an inter-parliamentary group on climate change.

Between 2002 and 2006 he held the position of Permanent Under-Secretary at the UK Foreign Office and in this role was Head of the Diplomatic Service.

In 2005 and 2006 he served as the UK Prime Minister’s personal representative at the G8 summits at Gleneagles and Saint-Petersburg.

Michael Jay is an Honorary Fellow of Magdalen College, Oxford.

♦ Listed company.
Helle Kristoffersen
Independent director
Member of the Strategy Committee

French
Age: 48

Total
2, place Jean Millier
La Défense 6
92078 Paris-La Défense
Cedex, France

Number of Valeo shares held: 500
First appointed: 03/22/2007
Start of current term of office: 06/08/2011
End of current term of office: Shareholders’ Meeting called to approve the 2012 financial statements

Main position held outside the Company

- Vice-President of Strategy and Business Intelligence, Total

Other directorships and positions currently held in companies other than Valeo subsidiaries

- Director, France Télécom Orange

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years

- Deputy Vice-President of Strategy and Business Intelligence, Total
- Senior Vice-President of Vertical Markets, Alcatel-Lucent
- Vice-President of Corporate Strategy, Alcatel-Lucent
- Vice-President of Economic Analysis, Alcatel group

Experience

Helle Kristoffersen has been Vice-President of Strategy and Business Intelligence at Total since January 1, 2012. She is a director of France Télécom Orange.

She previously served as Deputy Vice-President of Strategy and Business Intelligence at Total and Senior Vice-President of Vertical Markets at the Alcatel-Lucent group (previously the Alcatel group) which she joined in 1994 as Head of Financial Operations. Until December 31, 2008, she was the Alcatel-Lucent group’s Vice-President of Corporate Strategy and Secretary of the Strategy Committee.

Between 1989 and 1991 she worked as an analyst in the mergers and Acquisitions Department at Banque Lazard & Cie before joining the Bolloré group, where she held the following positions: Deputy Financial Director responsible for mergers and acquisitions, Head of Operational Strategy for the Maritime Division and Head of Mergers and Acquisitions reporting to the Chairman and CEO.

Helle Kristoffersen is a graduate of École normale supérieure and École nationale de la statistique et de l’administration économique (ENSAE). She also holds a master’s degree in econometrics from Université Paris I Panthéon-Sorbonne.

◆ Listed company
Corporate governance structure

Noëlle Lenoir
Independent director
Member of the Appointment, Compensation and Governance Committee

French
Age: 64

Kramer Levin Naftalis & Frankel LLP
47, avenue Hoche
75008 Paris, France

Number of Valeo shares held: 1,000
First appointed: 06/03/2010
Start of current term of office: 06/03/2010
End of current term of office: Shareholders’ Meeting called to approve the 2013 financial statements

Main position held outside the Company
- Partner, Kramer Levin Naftalis & Frankel LLP

Other directorships and positions currently held in companies other than Valeo subsidiaries
- President, Europe Institute (Institut de l’Europe) at HEC
- Ethics Officer at the French National Assembly
- Member, the American Law Institute and the French Academy of Technologies
- Director, Generali France and Compagnie des Alpes (French listed company)
- Municipal Advisor, Valmondois (Val d’Oise, France)
- Founding Chairwoman, Cercle des Européens (a think tank)
- Honorary Chairwoman, the Association des amis d’Honoré Daumier
- Adjunct Professor, HEC
- Lecturer, Paris I Panthéon-Sorbonne
- Member, Comparative Law Society (Société de législation comparée)
- Member of the Board of Directors, French Association of Constitutionalists (Association française des constitutionnalistes)

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years
- Member of the Steering Committee, Association of French Mayors (Association des maires de France), French Association of Women Lawyers (Association française des femmes juristes), High Level Group of Company Law Experts at the European Commission

Experience

Noëlle Lenoir is a member of the Conseil d’État (France’s highest administrative court) and a partner in the law firm Kramer Levin Naftalis & Frankel LLP. She serves as Ethics Officer at the French National Assembly.

During her career she has held some of the highest positions in the French State; as well as being the first woman to be appointed as a member of the French Constitutional Council (Conseil constitutionnel) (1992-2001), she was Deputy Minister of European Affairs from 2002 to 2004. Since 2004, Noëlle Lenoir has mainly worked as a partner with the law firms Debevoise & Plimpton LLP (2004-2009) and Jeantet et Associés.

She has been a Director of Generali France since 2008 and a Director of Compagnie des Alpes since March 2013. She serves as Municipal Advisor of Valmondois (Val d’Oise, France).

Noëlle Lenoir is also Chairwoman of the Europe Institute HEC, Adjunct Professor at HEC, Honorary Chairwoman of the Association des amis d’Honoré Daumier, Founding Chairwoman of the Cercle des Européens and lecturer at Paris I Panthéon-Sorbonne.

She is a member of the American Law Institute, of the French Academy of Technology, of the Comparative Law Society (Société de législation comparée), and of the Board of Directors of the French Association of Constitutionalists. She previously served on the Steering Committee of the Association of French Mayors, the French Association of Women Lawyers and the High Level Group of Company Law Experts at the European Commission.

Noëlle Lenoir holds a postgraduate degree in public law and is a graduate from Institut d’études politiques de Paris (IEP).

- Listed company.
Corporate governance structure

Thierry Moulonguet
Independent director
Member of the Audit and Risks Committee and the Strategy Committee

Fimalac  
97, rue de Lille  
75007 Paris, France

French  
Age: 61

Number of Valeo shares held: 500
First appointed: 06/08/2011
Start of current term of office: 06/08/2011
End of current term of office: Shareholders’ Meeting called to approve the 2015 financial statements

Other directorships and positions currently held in companies other than Valeo subsidiaries

- Director, Fimalac SA, Fitch Ratings Ltd., Lucien Barrière group, HSBC France, HSBC Europe (UK)

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years

- Special advisor to the Chairman and CEO of Renault
- Director, Ssangyong Motor Co. (Korea), Avtovaz (Russia), RCI Banque, Renault Retail Group

Experience

Thierry Moulonguet is a director of Fimalac SA, Fitch Ratings Ltd., Lucien Barrière group, HSBC France and HSBC Europe.
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, Vice-President, 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 July 1, 2010. He served as Special Advisor to Renault’s Chairman and Chief Executive Officer, Carlos Ghosn, until March 31, 2011, the date on which he retired.
He served as Board director of 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).

* Listed company.
Georges Pauget  
Independent director 
Member of the Audit and Risks Committee and the Appointment, Compensation and Governance Committee 

French

Age: 65 
Économie, Finance et Stratégie SAS 
2, rue de Monceau 
75008 Paris, France

Number of Valeo shares held: 500
First appointed: 04/10/2007
Start of current term of office: 06/08/2011
End of current term of office: Shareholders’ Meeting called to approve the 2015 financial statements

Main position held outside the Company

- Chairman, Économie, Finance et Stratégie SAS

Other directorships and positions currently held in companies other than Valeo subsidiaries

- Honorary Chairman of the Board of Directors, LCL – Le Crédit Lyonnais
- Member of the Supervisory Board, Eurazeo
- Chairman, Insead OEE Data Service and the Institut pour l’éducation financière du public (IEFP)
- Director, Danone Communities, Club Med and Tikehau
- Chairman, Finance Innovation cluster – Europlace
- Scientific Director, and Chair of Asset Management, Université de Paris Dauphine
- Adjunct Professor, Université de Paris Dauphine
- Visiting Professor, University of Beijing

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years

- Representative for Crédit Agricole S.A. at the Partners Club (Club des Partenaires) of TSE (Toulouse School of Economics)
- Chairman of the Board of Directors, Amundi Group and Viel & Cie
- Chairman, French Banking Federation (Fédération bancaire française – FBF)
- Chairman, Crédit Lyonnais
- CEO, Crédit Agricole S.A.
- Chairman, Crédit Agricole Corporate and Investment Bank (formerly Calyon)
- Chairman, Monnet project for European bank cards

Experience

Georges Pauget is President of Économie Finance et Stratégie SAS, member of the Supervisory Board of Eurazeo and member of the Board of Directors of Club Med, Danone Communities, and Tikehau.

He is also Honorary Chairman of the Board of Directors of LCL – Le Crédit Lyonnais, Chairman of Paris Europlace’s Finance Innovation cluster, Chairman of Insead OEE Data Service and of IEFP, Scientific Director, Chair of Asset Management and Adjunct Professor at the Université de Paris Dauphine, and Visiting Professor at the University of Beijing.

Georges Pauget was also Chairman of the Board of Directors of the Amundi Group until the end of February 2011 and of Viel & Cie until March 14, 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 S.A. on the Supervisory Board of Fonds de garantie des dépôts, as well as Chief Operating Officer, member of the Executive Committee and Director of the Regional Banks Division of Crédit Agricole S.A. He was Chairman of the Board of Directors of LCL – Le Crédit Lyonnais, and Chairman of the Board of Directors of Calyon up 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 2000.

Georges Pauget is a Doctor of Economic Sciences and holds a master’s degree in Economic Sciences, with econometrics as specialization, from the University of Lyon.

 Listed company.
CORPORATE GOVERNANCE

Corporate governance structure

Ulrike Steinhorst
Independent director
Member of the Appointment, Compensation and Governance Committee

German EADS
Age: 61 12, rue Pasteur
Number of Valeo shares held: 500
First appointed: 02/24/2011
Start of current term of office: 02/24/2011
End of current term of office: Shareholders’ Meeting called to approve the 2015 financial statements

Main position held outside the Company

Strategy, Planning and Finance Director at EADS Technical Corporate division

Other directorships and positions currently held in companies other than Valeo subsidiaries

Member of the Board of Directors of Fondation Imagine, a scientific research foundation and of the French union of metallurgical industries F2I (Union des industries et métiers de la métallurgie – UIMM)

Other directorships and positions previously held in companies other than Valeo subsidiaries during the past five years

Chairwoman, Degussa France Groupe SAS and Rexim SAS
Director of the Cabinet of the Chief Executive Officer of EADS

Experience

Ulrike Steinhorst is Strategy, Planning and Finance Director at EADS Technical Corporate division. She is also a member of the Board of Directors of Fondation Imagine and F2I (UIMM). She started her career as a technical advisor to the French Minister for European Affairs where she was in charge of relations with Germany during the reunification. From 1990 to 1998, she worked at EDF in the International Division, as an advisor in charge of international issues then institutional issues within the General Management of the group, and finally, Head of International Subsidiaries in the Industrial Division. In 1999, she joined Degussa AG group where she was Head of Human Resources of a division, and then Vice-President, Executive Development. She later headed the subsidiary Degussa France before being responsible for the group’s representation office in Brussels. She then served as Director of the Cabinet of the Chief Executive Officer of EADS. Ulrike Steinhorst graduated from Université Paris II - Panthéon and from École nationale d’administration.

Separation of the roles of Chairman and Chief Executive Officer and limitation of powers of the Chief Executive Officer

At its meeting on March 20, 2009, the Board of Directors decided to separate the duties of Chairman of the Board and Chief Executive Officer. The Chairman of the Board organizes and presides over the work performed by the Board of Directors and presents a report on its activities to the Shareholders’ Meeting. He ensures that the Company’s governance functions effectively and in particular makes sure that all the directors are able to perform their duties.

The Chief Executive Officer has the widest possible powers to act in the Company’s name, within the limits provided for by law, the Company’s articles of association or its internal procedures. The Chief Executive Officer also represents the Company in its relations with third parties or in any legal proceedings.

The Chief Executive Officer must obtain the prior approval of the Board of Directors for the acquisition or sale of any subsidiary, interest, or any other asset or investment, for a sum of more than 50 million euros per transaction. This sole limitation to the powers of the Chief Executive Officer is reflected in the internal procedures as amended pursuant to a decision of the Board, on a recommendation of the Appointment, Compensation and Governance Committee, dated April 9, 2009.
Roles and operation of the Board of Directors

The Board of Directors represents all shareholders. It determines the Company’s overall business strategies and oversees their implementation. Subject to the powers expressly granted to Shareholders’ Meetings and within the scope of the corporate purpose, the Board of Directors deals with any issues relating to the proper operation of the Company and makes any and all decisions relating thereto. The Board devotes one meeting per year to reviewing the Group’s overall industrial and financial strategies.

The Chairman convenes meetings of the Board as often as required in the general interest of the Company and at least six times a year. The dates for the meetings are issued at the beginning of each year at the latest. In 2012, the Board of Directors held nine meetings with a 94.4% average attendance rate (in person or by proxy).

Board meetings are chaired by the Chairman of the Board or, by any director who has been temporarily authorized to chair Board meetings, a Vice-Chairman or any director selected by the other members of the Board.

Board meetings are only validly constituted if at least half of the members are present or deemed present (in accordance with the law and the Company’s articles of association), excluding members attending by proxy. Decisions are made based on a majority vote of the members present, deemed present, or represented, in accordance with the law and the Company’s articles of association. Each member who is present or represented has one vote and each member present may only represent one other member. In the case of a split decision, the Chairman has the casting vote.

Minutes are drawn up after each Board meeting, which are signed by the Chairman and one other director.

Directors’ rights and duties

The Board’s internal procedures impose certain duties on directors in order to ensure that (i) they are aware of the rules and regulations applicable to them, (ii) conflicts of interest are avoided, (iii) they dedicate the necessary time and attention to their duties and (iv) they respect the applicable law relating to multiple directorships.

Members of the Board of Directors are also responsible for ensuring that they have all the necessary information to carry out their duties. To this end, the Chairman provides directors with the data and documents required in order for them to fully perform their duties.

As compensation for the work carried out by directors, Shareholders’ Meetings may grant an annual fixed amount of attendance fees which may be freely allocated by the Board among its members. The Board may also grant directors exceptional compensation for specific assignments or tasks entrusted to them. The Board of Directors sets the compensation of the Chairman and Chief Executive Officer.

Article 14 of the Company’s articles of association stipulates that each director must hold at least 500 Valeo registered shares throughout his or her term of office.

On accepting their position, each member of the Board of Directors and the Group’s Executive Management team agrees to a Code of Conduct in relation to trading in the Company’s securities. This Code sets out the legal and regulatory provisions applicable to them in relation to declaring transactions concerning those securities.

It also specifies the periods during which members of the Board and the Group’s Executive Management team are prohibited from trading in the Company’s securities and reiterates that they are formally prohibited from conducting any such transactions based on insider information.

Assessment of the operation of the Board of Directors

In accordance with its internal procedures, the Board of Directors includes an assessment of its organization and operation on the agenda of one meeting per year. At its meeting on October 18, 2012, the Board of Directors decided to engage the services of an outside adviser for the assessment of its operation. The Board’s assessment report issued on January 16, 2013 is based on interviews conducted with all the directors. The directors’ assessment of how the Board functions and suggestions for improvement were provided. The topics covered included the operation, structure, composition and the duties of the Board, directors’ access to information, the choice of issues discussed, the quality of the discussions, and the general running of the Board Committees.

At its meeting on January 22, 2013, the Appointment, Compensation and Governance Committee reviewed the assessment report presented and discussed at the Board meeting held on the same day. The results of this assessment are provided in the report of the Chairman of the Board of Directors on the composition of the Board, the application of the principle of equal representation of women and men, the conditions in which the Board’s work is prepared and organized, and the internal control and risk management procedures put in place by the Valeo Group, in Chapter 6, section 6.1.2, under “Assessment of the operation of the Board of Directors”, page 305.
Committees created by the Board

The Board of Directors has set up several committees in order to enhance its mode of operation and provide assistance with preparing its decisions. These include: the Audit and Risks Committee, the Appointment, Compensation and Governance Committee, and the Strategy Committee.

The work of the Audit and Risks Committee, the Appointment, Compensation and Governance Committee, and the Strategy Committee in 2012 was presented on a regular basis to the Board of Directors throughout the year in the form of reports.

Audit and Risks Committee

In accordance with its internal procedures, the Audit and Risks Committee must be composed of at least two-thirds of independent directors according to the criteria set out in the internal procedures.

At the date of this Registration Document, the Audit and Risks Committee is composed of four members: Daniel Camus (Chairman of the Audit and Risks Committee and an independent director), Michel de Fabiani (not an independent director), Thierry Moulonguet (an independent director) and Georges Pauget (an independent director).

The Chairman and the Chief Executive Officer are not members of the Audit and Risks Committee but may be invited to attend its meetings.

Through their training or business experience, all members of the Audit and Risks Committee have financial and accounting skills.

For details of the experience of the members of the Audit and Risks Committee, see section 3.1.2, page 73.

At its meeting on March 27, 2012, acting on the recommendation of the Appointment, Compensation and Governance Committee, the Board of Directors decided to expand the duties of the Audit Committee. At its meeting on October 18, 2012, acting on the recommendation of the Audit Committee, the Board of Directors approved the amendments to the internal procedures of the Audit Committee which became the Audit and Risks Committee on that date.

In accordance with Article L.823-19 of the French Commercial Code, the responsibilities of the Audit and Risks Committee include monitoring the process used to prepare financial information, ensuring that internal control and risk management systems are effective, monitoring the statutory audit work on the parent company and consolidated financial statements and monitoring the independence of Statutory Auditors.

For details of the responsibilities of the Audit and Risks Committee, see Chapter 6, section 6.1.2, page 301.

The Audit and Risks Committee met five times in 2012 with an attendance rate of 100%.

Appointment, Compensation and Governance Committee

In accordance with its internal procedures, the majority of the Committee’s members must be independent directors as defined by the criteria set out in the internal procedures of the Board of Directors. The acting Chairman is involved in the Committee’s work, except where deliberations concern the Chairman’s compensation or the renewal of his term of office.

At the date of this Registration Document, the Appointment, Compensation and Governance Committee was composed of five members, all independent: Jérôme Contamine (Committee Chairman), Michael Jay, Noëlle Lenoir, Georges Pauget and Ulrike Steinhorst.

According to its internal procedures, the responsibilities of the Appointment, Compensation and Governance Committee include studying and making recommendations concerning the compensation paid to corporate officers, giving its opinion on the Group’s general stock option policy, making recommendations regarding the appointment of corporate officers and directors, reviewing the status of each director in light of the independence criteria set out in the Board’s internal procedures, analyzing how the Board and its committees operate, and assessing and updating corporate governance rules.

For details of the responsibilities of the Appointment, Compensation and Governance Committee, see Chapter 6, section 6.1.2, page 304.

The Appointment, Compensation and Governance Committee met three times in 2012 with an attendance rate of 93.3%.

Strategy Committee

The Strategy Committee, created on October 20, 2008 comprises several directors and a Chairman appointed by the Board.

At the date of this Registration Document, the Strategy Committee is composed of four members (including a Chairman) appointed by the Board of Directors: Pascal Colombani (Committee Chairman), Gérard Blanc, Helle Kristoffersen and Thierry Moulonguet. All the members of the Strategy Committee, except for Pascal Colombani, are considered independent according to the criteria set out in the internal procedures. Furthermore, acting on the April 9, 2009 decision of the Board of Directors, the Strategy Committee includes Jacques Aschenbroich as a permanent guest of the Strategy Committee.

In accordance with its internal procedures, the responsibilities of the Strategy Committee include submitting to the Board its opinions and recommendations on (i) the review of the Group’s key strategies, market trend information, analyses of research activities, competition benchmarking and the resulting medium- and long-term outlook for the business,
Declarations concerning the Group’s corporate officers

Conflicts of interest

Some corporate officers hold positions as managers and/or corporate officers in groups that could sign contracts with Valeo in connection with commercial and/or financial operations (as financial advisors and/or underwriters and/or lenders). In so far as these contracts are negotiated and entered into on arm’s length terms, there is no conflict of interest, to the best of the Company’s knowledge, between the duties of these corporate officers towards Valeo and their private interests and/or other duties.

According to the internal procedures, without prejudice to the formalities of authorization and control laid down by law and the articles of association, the Company’s directors must promptly disclose to the Chairman any agreement entered into by Valeo in which they are directly or indirectly involved. Directors must disclose to the Chairman any agreement entered into between themselves, or a company of which they are executive managers, or in which they directly or indirectly hold a significant interest, and Valeo or one of its subsidiaries, or entered into through an intermediary.

At its meeting on March 27, 2012, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, amended its internal procedures by adding a provision prohibiting a director to accept responsibilities that may be in conflict with his/her responsibilities in the Company.

Directors are also asked to disclose potential conflicts of interest every year.

Service contracts between the members of the Board of Directors and the Company or any of its subsidiaries

No service contracts have been entered into between the members of the Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits.

Other declarations concerning members of the Board of Directors

At its meeting on March 27, 2012, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, amended its internal procedures by adding a provision requiring a director to inform the Chairman of the Board and the Chairman of the Appointment, Compensation and Governance Committee if he/she is solicited to hold a corporate office outside the Company so as to consider the decision to be taken, in consultation with the Board of Directors, where appropriate.

To the best of the Company's knowledge, there are no family ties between the members of the Board of Directors.

As far as the Company is aware, in the past five years no member of the Board of Directors has (i) received a conviction for a fraudulent offense; (ii) been involved in any bankruptcies, receiverships or liquidations; (iii) been issued any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court of law from acting as a member of the administrative, management or supervisory bodies of an issuer, or from acting in the management or conduct of the affairs of any issuer.

As far as the Company is aware, none of the members of the Board of Directors have agreed to any restrictions concerning the disposal of their interests in the Company’s share capital within a certain period of time, other than the restrictions set down by the applicable laws and regulations or the Company’s articles of association.

Other than the declarations of the Fonds stratégique d’investissement (FSI) (see Chapter 7, section 7.6.6 “Relations with the Fonds stratégique d’investissement”, page 340) no arrangement or agreement has been signed with the main shareholders, or with customers or suppliers, in which one of them is selected to become a director of Valeo or a member of General Management.
3.2 Compensation of corporate officers

3.2.1 Executive corporate officers

At its meeting on March 20, 2009, the Board of Directors decided to separate the duties of Chairman of the Board and Chief Executive Officer, acting on the recommendation of the Appointment, Compensation and Governance Committee and following the resignation of Thierry Morin as Chairman and Chief Executive Officer. The Board then appointed Pascal Colombani as Chairman of the Board of Directors and Jacques Aschenbroich as Chief Executive Officer.

Following the renewal of the terms of office of Jacques Aschenbroich and Pascal Colombani by the Shareholders’ Meeting on June 8, 2011 held to approve the financial statements for the year ended December 31, 2010, the Board of Directors, at its meeting on the same day, acting on the recommendation of the Appointment, Compensation and Governance Committee, maintained the separation of the duties of Chairman of the Board and Chief Executive Officer, stating that the operation of the Board had improved as a result of this separation.

Compensation of Pascal Colombani for his role as Chairman of the Board of Directors

The Board of Directors sets the compensation paid by Valeo to Pascal Colombani, the Chairman of the Board of Directors, based on recommendations made by the Appointment, Compensation and Governance Committee.

Fixed compensation and benefits in kind

Following the renewal of the term of office of Pascal Colombani as Chairman of the Board of Directors at its meeting on June 8, 2011, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee and after having examined the practices of a selection of similar companies, decided that the Chairman would receive fixed annual compensation of 300,000 euros with effect from June 1, 2011, compared with 250,000 euros previously (since 2009).

Similarly, at the Board of Directors’ meeting on June 8, 2011, acting on the recommendation of the Appointment, Compensation and Governance Committee, it was decided that the Chairman would have the use of a company car for occupational use and a driver currently employed by the Company.

In 2012, Valeo paid Pascal Colombani fixed compensation of 300,000 euros (compared with 279,167 euros in 2011).

Variable compensation

Pascal Colombani does not receive any variable compensation.

Attendance fees

Pascal Colombani does not receive attendance fees.

At its meeting on April 9, 2009, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided that no attendance fees would be paid to Pascal Colombani in respect of his role as Chairman.

Compensation paid by companies controlled by Valeo

Pascal Colombani does not receive any compensation from companies controlled by Valeo.

Stock options and performance shares

No subscription options, stock options or performance shares were allotted to Pascal Colombani in 2012 or in previous years.

Pension plan

Pascal Colombani is not covered by a supplementary pension plan for his role in the Valeo Group.

Termination benefits

Pascal Colombani is not entitled to termination benefits.

Compensation paid to the Chairman of the Board of Directors over the last two years

The following tables show the compensation paid and the stock options and shares allotted to Pascal Colombani over the last two years.
Summary of compensation paid and stock options and shares allotted to Pascal Colombani

(\text{in euros})

\begin{tabular}{llll}
\hline
 & 2011 & 2012 \\
\hline
Compensation & 279,167 & 300,000 \\
Value of stock options allotted during the year & 0 & 0 \\
Value of performance shares allotted during the year & 0 & 0 \\
TOTAL & 279,167 & 300,000 \\
\hline
\end{tabular}

Summary of compensation paid to Pascal Colombani

(\text{in euros})

\begin{tabular}{llllll}
\hline
 & 2011 & Amount owed & Amount paid & 2012 & Amount owed & Amount paid \\
\hline
Fixed compensation & 279,167 & 279,167 & & 300,000 & 300,000 \\
Variable compensation & 0 & 0 & & 0 & 0 \\
Exceptional compensation & 0 & 0 & & 0 & 0 \\
Attendance fees & 0 & 0 & & 0 & 0 \\
o/w attendance fees paid by Valeo & 0 & 0 & & 0 & 0 \\
o/w attendance fees paid by controlled companies & 0 & 0 & & 0 & 0 \\
Benefits in kind & 0 & 0 & & 0 & 0 \\
TOTAL & 279,167 & 279,167 & & 300,000 & 300,000 \\
\hline
\end{tabular}

Stock options and subscription options allotted to Pascal Colombani during the year

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Type of option (purchase/subscription)</th>
<th>Value of options according to the method used for consolidated financial statements</th>
<th>Number of options allotted during the year</th>
<th>Strike price</th>
<th>Exercise period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>0</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Stock options and subscription options exercised by Pascal Colombani during the year

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Number of options exercised during the year</th>
<th>Strike price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not applicable</td>
<td>0</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>
Performance shares allotted to Pascal Colombani

<table>
<thead>
<tr>
<th>Performance shares allotted by the Shareholders' Meeting during the year to Pascal Colombani by Valeo or any Group company</th>
<th>Plan no. and date</th>
<th>Number of shares allotted during the year</th>
<th>Value of shares according to the method used for consolidated financial statements</th>
<th>Vesting date</th>
<th>Shares available as at</th>
<th>Performance criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not applicable</td>
<td>0</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Performance share allotments that became available for trading for Pascal Colombani

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Number of share allotments that became available for trading during the year</th>
<th>Vesting requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not applicable</td>
<td>0</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Allotments of stock options and subscription options – information concerning stock options and subscription options

Not applicable.

Employment contract, supplementary pension plans and benefits

<table>
<thead>
<tr>
<th>Employment contract</th>
<th>Supplementary pension plans</th>
<th>Compensation or benefits owed or likely to be owed on termination or change of position</th>
<th>Payments relating to a non-competition clause</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pascal Colombani</td>
<td>Chairman of the Board of Directors</td>
<td>First appointed as a director: 05/21/2007</td>
<td>Term of office began: 06/08/2011</td>
</tr>
<tr>
<td>Term of office ends: Shareholders' Meeting called to approve the 2014 financial statements</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Compensation of Jacques Aschenbroich for his role as Chief Executive Officer

The Board of Directors sets the compensation paid by Valeo to Jacques Aschenbroich, the Chief Executive Officer, based on recommendations made by the Appointment, Compensation and Governance Committee. Jacques Aschenbroich does not have an employment contract with the Valeo Group.

The Chief Executive Officer's overall compensation is determined taking into account the supplementary pension plan from which he benefits (see “Pension plan” on page 93 of this section).

Fixed compensation and benefits in kind

At its meeting on April 9, 2009, the Board of Directors set Jacques Aschenbroich's fixed annual compensation at 850,000 euros. In view of the spectacular recovery of the Company, at its meeting on June 8, 2011, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided that the Chief Executive Officer would receive fixed annual compensation of 900,000 euros with effect from June 1, 2011. This amount was maintained in 2012.

At its meeting on April 9, 2009, the Board also decided to grant coverage to Jacques Aschenbroich under the unemployment insurance fund for Company managers, of the mandatory health, death and disability plan and life insurance covering death, disability or the consequences of any
accidents that may occur during business travel. Following the renewal of Jacques Aschenbroich’s term of office as Chief Executive Officer, at its meeting on June 8, 2011, the Board of Directors, acting on a recommendation of the Appointment, Compensation and Governance Committee, decided to maintain the same insurance coverage, without any modification. This coverage was maintained in 2012.

In 2012, Valeo paid Jacques Aschenbroich fixed compensation of 916,940 euros (compared with 895,881 euros in 2011). This consists of fixed compensation of 900,000 euros gross (compared with 879,167 euros in 2011) and 16,940 euros (compared with 16,714 euros in 2011) as benefits in kind.

Variable compensation

At the beginning of each year, the Board of Directors sets the criteria on which the variable compensation is based, acting on the recommendation of the Appointment, Compensation and Governance Committee for the coming year. The Board also makes decisions regarding the allocation of the variable portion for the prior fiscal year in view of the achievement of predetermined criteria. The variable portion of the Chief Executive Officer’s compensation is determined partly according to quantitative objectives based upon the Group’s operational and financial performance and partly on a qualitative basis, according to specific and predetermined objectives.

For 2011, the quantitative component of the Chief Executive Officer’s variable compensation depended on the following five criteria: (i) operating margin, (ii) operating cash flow, (iii) net income, (iv) return on capital employed (ROCE) and (v) orders booked by the Group and qualitative criteria including: (i) quality of financial communications, (ii) strategic vision and (iii) risk management.

The amount of variable compensation as a percentage of the basic fixed compensation ranged from 0 to 15% for each quantitative criterion.

For the qualitative criteria, quality of financial communications and risk management were each attributed a value of 0 to 10%, and strategic vision was attributed a value of 0 to 25% of fixed compensation.

Variable compensation for 2011 was capped at 120% of Jacques Aschenbroich’s fixed compensation.

At its meeting on February 21, 2011, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, noted that the achievement rates for quantitative and qualitative criteria for 2011 were 68.93% and 74%, respectively, bringing the amount of variable compensation to be paid to Jacques Aschenbroich for 2011 to 85% of his fixed compensation, i.e., 747,292 euros.

At the same meeting, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided that the variable compensation to be paid to Jacques Aschenbroich for 2012 would depend on:

- quantitative criteria, including: (i) operating margin, (ii) operating cash flow, (iii) net income, (iv) return on capital employed (ROCE) and (v) orders booked by the Group, whose expected level of achievement has been determined precisely but is not publicly disclosed for reasons of confidentiality; and
- qualitative criteria, including: (i) quality of financial communications, (ii) strategic vision and (iii) risk management.

The amount of variable compensation as a percentage of the basic fixed compensation would range from 0 to 15% for each quantitative criterion.

For the qualitative criteria, quality of financial communications and risk management were each attributed a value of 0 to 10%, and strategic vision was attributed a value of 0 to 25% of fixed compensation.

Variable compensation for 2012 was capped at 120% of Jacques Aschenbroich’s fixed compensation.

At its meeting on February 21, 2013, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, noted that the achievement rates for quantitative and qualitative criteria for 2012 were 41.8% and 44.2%, respectively, bringing the amount of variable compensation to be paid to Jacques Aschenbroich for 2012 to 86% of his fixed compensation, i.e., 774,000 euros (compared with 747,292 euros in 2011).

At the same meeting, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided that the variable compensation to be paid to Jacques Aschenbroich for 2013 would depend on:

- quantitative criteria, including: (i) operating margin, (ii) operating cash flow, (iii) net income, (iv) return on capital employed (ROCE) and (v) orders booked by the Group, whose expected level of achievement has been determined precisely but is not publicly disclosed for reasons of confidentiality; and
- qualitative criteria, including: (i) quality of financial communications, (ii) strategic vision and (iii) risk management.

The amount of variable compensation as a percentage of the basic fixed compensation would range from 0 to 17% for each quantitative criterion and for the qualitative criteria, from 0 to 10% for the quality of financial communications, and from 0 to 20% for strategic vision and risk management.

Variable compensation for 2013 was capped at 135% of Jacques Aschenbroich’s fixed compensation.
CORPORATE GOVERNANCE

Compensation of corporate officers

Attendance fees
Jacques Aschenbroich does not receive attendance fees.
At its meeting on April 9, 2009, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided that no attendance fees would be paid to the Chief Executive Officer in respect of directorships held in the Group.

Compensation paid by companies controlled by Valeo
In 2012, Jacques Aschenbroich did not receive any compensation of any kind from companies controlled by Valeo.
At the Board of Directors’ meeting on April 9, 2009, acting on a recommendation of the Appointment, Compensation and Governance Committee, it was decided that attendance fees would not be payable to the Chief Executive Officer for offices held within the Group.

Stock options and performance shares

Allotments in 2011
At its meeting on June 8, 2011, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided to allot stock options and performance shares to the Chief Executive Officer under the terms and conditions announced to shareholders in the Board of Directors’ report on the resolutions presented at the Shareholders’ Meeting on June 8, 2011. The Board of Directors decided to allot 30,300 stock options and 15,600 performance shares to the Chief Executive Officer. All the stock options and performance shares allotted to the Chief Executive Officer are conditional upon the achievement of performance criteria measured over the 2011, 2012 and 2013 fiscal years. These criteria are (i) an average operating margin ratio over the period equal to or greater than the level set by the Board of Directors and greater than the annual guidance for 2011, (ii) an average return on capital employed (ROCE) ratio over the period equal to or greater than 30%, and (iii) an average pre-tax return on assets (ROA) ratio over the period equal to or greater than 12.5%. The following scale then applies:
- if all three average ratios for fiscal years 2011, 2012 and 2013 are reached, all of the stock options can be exercised and 60% of the performance shares will vest, the remainder will be forfeited;
- if only one of the average ratios for fiscal years 2011, 2012 and 2013 is reached, only 30% of the stock options can be exercised and 30% of the performance shares will vest, the remainder will be forfeited;
- if no average ratios for fiscal years 2011, 2012 and 2013 are reached, no stock options can be exercised and no performance shares will vest.

In addition, all the stock options and performance shares allotted to the Chief Executive Officer shall vest only if his term of office has not expired on the exercise or vesting date, as applicable (however, this presence condition may be waived by the Board of Directors unless his departure is attributable to gross negligence or misconduct).

Stock options can be exercised from the end of the third year at the earliest, to the end of the eighth year after the allotment date at the latest.
In addition, the shares allotted to the Chief Executive Officer are also subject to minimum holding periods. Any shares he acquires from the exercise of his stock options must be held for a minimum of four years following their allotment. After selling the number of shares necessary for financing the exercise of the stock options and the payment of any tax, social security contributions and transaction costs, he must keep at least 50% of the remaining shares resulting from exercising the stock options in registered form until the end of his term of office. After the expiration of the three-year vesting period and the statutory two-year holding period, he will have to hold at least 50% of the vested performance shares in the form of registered shares until the end of his term of office.
The Chief Executive Officer shall not use hedging transactions to reduce his or her risk.

Allotments in 2012
At its meeting on March 27, 2012, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided to allot stock options and performance shares to Jacques Aschenbroich under the terms and conditions adopted by the Board of Directors at its meeting on February 24, 2011 and announced to shareholders in the Board of Directors’ report on the resolutions presented at the Shareholders’ Meeting on June 8, 2011. The Board of Directors decided to allot 35,300 stock options and 11,400 existing performance shares to the Chief Executive Officer.

All the stock options and performance shares allotted to the Chief Executive Officer are conditional upon the achievement of performance criteria measured over the 2012, 2013 and 2014 fiscal years. These criteria are (i) an average operating margin ratio over the period equal to or greater than the level
set by the Board of Directors and greater than the annual
guidance for 2012, (ii) an average return on capital employed
(ROCE) ratio over the period equal to or greater than 30%,
and (iii) an average pre-tax return on assets (ROA) ratio over
the period equal to or greater than 12.5%. The following
scale then applies:

- if all three average ratios for fiscal years 2012, 2013 and
  2014 are reached, all of the stock options can be exercised
  and all the performance shares will vest;
- if two of the three average ratios for fiscal years 2012, 2013
  and 2014 are reached, only 60% of the stock options
  can be exercised and 60% of the performance shares will vest,
  the remainder will be forfeited;
- if only one of the three average ratios for fiscal years 2012,
  2013 and 2014 is reached, only 30% of the stock options
  can be exercised and 30% of the performance shares will vest,
  the remainder will be forfeited;
- if none of the three average ratios for fiscal years 2012,
  2013 and 2014 are reached, no stock options can be
  exercised, no performance shares will vest, and all the
  stock options and performance shares will be canceled.

Stock options can be exercised from the end of the third year
at the earliest, to the end of the eighth year after the allotment
date at the latest, at the strike price of 40.78 euros set by the
Board of Directors at its meeting on March 27, 2012.

The performance shares shall vest after the expiration of
a minimum three-year vesting period, the Chief Executive
Officer will then have to hold the shares for at least two years.
All the stock options and performance shares allotted to the
Chief Executive Officer shall vest only if his term of office has
not expired on the exercise or vesting date, as applicable
(however, this presence condition may be waived by the
Board of Directors unless his departure is attributable to gross
negligence or misconduct).

In addition, the shares allotted to the Chief Executive Officer
are also subject to minimum holding periods. Any shares
he acquires from the exercise of his stock options must be
held for a minimum of four years following their allotment.
After selling the number of shares necessary for financing the
exercise of the stock options and the payment of any tax,
social security contributions and transaction costs, he will
have to hold at least 50% of the remaining shares resulting
from exercising the stock options and at least 50% of the
vested performance shares in registered form until the end
of his term of office.

The Chief Executive Officer shall not use hedging transactions
to reduce his or her risk.

The shares to which the stock options give access and
the performance shares allotted to Jacques Aschenbroich
during 2012 had a limited dilutive impact and represented
respectively 0.04% and 0.01% of the Company’s share capital
at December 31, 2012. At its meeting on March 27, 2012, the
Board of Directors estimated that the performance shares and
stock options allotted to the Chief Executive Officer in 2012
valued at 32.60 euros and 10.08 euros, respectively, under
IFRS, represented 81% of his fixed annual compensation.

Pension plan

At its meeting on April 9, 2009, the Board of Directors
discussed the total compensation of Jacques Aschenbroich
and agreed to the principle that he would be covered by
the existing defined benefit supplementary pension plan that
applies to the executive managers of Valeo and its French
subsidiaries (or the new plan under consideration to replace
the existing plan), and that he would be credited with five
additional years of service in view of his age and the fact that
he is not covered by any other supplementary pension plan at
present. This decision was taken with a view to retaining the
new Chief Executive Officer and motivating him with regard
to the Company’s objectives, protecting its corporate interest
and following market practices.

However, in view of ongoing changes in laws and regulations,
the Board decided to defer the implementation of a
supplementary pension plan until a later meeting.

At its meeting on October 20, 2009, the Board of Directors
decided to register Jacques Aschenbroich with the new
supplementary defined benefit pension plan for the Group’s
senior executives. The main characteristics of this plan are
described in section 3.2.3, page 100. In view of Jacques
Aschenbroich’s age and the fact that he was not covered
by any other supplementary pension plan, the decision was
made to credit Jacques Aschenbroich with an additional
five years of pensionable service when he took up his new
responsibilities.

The new pension plan has been in force since January 1, 2010.
Following the renewal of Jacques Aschenbroich’s directorship
and term of office as Chief Executive Officer, at its meeting
on June 8, 2011, the Board of Directors, acting on the
recommendation of the Appointment, Compensation and
Governance Committee, decided that the supplementary
pension plan with which Jacques Aschenbroich was
registered would be maintained without any modification.

At its meeting on February 21, 2012, the Board of Directors,
acting on the recommendation of the Appointment,
Compensation and Governance Committee, decided to
amend the supplementary pension plan by including the
payment of benefits to the surviving beneficiary in the event
of the death of an active contributor if the event occurs after
the legal voluntary retirement age.
Termination benefits and non-competition payment

Following the renewal of Jacques Aschenbroich’s directorship, at its meeting on February 24, 2011, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided to renew Jacques Aschenbroich’s eligibility for termination benefits that would be paid in the event of termination related to a change in control or strategy (except on the grounds of gross misconduct in the performance of his duties) that was granted to him by the Board of Directors’ meeting on February 24, 2010, acting on the recommendation of the Appointment, Compensation and Governance Committee and after consulting the Comité des Sages. The amount of the termination benefits would depend on the termination date (2011, 2012, or 2013 or thereafter). This renewal was subject to the approval of the Shareholders’ Meeting on June 8, 2011 and was adopted in its twelfth resolution. No modifications were made in 2012.

At its meeting on February 24, 2011, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, also noted that the non-competition payment to which Jacques Aschenbroich is entitled would be maintained without any modification, subject to the renewal of his directorship by the Shareholders’ Meeting on June 8, 2011, and the renewal of his term of office as Chief Executive Officer.

The amount of the termination benefits would be equal to 24 months of reference compensation in the event of forced departure in 2013 or thereafter.

These termination benefits would be subject to the following five performance criteria:

- payment of all or part of the exceptional target-based bonus at least twice in the last three years (or for the last year if terminated after one year and the last two years if terminated after two years);
- positive net income during the last fiscal year;
- operating margin exceeding 3.6% during the last fiscal year;
- gross margin exceeding 16% during the last fiscal year;
- a ratio of new orders to original equipment sales exceeding 1.3 on average over the previous two fiscal years (or the last year if terminated after one year).

The reference compensation used to calculate the termination benefits will be the average compensation (fixed and variable) paid for the two fiscal years preceding the departure.

The total amount of the termination benefits to be paid will be calculated according to the following scale:

- if five criteria were met: Jacques Aschenbroich would receive 100% of the termination benefits;
- if four criteria were met: Jacques Aschenbroich would receive 80% of the termination benefits;
- if three criteria were met: Jacques Aschenbroich would receive 60% of the termination benefits;
- if two criteria were met: Jacques Aschenbroich would receive 40% of the termination benefits;
- if fewer than two criteria were met: Jacques Aschenbroich would receive 0% of the termination benefits.

The Board would reduce the termination benefits calculated above by 20% if a plan for significant job cuts was introduced in the year preceding the termination of Jacques Aschenbroich’s term of office.

The termination benefits would be paid in a single payment within a month of the Board of Directors’ assessment of the fulfillment of the criteria for receiving said benefits.

If the Company invokes the non-competition clause, Jacques Aschenbroich shall be prohibited from working in any way for an automotive supplier or, more generally for any of Valeo’s competitors. The clause shall apply for 12 months after the end of his term of office as Chief Executive Officer of Valeo regardless of the reason for termination.

In consideration, Jacques Aschenbroich will receive a non-competition payment equal to 12 months of compensation (calculated on the same basis as the termination benefits). The payment will be made in equal monthly installments over the entire period to which the non-competition clause applies.

The Company reserves the right to waive the non-competition clause, in which case the related payment will not be owed.

If the Company invokes the non-competition clause, the amount owed will be offset against the termination benefits. As a result, with effect from 2013, the maximum amounts to be paid to Jacques Aschenbroich in the form of a non-competition payment and/or termination benefits would be equal to 24 months of the reference compensation.

If the non-competition clause is invoked, Jacques Aschenbroich will receive at least the amount of the non-competition payment. The amount due under the non-competition clause and the termination benefits will be paid: (i) up to the amount owed under the non-competition clause, in accordance with the relevant payment rules, (ii) in addition, where applicable, to any surplus owed under the payment rules for the termination benefits.
**Compensation paid to the Chief Executive Officer over the last two years**

The following tables show the compensation paid and payable and stock options and shares allotted to Jacques Aschenbroich over the last two years.

**Summary of compensation paid and stock options and shares allotted to Jacques Aschenbroich**

<table>
<thead>
<tr>
<th>(in euros)</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>1,643,173</td>
<td>1,690,940</td>
</tr>
<tr>
<td>Value of stock options allotted during the year</td>
<td>384,204</td>
<td>355,824</td>
</tr>
<tr>
<td>Value of performance shares allotted during the year</td>
<td>539,604</td>
<td>371,640</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,566,981</td>
<td>2,418,404</td>
</tr>
</tbody>
</table>

**Summary of compensation paid to Jacques Aschenbroich**

<table>
<thead>
<tr>
<th>(in euros)</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount owed</td>
<td>1,643,173</td>
<td>1,690,940</td>
</tr>
<tr>
<td>Amount paid</td>
<td>1,643,173</td>
<td>1,690,940</td>
</tr>
<tr>
<td>Fixed compensation</td>
<td>879,167</td>
<td>879,167</td>
</tr>
<tr>
<td>Variable compensation</td>
<td>747,292</td>
<td>1,020,000</td>
</tr>
<tr>
<td>Exceptional compensation</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Attendance fees</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>o/w attendance fees paid by Valeo</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>o/w attendance fees paid by controlled companies</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Benefits in kind (1)</td>
<td>16,714</td>
<td>16,714</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,643,173</td>
<td>1,690,940</td>
</tr>
</tbody>
</table>

(1) Company car, annual contribution to the unemployment insurance fund for Company managers and annual contribution to pension fund.
### Compensation of corporate officers

#### Stock options and subscription options allotted to Jacques Aschenbroich during the year

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Type of option (purchase/subscription)</th>
<th>Value of options according to the method used for consolidated financial statements</th>
<th>Number of options allotted during the year</th>
<th>Strike price</th>
<th>Exercise period</th>
<th>Performance criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/27/2012</td>
<td>Purchase</td>
<td>€355,824</td>
<td>35,300</td>
<td>€40.78</td>
<td>Until 03/26/2020 (1)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

(1) Obligation to hold 50% of the shares until the end of his term of office.
(2) The performance criteria to which these options are subject are set out in this section.

#### Stock options and subscription options exercised by Jacques Aschenbroich during the year

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Number of options exercised during the year</th>
<th>Strike price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not applicable</td>
<td>0</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

#### Performance shares allotted to Jacques Aschenbroich

<table>
<thead>
<tr>
<th>Performance shares allotted by the Shareholders’ Meeting during the year to Jacques Aschenbroich by Valeo or any Group company</th>
<th>Plan no. and date</th>
<th>Number of shares allotted during the year</th>
<th>Value of shares according to the method used for consolidated financial statements</th>
<th>Vesting date</th>
<th>Shares available as at</th>
<th>Performance criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/27/2012</td>
<td>11,400</td>
<td>€371,640</td>
<td>03/27/2015</td>
<td>03/27/2017</td>
<td>(2)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

(1) Obligation to hold at least 50% of the vested shares as registered shares until the end of his term of office.
(2) The performance criteria to which these shares are subject are set out in this section.

#### Performance share allotments that became available for trading for Jacques Aschenbroich

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Number of share allotments that became available for trading during the year</th>
<th>Vesting requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not applicable</td>
<td>0</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>
### Allotments of stock options and subscription options – information concerning stock options and subscription options

<table>
<thead>
<tr>
<th>Date of Shareholders’ Meeting</th>
<th>06/08/2011</th>
<th>06/08/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Board meeting</td>
<td>06/08/2011</td>
<td>03/27/2012</td>
</tr>
<tr>
<td>Total number of shares that can be purchased</td>
<td>292,840</td>
<td>367,160</td>
</tr>
<tr>
<td>o/w total number of shares that can be purchased by Jacques Aschenbroich</td>
<td>30,300</td>
<td>35,300</td>
</tr>
<tr>
<td>Start of exercise period</td>
<td>06/08/2014</td>
<td>03/27/2015</td>
</tr>
<tr>
<td>Expiration date</td>
<td>06/07/2019</td>
<td>03/26/2020</td>
</tr>
<tr>
<td>Purchase price(^{(1)})</td>
<td>€42.41</td>
<td>€40.78</td>
</tr>
<tr>
<td>Number of shares purchased on March 22, 2013</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of stock options and subscription options canceled or forfeited (cumulative)</td>
<td>26,080</td>
<td>7,800</td>
</tr>
<tr>
<td>Stock options and subscription options remaining at year-end</td>
<td>266,760</td>
<td>359,360</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Equal to the average share price over the 20 trading days preceding the Board of Directors’ meeting granting the options, which is 80% higher than the average purchase price of shares held by Valeo under Articles L.225-108 and L.225-109 of the French Commercial Code.

### Employment contract, supplementary pension plans and benefits

<table>
<thead>
<tr>
<th>Employment contract</th>
<th>Supplementary pension plans</th>
<th>Compensation or benefits owed or likely to be owed on termination or change of position</th>
<th>Payment relating to a non-competition clause</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Jacques Aschenbroich</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First appointment:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/20/2009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term of office began:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06/08/2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term of office ends:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ Meeting called to approve the 2014 financial statements</td>
<td></td>
<td>For a description of these benefits, see page 94, “Termination benefits and non-competition payment”.</td>
<td>For a description of this benefit, see page 94, “Termination benefits and non-competition payment”.</td>
</tr>
<tr>
<td></td>
<td>The pension plan covering Jacques Aschenbroich is detailed on page 93 “Pension plan”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>At December 31, 2012, the supplementary pension benefits of Jacques Aschenbroich represented 8% of his reference salary, i.e., a yearly pension allowance of 70,111 euros</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Non-executive directors are paid attendance fees. Attendance fees have been allocated by the Board of Directors since July 27, 2010, as follows: each director will be paid a fixed annual fee of 22,000 euros plus 2,000 euros per meeting attended. Directors who also sit on a Board Committee (other than the Committee Chairmen) will be paid an additional variable fee of 2,000 euros per Committee meeting attended. Each director who chaired a committee (other than the Audit and Risks Committee) will be paid a supplementary fixed fee of 12,000 euros per year plus a variable fee of 2,000 euros per meeting attended, and the Chairman of the Audit and Risks Committee will be paid a supplementary fixed fee of 15,000 euros per year plus a variable fee of 2,000 euros per meeting attended. These payments are not capped; however if the budget of 600,000 euros approved by the Ordinary and Extraordinary Shareholders’ Meeting on June 20, 2008, is exceeded in any one year, the following formula is applied: (fees paid to an individual director divided by total fees paid to all directors) multiplied by 600,000 euros.

Attendance fees are paid every six months, according to the following attendance rules:

- the variable portion is paid based on the number of meetings that the director has actually attended; and
- the fixed portion is paid if the directors’ average attendance rate at Board meetings or, where applicable, at Committee meetings is equal to or greater than 50% during the preceding half-year. Failing this, directors receive no attendance fees.

Apart from Pascal Colombani and Jacques Aschenbroich, no Board member was paid any other compensation or benefits by the Company during the year. No director was granted stock options, subscription options or performance shares. No director holds any stock options or subscription options.

Summary of attendance fees and other compensation paid to corporate officers

Attendance fees paid to Board members amounted to 476,000 euros in 2012, compared with 483,500 euros in 2011. Attendance fees were distributed as follows:

<table>
<thead>
<tr>
<th>(In euros)</th>
<th>Attendance fees</th>
<th>Other compensation (fixed, variable or exceptional compensation, benefits in kind)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Executive directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pascal Colombani</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Jacques Aschenbroich</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Non-executive directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gérard Blanc</td>
<td>48,000</td>
<td>46,000</td>
</tr>
<tr>
<td>Daniel Camus</td>
<td>63,000</td>
<td>65,000(1)</td>
</tr>
<tr>
<td>Jérôme Contamine</td>
<td>54,000</td>
<td>54,000</td>
</tr>
<tr>
<td>Michel de Fabiani</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Philippe Guédon(2)</td>
<td>29,000</td>
<td>0</td>
</tr>
<tr>
<td>Michael Jay</td>
<td>40,000(3)</td>
<td>40,000(4)</td>
</tr>
<tr>
<td>Helle Kristoffersen</td>
<td>44,000</td>
<td>23,000</td>
</tr>
<tr>
<td>Noëlle Lenoir</td>
<td>46,000</td>
<td>46,000</td>
</tr>
<tr>
<td>Thierry Moulounguet</td>
<td>27,000</td>
<td>52,000</td>
</tr>
<tr>
<td>Georges Pauget</td>
<td>52,000</td>
<td>54,000</td>
</tr>
<tr>
<td>Ulrike Steinhorst</td>
<td>30,500</td>
<td>46,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>483,500</td>
<td>476,000</td>
</tr>
</tbody>
</table>

(1) The amount corresponds to the gross amount of attendance fees subject to a 30% withholding tax since July 1, 2012, as Daniel Camus is no longer a French resident.
(2) Philippe Guédon’s term of office came to an end on June 8, 2011.
(3) The amount corresponds to the gross amount of attendance fees subject to a 25% withholding tax at the time, as Michael Jay is not a French resident.
(4) The amount corresponds to the gross amount of attendance fees subject to a 30% withholding tax since January 1, 2012, as Michael Jay is not a French resident.
3.2.3 Other Group executive managers

The other executive managers are members of the Operations Committee, which is made up of the 13 members and the Chief Executive Officer. The total gross compensation paid to the members of the Operations Committee (excluding the Chief Executive Officer but including one member who ceased his functions on June 30, 2012 and one member who joined the Committee in February 2012) came to 8,427,024 euros in 2012 (compared with 10,123,989 euros in 2011) of which 5,750,625 euros in fixed compensation and 2,326,971 euros in variable compensation, 100,116 euros in benefits in kind, 24,157 euros in profit-sharing and incentive compensation bonuses, 39,183 euros in Service Medals, and 185,972 euros in statutory retirement bonuses.

At its meeting on March 27, 2012, the Board of Directors, on the recommendation of the Appointment, Compensation and Governance Committee, decided to allot stock options and performance shares to the employees and corporate officers under the terms and conditions adopted by the Board of Directors’ meeting on February 24, 2011 and announced to shareholders in the Board of Directors’ report on the resolutions presented at the Shareholders’ Meeting on June 8, 2011. The Board of Directors decided to allot 331,860 stock options and 201,740 performance shares to employees and corporate officers (excluding Jacques Aschenbroich) as follows:

- 84,700 stock options and 32,800 performance shares to the Operations Committee members (excluding Jacques Aschenbroich);
- 43,300 stock options and 17,100 performance shares to the liaison committee members (other than the Operations committee members);
- 203,860 stock options and 111,840 performance shares to the main direct reports of the liaison committee members; and
- up to 40,000 free shares to the Group French companies’ employees, the allotment of such shares not being subject to performance criteria.

In accordance with the principles adopted by the Board of Directors at its meeting on March 27, 2012 and acting on the recommendation of the Appointment, Compensation and Governance Committee, all the stock options and performance shares allotted to the Operations Committee members (excluding Jacques Aschenbroich) are subject to the same performance criteria as the stock options and performance shares allotted to the Chief Executive Officer by the Board of Directors on the same day (described in section 3.2.1 under “Stock options and performance shares”, page 92).

All the stock options and performance shares allotted to the Operations Committee members are conditional upon the achievement of performance criteria measured over the 2012, 2013 and 2014 fiscal years. These criteria are (i) an average operating margin ratio over the period equal to or greater than the level set by the Board of Directors and greater than the annual guidance for 2012, (ii) an average return on capital employed (ROCE) ratio over the period equal to or greater than 30%, and (iii) an average pre-tax return on assets (ROA) ratio over the period equal to or greater than 12.5%. The following scale then applies:

- if all three average ratios for fiscal years 2012, 2013 and 2014 are reached, all of the stock options can be exercised and all the performance shares will vest;
- if two of the three average ratios for fiscal years 2012, 2013 and 2014 are reached, only 60% of the stock options can be exercised and 60% of the performance shares will vest, the remainder will be forfeited;
- if only one of the three average ratios for fiscal years 2012, 2013 and 2014 is reached, only 30% of the stock options can be exercised and 30% of the performance shares will vest, the remainder will be forfeited;
- if none of the three average ratios for fiscal years 2012, 2013 and 2014 are reached, no stock options can be exercised, no performance shares will vest, and all the stock options and performance shares will be canceled.

In accordance with the principles adopted by the Board of Directors at its meeting on March 27, 2012 and acting on the recommendation of the Appointment, Compensation and Governance Committee, all the stock options and performance shares allotted to the operations committee members (other than the Operations Committee members) and 50% of the stock options and performance shares allotted to the main direct reports of the liaison committee members (other than the Operations Committee members) are conditional upon the achievement of two performance targets: (i) an average operating margin ratio for fiscal years 2012, 2013 and 2014 greater than the annual guidance for 2012, and (ii) an average ROCE ratio over the same period equal to or greater than 30%. The following rule applies to allotments of stock options subject to performance criteria and performance shares:

- if both average ratios for fiscal years 2012, 2013 and 2014 are reached, all of the stock options can be exercised and all the performance shares will vest;
Compensation of corporate officers

- if only one of the two average ratios for fiscal years 2012, 2013 and 2014 is reached, only 50% of the stock options can be exercised and 50% of the performance shares will vest, and the remainder will be forfeited;
- if none of the two average ratios for fiscal years 2012, 2013 and 2014 are reached, no stock options can be exercised, no performance shares will vest and all the stock options and performance shares will be canceled.

Stock options can be exercised from the end of the third year at the earliest, to the end of the eighth year after the allotment date at the latest, at the strike price of 40.78 euros set by the Board of Directors at its meeting on March 27, 2012.

For beneficiaries of performance shares, except non-French tax residents, the performance shares will vest after the expiration of a three-year vesting period and are then subject to a two-year holding period. For beneficiaries who are non-French tax residents, the performance shares will vest after the expiration of a five-year period with no holding period requirement.

All stock options and performance shares will be allotted to such employees and corporate officers provided that (i) the beneficiary’s employment contract is still valid, (ii) the beneficiary’s term of office has not expired and (iii) the exercise or vesting date does not fall during the notice period following the beneficiary’s resignation or dismissal, unless provided otherwise, such as in the case of death, total and permanent disability, retirement, early retirement, the sale of the beneficiary’s entity, or the Board of Directors’ discretionary decision.

The shares to which the stock options give access and the performance shares allotted to employees and corporate officers, including Jacques Aschenbroich, during 2012 had a limited dilutive impact and represented respectively 0.46% and 0.27% of the Company’s share capital at December 31, 2012.

At its meeting on October 20, 2009, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided to implement a new supplementary pension plan to replace the existing plans for Group executives in office at the date the new plan is implemented, including Jacques Aschenbroich. Entitlements under the old plan were frozen at December 31, 2009.

The main characteristics of the new supplementary pension plan are as follows:

- the supplementary pension is capped because of the very nature of the plan at 1% of the reference salary per year of service, starting on the employment date with the Group for the new beneficiaries of the plan and starting on January 1, 2010, for the beneficiaries of the previous plans whose entitlements were frozen at December 31, 2009, up to a limit of 20%;
- the supplementary pension is capped with regard to the base used to calculate the entitlements: the supplementary pension, all plans combined, is capped at 55% of the reference salary, based exclusively on the fixed salary. The reference salary is the average of the last 36 months of basic fixed compensation and excludes the variable component and exceptional compensation. Valeo, or one of its subsidiaries must be the beneficiary’s last employer before settlement of the pension entitlements, but the beneficiary does not need to be present in the Group at the time of the settlement. Jacques Aschenbroich was credited with five years of service upon taking up his tenure (see “Pension plan” under section 3.2.1, page 93).

At its meeting on February 21, 2012, the Board of Directors, acting on the recommendation of the Appointment, Compensation and Governance Committee, decided to amend the supplementary pension plan by including the payment of benefits to the surviving beneficiary in the event of the death of an active contributor if the event occurs after the legal voluntary retirement age.
3.2.4 Information about stock options, subscription options and performance shares

The policies governing the allotment of stock options, subscription options and performance shares are detailed in the report of the Chairman of the Board of Directors on the composition of the Board, the application of the principle of equal representation of women and men, the conditions in which the Board’s work is prepared and organized, and the internal control and risk management procedures put in place by the Valeo Group (Chapter 6, section 6.1.4, page 307).

Stock options and subscription options allotted and exercised during the year

<table>
<thead>
<tr>
<th>Stock options and subscription options allotted to the ten employees receiving the greatest number of options and options exercised by the ten employees exercising the highest number of options, excluding corporate officers(1)</th>
<th>Number of options allotted/exercised</th>
<th>Weighted average strike price</th>
<th>Expiration date</th>
<th>Date of Board meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options allotted in 2012 by Valeo and/or other Group companies to the ten employees of the issuer or other Group companies receiving the greatest number of options</td>
<td>77,900</td>
<td>€40.78</td>
<td>03/26/2020</td>
<td>03/27/2012</td>
</tr>
<tr>
<td>Options exercised in 2012 by the ten employees of the issuer or other Group companies holding the greatest number of options</td>
<td>129,396(2)</td>
<td>€31.33</td>
<td>06/23/2018</td>
<td>06/24/2010</td>
</tr>
</tbody>
</table>

(1) Valued at 10.08 euros on grant date, under IFRS.
(2) Of which 546 that result from the public share buyback offer and simplified public tender offer; and, in accordance with applicable regulations and the contract governing the OCEANE bond issue, the conversion/exchange ratio applicable to the bonds was increased from one share per bond to 1.013 shares per bond and of which three rank tenth.

Performance shares

Performance shares allotted to the ten employees receiving the greatest number of performance shares, excluding corporate officers

<table>
<thead>
<tr>
<th>Performance shares allotted to the ten employees of Valeo or related entities, as defined in Article L.225-197-2 of the French Commercial Code, who received the greatest number of such shares(1)</th>
<th>Number of performance shares allotted</th>
<th>Date of Board meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance shares allotted by Valeo to the ten employees of Valeo or related entities</td>
<td>29,800</td>
<td>03/27/2012</td>
</tr>
</tbody>
</table>

(1) Valued at 32.60 euros on grant date, under IFRS.

3.2.5 Pensions and other post-employment benefits and related provisions

At December 31, 2012, the total amount of provisions set aside by Valeo or its subsidiaries for the payment of pensions or other post-employment benefits to members of the Board of Directors and other executive managers of the Group came to 11 million euros, as opposed to 9 million euros at December 31, 2011.

At December 31, 2012, total provisions set aside and the total amount paid by Valeo or its subsidiaries for these benefits to former Board members or other executive managers of the Group came to, respectively, 6.2 million euros, as opposed to 5.5 million euros at December 31, 2011 and 103,448 euros, as opposed to 99,950 euros at December 31, 2011.
Valeo believes that its employees are its most vital asset.
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4.8 INDEPENDENT VERIFIER’S STATEMENT OF COMPLETENESS AND LIMITED ASSURANCE REPORT ON SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION 187
4.1 Sustainable development policy

Sustainable development is an integral part of Valeo’s activities. Valeo’s commitment to sustainable development is based on two principles:

- promoting a cross-disciplinary approach to sustainable development within the Group;
- ensuring that internal and external stakeholders accept sustainable development as a key factor to success. These two priorities remain the starting point of the Group’s sustainable development policy.

4.1.1 Pursuit of Valeo’s cross-disciplinary approach to sustainable development

Integrating Ethics and Compliance: resources in support of values

The deployment of the full range of measures and commitments in respect of ethics and compliance, both preventive and corrective, has reinforced and rounded out the ethical dimension of the Group’s existing sustainable development policy, based on its Code of Ethics.

Thus, going beyond traditional support from the Human Resources and Risk Insurance Environment networks, the Sustainable Development Department has initiated collaborative projects in conjunction with the Ethics and Compliance Department to provide firmer foundations for and promote adherence to the Group’s ethical values within the framework of its transactional and social responsibilities, in a context of increasing demands from stakeholders. As such, the implementation of an intranet portal providing “Ethics and Compliance” information, manuals, guides of “DOs and DON’Ts”, e-learning courses in more than ten of the Group’s languages and whistleblowing procedures reflects real and meaningful support for efforts aimed at encouraging all employees, across all countries and sites, to appropriate the ethical dimension.

Ongoing progress in research on CO₂ emission reductions and intuitive driving

Beyond the ongoing reduction in the weight of components and the relentless search for greater energy efficiency, the Group also emphasizes the link between sustainable development and intuitive driving.

The Group’s research & development (R&D) has conducted social studies in all markets worldwide in order to foster the necessary proactive approach to the direction of future technologies to explore and roll out.

The Group’s expertise in building safety systems is being used in the service of a more targeted approach to connectivity in vehicles. These technologies will subsequently make it possible to build more autonomous vehicles, making them more pleasant and safer to drive, as well as being energy efficient and economical.

Continuous efforts to improve products and processes

Valeo’s products are designed for its automaker customers and bear the hallmark of its vision and innovation policy. This policy stems from an approach that is:

- forward-looking in terms of consumer demand;
- collaborative, involving all players in the business;
- local, taking into account the specific needs of different markets.

All products designed and manufactured according to this approach also take into account the latest sustainability requirements as well as their upstream and downstream environmental impact:

- eco-design;
- reduction in energy consumption;
- reduction in water consumption;
- reduction in greenhouse gas emissions;
- industrial risks.
4.1.2 Sustainable development performance

Increasingly ambitious environmental objectives

Valeo’s products along with its design and manufacturing processes embrace technological innovations that meet the expectations of customers, society at large and regulatory bodies in the field of CO₂ vehicle emissions reduction. The Risk Insurance Environment Department has set increasingly ambitious objectives for 2015, aimed at slashing water and energy consumption at its plants (2012 base) along with direct and indirect greenhouse gas emissions, by around 10%.

Continuous and measurable improvement

For the first time, the Group had 100% feedback from its sites on sustainable development initiatives. The commitment of the Group’s 125 sites to take action and to assess their impacts on local populations (see section 4.5.4, page 170) made it possible to measure continuous improvement on all initiatives undertaken.

This program has met with great success within the Group and each year new initiatives are put forward and subsequently developed into tangible, recurring actions. Accordingly, the employees at the Group’s sites and their local communities enjoy an improved relationship between sustainable development and their professional commitment.

Going beyond sustainable development commitments

As part of its ongoing determination to adopt a more cross-disciplinary approach to sustainable development, the Group has made progress in terms of communication, both externally and internally. With the support of the Communications Department, better dissemination techniques and media have allowed us to better convey the place of sustainable development, in its entirety as well as in its simplest manifestations, with the explicit intention of increasing the awareness of all staff: more informative content on sustainable development on the website, as well as on the intranet, in the Group’s publications and on sites, with dedicated inserts and messages.

In terms of the Group’s external commitments, 2012 was marked by a dramatic increase in requests for social studies on sustainable development. Valeo contributes to the development of solutions to different demands made by stakeholders: governments of the major countries in which the Group operates (Sustainable Development, Transport, Industry, Research, Energy and Trade ministries), multilateral platforms (European Commission, see section 4.2.2, page 109) and international organizations (OECD, UN). The sustainable development policy is accordingly enjoying strong demand for corporate social responsibility from external stakeholders, even those active outside the automotive sector.

Consolidation work and an exemplary role within the automotive industry

At the operational level, the Sustainable Development Department has deployed best sustainable development practice within the automotive industry in a more incisive and tangible manner. Joint work between the main actors of the supply chain (manufacturers, tier-one and lower suppliers) has allowed the emergence of a number of methodological principles and best practices that intensify the influence of sustainable development on all stakeholders.

At Valeo, this work has involved the Purchasing, Quality and Labor Relations Departments in coordination with the Sustainable Development Department. Valeo has therefore placed the concept of sustainable development at the junction between the anticipation of needs, the Group’s prospective operational activities and the succession of demands in respect of the challenges arising from social trends in mobility and the desire for greater harmony.

It is this inclusive approach, which is central to the daily challenge facing all employees, that the Group addresses within the framework of the sustainability guidelines sketched out here and discussed below in greater detail.

Valeo reports on all core GRI indicators and on the additional GRI indicators that it considers relevant. Core indicators are identified in this report by black font in a green box, while additional indicators are identified by white font in a green box. A cross-reference table is available on page 176.
4.2 The R&D process at Valeo: from major trends to innovation

4.2.1 Valeo’s vision and innovation policy

To ensure that its products dovetail with market expectations and anticipate future needs, Valeo bases its R&D policy on predefined and complementary criteria aimed at making it:

- **far-sighted**: through studies and analyses of major social trends, Valeo works on roadmaps spanning periods of ten years. They allow it to anticipate future consumer demand and as such to establish the Group’s key development thrusts;

- **integrated**: every innovation project is conceived and managed in response to studies on major trends. Any innovation must include social benefits, factor in eco-design criteria, reduce the consumption of energy and raw materials as well as greenhouse gas emissions, and offer tools helping to prevent accidents in the context of sustainable and safer mobility;

- **local**: trends and customer needs are studied from a local perspective. Accordingly, through the study of test groups of consumers, Valeo is able to adapt to the specific needs of certain markets (e.g., emerging markets) and to offer innovation that provides clear value added to its customers;

- **customer-centric**: Valeo conducts regular in-depth surveys with groups of consumers on the future consumption patterns of its end customers. In analyzing the results, the Group determines areas of work permitting these corporate-citizenship changes to be anticipated, thereby allowing it to respond to future demand;

- **collaborative**: Valeo develops collective and collaborative solutions with numerous actors. It focuses on multi-party development programs that enable the sharing of expertise, reduced development costs and greater staff involvement through partnerships with other players in the automotive industry, universities, research centers, within public/private partnerships or as part of European or French research programs.

Valeo aims to be a “facilitator” of technological solutions in the automotive industry.

From analysis of megatrends to the notion of autonomous vehicles

Analysis of future trends informs Valeo’s innovation strategy. It allows the Group to anticipate structural change in the sector and to determine its ability to respond to change.

Global trends indicate that the world population is set to grow, age, migrate, have a larger proportion of women, become more urban and see the emergence of new working conditions.

Urban mobility is also set to change in the coming years. Users will use their vehicles differently (frequency, distance, travel range, sharing), leading to different forms of interaction with the vehicles of tomorrow. Other factors must also be taken into account, such as ongoing legislative change (European standard setting maximum average emissions at 95g CO₂/km by 2020), improved safety, the gradual downsizing of engine displacement and the emergence of the electric vehicle.

These analyses have seen Valeo identify several strategic objectives for the future of the automobile:

- **reduction of greenhouse gas emissions and pollution**. Valeo is a leading automotive supplier in technologies that reduce CO₂ emissions. With its broad portfolio of innovative products, it is an essential partner for automakers. The CO₂ emissions quota of 95g CO₂/km imposed by the European Commission by 2020 will be a catalyst. Automakers are increasingly keen to adopt these technologies in order to comply with future legislation and avoid financial penalties for non-compliance. Moreover, in the major industrialized economies, particularly in North America and the European Union, standards governing emissions of CO₂ as well as other pollutants such as nitrogen oxides are being reinforced. These standards impose considerable technical constraints and new challenges: some technologies reducing CO₂ emissions can paradoxically undermine a vehicle’s overall environmental performance, in areas such as particulate emissions (diesel). Automotive suppliers, especially their powertrain divisions, can play a crucial role alongside automakers in rising to new challenges and achieving regulatory objectives;
• savings on energy and raw materials. Reducing fuel consumption is not the only way to reduce a vehicle’s overall environmental footprint. Eco-design and the use of recycled materials can help as well, and Valeo takes care to make eco-design central to its R&D process;

• safety and intuitive driving. User safety is a priority for Valeo. Enhanced safety means improved driving quality. So-called “intuitive” driving has three objectives: to facilitate urban maneuvers, to assist drivers in various driving situations and to encourage interaction between the vehicle, the driver and the surrounding environment. In December 2011, Valeo became a leading member of the Car Connectivity Consortium (CCC), which brings together the major automakers and automotive suppliers. The goal of the consortium is to drive innovation in automotive connectivity solutions via phones or smartphones. With new technologies such as detection cameras and ultrasonic sensors, Valeo offers driving assistance systems that help drivers deal with potentially dangerous situations more safely;

• progressive automation of vehicles. The Group is examining future technologies that will allow users to rely on the vehicle’s “intelligence”. We can expect to see an increase in vehicle automation in the coming ten years. Valeo aims to use its expertise in connective technologies to develop driving assistance, risk warning and safety systems. The human/machine interface is an essential challenge for the future of cars, because it reassures users and greatly reduces the risk of accidents. Valeo has already developed automatic braking systems triggered when obstacles are identified on the road, as well as lane departure warning systems. The objective is to propose a set of intelligent systems that interact with each other and give vehicles a degree of decision-making autonomy. Valeo develops products that meet an identified need.

4.2.2 Organization and principles for the integration of Corporate Social Responsibility in R&D GRI PR1

Business growth underpinned by attracting, retaining and developing talent dedicated to R&D

In 2012, Valeo’s R&D teams managed nearly 2,300 client projects as a direct result of the Group’s strong presence in all automotive markets worldwide.

Globally, the number of people working in R&D increased by 16% year-on-year, rising from 7,600 engineers and technicians in 2011 to 8,800 in 2012. Its strong presence in France, where nearly all its upstream research centers are located, meant that employees dedicated to R&D numbered 2,950 in 2012. With 5.1% of its sales ploughed back into R&D, Valeo maintains a high level of spending in order to offer its customers the best of technological innovations.

By identifying five major types of R&D centers and promoting the grouping of activities by project and by skill, Valeo uses a functional and operational organization allowing each center to appropriate and contribute to the Group’s objectives:

• research centers, currently numbering 21, are dedicated to pure research, advanced engineering and the formulation of new product standards (P2 and P3 projects);

• development centers, currently numbering 40, adapt standards in line with customer requirements (P1 projects) and coordinate the work of launch and support teams, together with front office personnel;

• launch and support teams tasked with launching new products and providing support throughout the production phase;

• front office personnel working alongside customers, assisting with product definition and providing back-up for project teams;

• technical service centers providing specific skills in a cross-disciplinary manner. Electronics-related skills, for example, are covered by the VIAS(1) centers in Egypt, VIPL(2) R&D in India and VEHC(3) R&D in China, which are all housed in the Group’s GEEDS(4) entity.

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(1) Valeo Interbranch Automotive Software.
(2) Valeo India Partnership Limited.
(3) Valeo Engineering Hardware China.
(4) Group Electronics Expertise and Development Services.
A network of experts and key training to foster innovation

As a large international group, Valeo needs to recruit large numbers of talented engineers. Areas of expertise are vast, and represent new technological challenges. As such, it is sometimes difficult to recruit qualified engineers. Valeo has consequently set up its own three-level network of “experts”: “expert”, “senior expert” and “master expert.” The Group has nearly 600 experts, representing approximately one expert for every ten engineers.

It issues them with “research warrants” for periods of three years. They are tasked with defining best practices that will be incorporated into design standards and explained to newcomers. They are a driving force within the team, and are expected to spread their expertise throughout the network.

On top of its network of experts, Valeo trains engineers with a view to encouraging innovation at all levels. The number of hours of training received by engineers increased by 86% in 2012 compared with 2011, demonstrating Valeo’s commitment to invest in R&D in line with its innovation strategy.

<table>
<thead>
<tr>
<th>Business Groups</th>
<th>2011</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Powertrain Systems</td>
<td>16,778</td>
<td>26,903</td>
<td>60%</td>
</tr>
<tr>
<td>Thermal Systems</td>
<td>11,842</td>
<td>23,040</td>
<td>95%</td>
</tr>
<tr>
<td>Comfort and Driving Assistance Systems</td>
<td>9,400</td>
<td>15,000</td>
<td>60%</td>
</tr>
<tr>
<td>Visibility Systems</td>
<td>14,938</td>
<td>33,592</td>
<td>125%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>52,958</td>
<td>98,535</td>
<td>86%</td>
</tr>
</tbody>
</table>

Local expertise to meet the demands of new markets

Due to the broad geographical spread of its activities, Valeo focuses on hiring engineers locally. Local engineers are better equipped to analyze the needs of customers and consumers through their knowledge of local society, lifestyles and consumption patterns in the countries where the Group operates, especially in emerging markets which represent a channel of growth for automakers. Production and R&D capacity is growing in areas such as Central and Eastern Europe, the CIS, India, South-East Asia and Brazil.

Valeo assists automakers in coping with change and developing innovation aimed specifically at meeting demand from these new markets in a manner that is mindful of sustainable development issues. The Group’s capacity to adapt to local markets is a strong focus of its expansion. This is why the standardization of practices, important for the efficiency and quality of Valeo’s processes, also takes into account the specificities of its various markets. Valeo focuses its R&D activity on competitively priced design solutions in emerging countries, for example dust- and monsoon-resistant products in India; the detection of uneven road surfaces and obstacles in China; and enhanced vehicle interior air quality in Japan and Europe. Engineers at the VIPL \(^{(1)} \) Technical Services Center in India have completed their first alternator and starter prototypes. One of the Center’s key aims is to focus on low-cost projects, such as clutches and air-conditioning systems specifically for the Brazilian, Russian, Indian and Chinese markets.

Key recruitment indicators:
- R&D headcount in 2012: 8,800
- number of new hires in 2012: 1,800 engineers
- 2013 hiring targets: more than 1,000 engineers worldwide, of which between 300 and 400 in France
- number of customer projects managed: 2,300
- skills sought: electronics, mechatronics
- doctoral theses submitted as part of collaborative academic projects: more than 50

\(^{(1)} \) Valeo India Partnership Limited.
A technological and socially responsible R&D approach

Valeo is involved in numerous research programs, at the national, European and broader international level. These programs involve public and private actors with a view to advancing R&D in the automotive sector.

Thanks to these programs relating to technologies that improve safety and reduce environmental impact, Valeo was able to negotiate a 300 million euro loan from the European Investment Bank in 2009. It received the final installment in 2011. Loans of this nature are granted to companies fulfilling strict criteria in the development of their research projects. As such, the loan to Valeo demonstrates the support and confidence of major European institutions in the vehicle decarbonization and safety programs of which Valeo is a leading player. Each year, teams from the EIB review the development of projects within the Group.

Valeo is also involved in numerous industry initiatives, making its expertise available to various organizations:

**European Road Transport Research Advisory Council (ERTRAC)**

This pan-European body is responsible for steering and coordinating road-transportation research policy on behalf of the European Commission. Valeo is an active member, providing a Vice-Chairman since 2008. The Chairman hails from an automaker, namely the Volkswagen Group.

ERTRAC’s main goal is to guide transportation stakeholders to sustainable, ecologically friendly and connected solutions building on research roadmaps endorsed by all stakeholders. This implies shared interaction in respect of both technology content and social choices.

ERTRAC is built around public and private organizations (countries, NGOs, associations), national governments and six European Commission directorates. It is led by an industrial steering committee comprising automakers, automotive suppliers and other players in research.

Valeo and its fellow stakeholders are pursuing several objectives within the context of ERTRAC:

- develop a strategic vision of the future of the road transportation sector;
- endorse electrification roadmaps (2010, updated in 2011 and 2012),
- finalize the roadmap on the challenge of trucks (2012);
- clarify the objectives of the Strategic Research Agenda (SRA): prepare the contents of Horizon 2020 (H2020) and Framework Programme 8 (FP8) in line with the objectives of the EU budget allocated to research on transportation (before approval by the European Commission and the European Parliament, 2012);
- establish a roadmap for challenges in respect of the competitiveness of the automotive supply chain (2012);
- consolidate and finalize the public/private consortium for the upcoming Framework Programme 8 (FP8).

**International Transport Forum (ITF)**

The International Transport Forum is an intergovernmental organization within the OECD (Organisation for Economic Cooperation and Development). Its main members are the Transport Ministers of the organization’s 53 member countries (plus China, India, Russia and Indonesia).

The purpose of the Scientific Council is to guide intergovernmental decisions drawing on lessons from the private and public sectors. **Valeo is a permanent member** (alongside Nissan, Michelin, Venice Port Agency, International Energy Agency and Cintra).

**Work in 2012 focused on innovation promoting seamless transportation:** Valeo was able to promote its technology on intuitive driving and connectivity and to gather social impacts that will help better adapt its approach to its automaker customers and end users.

**Car Connectivity Consortium (CCC)**

In 2012, Valeo became an active member of the Car Connectivity Consortium (CCC), an organization driving global innovation for phone connectivity solutions for the automotive industry. By joining CCC, Valeo will help accelerate the pace at which new solutions, such as the safe use of smartphones in cars, can be made available to drivers. Valeo’s ultimate ambition is to provide drivers with innovative interfaces in which smartphone services are integrated dynamically and seamlessly into vehicle-specific services. To this end, Valeo creates simple, powerful, cross-platform and cross-fluid interfaces based on the user interface.

Valeo’s positioning in this area of innovation is part of the trend by which people seek to remain connected to their everyday environment at all times and in the best conditions, even in their car.

**Creation of an industrial chair with the University of Versailles Saint-Quentin-en-Yvelines (France)**

To meet very specific needs in terms of skills and build relationships with young talent, Valeo has partnered with the University of Saint-Quentin-en-Yvelines and France’s National Research Agency (Agence nationale de recherche – ANR)
to create an industrial chair known as Matinnov. Its aim is to initiate a process of change in the automotive sector in favor of the development of low-carbon mainstream vehicles. Two main research thrusts have been selected: innovative materials and reliability of mechatronic materials and systems.

The program aims to:
- support Valeo, which works with public research institutions to develop activities with significant value-creation potential;
- stimulate research-based training;
- offer career opportunities to teacher/researchers wishing to embark on projects with a view to finding an application for the results;
- endow public research institutions with the means to investigate strategic areas for industry.

**Partnership with the French Atomic Energy Commission (Commissariat à l’énergie atomique – CEA) through the acquisition of a stake in the Computing Center for Research and Technology (Centre de calcul recherche et technologie – CCRT)**

Valeo has partnered with this renowned organization in order to use its latest computer, known as AIRAIN. AIRAIN is one of the world’s 15 most powerful supercomputers. It will allow Valeo to perform calculations that are out of the reach of its own computers. In 2013, the Group plans to double its interest in order to allow all Business Groups and engineers to perform tests on the technologies they are developing. Valeo has the means to achieve its ambitions, namely to become one of the top automotive suppliers worldwide and to offer breakthrough technologies. These different partnerships help create and promote standards of quality and environmental performance that are both demanding and stimulating for the sector. In line with one of its key strategic priorities, Valeo takes part in this collaborative and constructive approach for the automotive industry alongside the sector’s committed players.

**Tools for integrating eco-design into R&D**

Valeo’s R&D function factors product-related environmental issues into its approach.

Improving the environmental performance of products throughout the various stages of their life cycle, especially during the in-service phase, begins with the design stage. This is known as eco-design. This approach was formally integrated into Valeo’s processes in 2007, and is part of the RAISE methodology.

### Standardization and globalization of R&D practices

In October 2010, Valeo began the development of its RAISE methodology. The name is an acronym based on the following words:

- Robustness;
- Accountability;
- Innovation;
- Standards;
- Expertise.

RAISE aims to ensure the robustness of Valeo’s products and processes. Dedicated teams (one per Product Group) have been assigned to RAISE on a full-time basis, with the following explicit objectives:

- build standards that are easy to implement, identify, verify, understand and learn;
- communicate on the standards and disseminate them internally;
- verify that standards are properly implemented.

RAISE is also instrumental to ensuring the adherence of all future recruits to the Group’s culture of sustainable growth. Another priority for the Group is the elimination of hazardous substances in the Group’s products.

For REACH purposes, the Valeo Group is generally considered to be a user of chemicals.

The European Regulation of December 18, 2006, commonly known as REACH, established a single system for the Registration, Evaluation and Authorization of Chemicals. It took effect on June 1, 2007, replacing more than 40 directives and regulations. REACH is aimed at increasing knowledge of the properties of chemical substances manufactured or marketed in the European Union so as to contain risks related to their use and, where necessary, restrict or ban their use.

Since 2008, the Valeo Group has ensured its compliance with regulatory requirements by identifying and pre-registering with the European Chemicals Agency a total of 13 imported substances or preparations deemed “critical” to its operations.

### Eco-design integrated into R&D projects

In 2007, Valeo adopted an Eco-design Standard Directive and eco-design guidelines by product line. This approach enables engineers to assess all product-specific environmental impacts throughout the product life cycle. Impacts concern:

- the type, number and quantity of raw materials;
The R&D process at Valeo: from major trends to innovation

To translate one of its priorities, namely protection of the environment and the fight against climate change through the development of ecological products and systems, Valeo has developed simulation software that accurately calculates the impact of innovation on the emissions of the vehicle as a whole. Thanks to the enrichment of the documentation related to this software, the Group now takes into account interactions between a given enhanced parameter and the rest of the vehicle.

As a result, Valeo no longer reasons in terms of a single component’s contribution to emissions reductions, which might not yield synergistic outcomes. Instead, the reductions calculated are those resulting from the impact of innovations on the vehicle as a whole.

This simulation capacity enables the Group to select the innovations of most benefit to automaker customers.

4.2.3 An acknowledged approach and new product offerings integrating sustainability

An acknowledged R&D approach: Valeo, one of the 100 most innovative groups worldwide

In 2012, Valeo entered the Thomson-Reuters ranking of the 100 most innovative companies worldwide. The automotive sector has seven representatives.

Evaluation criteria are based on four factors:

- the success rate of patents (i.e., the difference between patents filed and patents granted);
- the global dimension (recognition of patents outside the country of origin);
- the originality of patents, i.e., the genuine innovation they represent (as opposed to improvements to existing techniques);
- the influence of patents (the number of times an original patent is cited by other applicants).

This is real recognition of Valeo’s culture of innovation. It acknowledges the Group’s technological know-how and the efficiency of its work and practices. Valeo is recognized for its innovations in the reduction of energy consumption and the reduction of CO₂ emissions from vehicles. With the development of human/machine interfaces, Valeo is promoting increasingly connected technologies contributing to the increasing automation of vehicles.

Key figures in 2012:

- net R&D expenditure as a proportion of sales: 5.1%
- number of collaborative projects: 60
- number of patents filed in 2012: 722
- 6th-biggest private filer of patents in France in 2011
- proportion of innovation in the order intake: 28%

Examples of socially responsible innovations combining significant social and environmental benefits

Innovations fall into three categories:

- CO₂ emission reduction and eco-design solutions (environmental dimension);
- improvements in safety, comfort and ease of driving;
- sustainable mobility solutions (urbanization, connectivity and vehicle/driver interactivity, intuitive vehicles) for autonomous vehicles.
### Innovations to reduce CO₂ emissions, improve safety and move towards autonomous vehicles

<table>
<thead>
<tr>
<th>Innovation</th>
<th>CO₂ gain/ eco-design</th>
<th>Improved safety</th>
<th>Towards autonomous vehicles</th>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid4All</td>
<td>√</td>
<td></td>
<td></td>
<td>By combining a conventional internal combustion engine and a low-power electric motor, this system delivers a reduction of up to 15% in fuel consumption and halves the cost per gram of CO₂ saved compared with hybrids currently on the market. It is compatible with all types of gasoline and diesel vehicles. This technology will allow automakers to comply with the European standard of 95g CO₂/km by 2020 on mid-range segments (B and C).</td>
</tr>
<tr>
<td>BiLED™ modules</td>
<td>√</td>
<td></td>
<td></td>
<td>This bi-functional module is used for low- and high-beam headlamps. Two multichip LEDs are used in low-beam headlamps, with power consumption cut to 26W. A third LED is activated for high-beam usage. The BiLED™ module delivers a reduction in energy consumption by using LED technology.</td>
</tr>
<tr>
<td>AquaBlade®</td>
<td>√</td>
<td>√</td>
<td></td>
<td>AquaBlade® eliminates the visual discomfort caused by jets of liquid when washing the windshield. The system distributes the washer fluid directly on the wiper blade thanks to the perforated distribution edge built along its entire length. This ensures an unobstructed view of the road while washing the windshield, while at the same time halving the amount of liquid required. It ensures uninterrupted visibility for safer driving. Being lighter, it also offers a massive reduction in CO₂ emissions, up to 0.2g/km.</td>
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<tr>
<td>Air intake module</td>
<td>√</td>
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<td></td>
<td>The air intake module improves the energy efficiency of turbo-charged combustion engines. It reduces fuel consumption and pollutant emissions. Temperature control of intake air, lower overall air route volumes and reduced ventilation losses make for a more responsive motor during acceleration.</td>
</tr>
<tr>
<td>Dual dry clutch</td>
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<td>Dual clutch transmissions can reduce CO₂ emissions by 6% to 10% compared with conventional automatic transmissions, while at the same time improving driving pleasure and sportiness. Valeo has developed a dry dual clutch whose consumption and CO₂ emissions are lower than those of a wet dual clutch. It also has a reduced number of components compared with competitors, for greater reliability. Dry dual clutches are extremely compact, thanks to the wear adjuster integrated into the electromechanical actuator, and provide additional driving comfort by using friction material with high thermal resistance.</td>
</tr>
<tr>
<td>Variable displacement compressor</td>
<td>√</td>
<td></td>
<td></td>
<td>The variable displacement compressor allows flows of fluids (refrigerant) to be controlled independently of a combustion engine's rotational speed. This “strictly necessary” adjustment, combined with innovative technologies for valves and oil separation, ensures maximum energy efficiency and improved acoustic performance.</td>
</tr>
<tr>
<td>THEMIS™ valve</td>
<td>√</td>
<td></td>
<td></td>
<td>The THEMIS™ valve can save up to 3% on fuel consumption and reduce exhaust emissions such as CO₂ and NOₓ by up to 10% in two ways: optimized engine warming and intelligent management of the temperatures of the engine's water circuit. Intelligent management of the different loops offered by THEMIS™ helps accelerate engine warming while ensuring better management of cabin heating systems.</td>
</tr>
<tr>
<td>Electric supercharger</td>
<td>√</td>
<td></td>
<td></td>
<td>Valeo is the first automotive supplier to offer its customers a range of electric superchargers that improve the dynamic response of combustion engines at low RPM while optimizing engine efficiency. This supercharger (operating with an electric motor) offers instant response. The increase in engine torque at low RPM offsets turbo response time and improves the vehicle’s acceleration. This innovation helps reduce the displacement of internal combustion engines (downsizing the engine), an important factor in reducing fuel consumption. With 12-volt architecture, it can achieve a fuel saving of 8% to 10%.</td>
</tr>
</tbody>
</table>
Innovations to reduce CO₂ emissions, improve safety and move towards autonomous vehicles

<table>
<thead>
<tr>
<th>Innovation</th>
<th>CO₂ gain/eco-design</th>
<th>Improved autonomous vehicles</th>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park4U®</td>
<td>√</td>
<td></td>
<td>This constantly changing system offers parallel parking along sidewalks as well as angle parking. A space of 40cm at both the front and the rear is sufficient to park the vehicle. Park4U® can also help the driver out of a parking space. It measures the space at the front and rear of the vehicle and determines the best strategy for exiting the space. While the driver manages the vehicle speed, Park4U® takes over the steering, in the same way as it does for parking. It senses the best time to leave the parking space and automatically turns itself off, allowing the driver to join the flow of traffic. This technology reduces congestion and gives the driver more comfort and less stress.</td>
</tr>
<tr>
<td>Park4U® Remote</td>
<td>√</td>
<td></td>
<td><strong>Fully automated parking</strong>: while the system currently on the market takes control of steering during parking, leaving the driver in charge of the pedals, Park4U® Remote (which made its world debut at the 2011 Frankfurt Motor Show) is a fully automated solution. The driver can leave the vehicle, initiating and controlling the maneuver via a smartphone. This technology reduces congestion and gives the driver more comfort and less stress.</td>
</tr>
<tr>
<td>360 Vue™</td>
<td>√</td>
<td></td>
<td>The 360 Vue™ system helps the driver by offering a perfect view of the vehicle’s surroundings. Miniature cameras film the surroundings and transmit the images to an intelligent control unit that prepares and optimizes them before displaying them on the vehicle’s color screen. The system offers the driver different views, including an aerial view of the vehicle, giving a seamless picture of the immediate surroundings. Another feature is the cross traffic perspective, which allows the driver to see blind spots – very useful in blind intersections or when exiting a parking space. <strong>360 Vue™ brings more safety and comfort to parking maneuvers while enhancing safety for pedestrians and other road users.</strong></td>
</tr>
<tr>
<td>BeamAtic®</td>
<td>√</td>
<td></td>
<td>This system makes it possible to drive with high beams on at all times without dazzling other motorists. In the presence of other vehicles, the shape of the beams adjusts so as not to blind other drivers. Detection and localization of oncoming or preceding vehicles are provided by a camera and powerful image-processing software. This technology multiplies the use of high beam by 5 and reduces the risk of accidents at night by improving visibility.</td>
</tr>
<tr>
<td>InSync</td>
<td>√</td>
<td></td>
<td>The InSync key is a compatible key using contactless technology allowing the driver to access information concerning the car remotely, via a mobile device. The key allows the driver to check tire pressure, fuel level and battery charge (very useful for electric vehicles), to activate the air conditioning and to detect the GPS signal so as to locate the vehicle. This technology improves driver comfort and information, and promotes “smart” exchanges between the vehicle and the driver.</td>
</tr>
<tr>
<td>LaneGuide™</td>
<td>√</td>
<td></td>
<td>LaneGuide™ helps prevent inadvertent lane changes by alerting the driver before the vehicle crosses the line, and can even bring the vehicle back into the right lane. The system uses a compact camera placed behind the rear view mirror on the windshield. The camera can also be used for other functions. On top of the LaneGuide™ function, it can interpret road signs and warn the driver when the distance from the preceding vehicle becomes critical. <strong>This system helps reinforce user safety.</strong></td>
</tr>
</tbody>
</table>
Example of a partnership with an automaker to develop technology to reduce vehicle consumption: the BiLED™ lighting system of the Ford Mondeo

In 2008, Valeo teams initiated meetings with Ford to present their latest technology under development, the BiLED™ module. LEDs allow for better lighting and reduced energy consumption, and have a significantly longer lifetime than conventional light bulbs. They also offer the possibility of customizing lighting system design, a key competitive advantage for automakers. Won over by the innovation, Ford decided to come on board, agreeing to share the potential risks associated with the development of the new technology. The first Ford vehicle equipped with BiLED™ lighting systems, the Lincoln MKZ, was unveiled at the Detroit Motor Show in 2012. The high-end version of the new Ford Mondeo, which made its public debut at the Paris Motor Show in September 2012, also features BiLED™ lighting systems. Ford’s customer feedback has been very positive, meaning that the new technology has been able to prove itself with a major global automaker.

This four-year partnership between Valeo and a world class automaker such as Ford in the establishment of a new technology also shows how players in the automotive sector can work together to develop innovations that allow constant reductions in energy use with ever greater safety for end users.

Valeo, a participant in the Remanufacturing market

Through its Remanufacturing activity, Valeo is placing its OEM parts design and manufacturing expertise at the service of the remanufacturing market, for which the Group has developed a high-quality, environmentally respectful range of products.

Valeo offers two ranges of parts – one new and one remanufactured. Remanufactured systems are mainly alternators and starters, with a choice of 1,700 products.

With e-CORPS, Valeo has set up efficient collection of used parts. The system permits the immediate identification of product references (type of part, origin, size, production year and so forth). Once parts have been retrieved, Valeo disassembles, inspects and cleans them, in addition to subjecting them to electrical and electronic tests.

Valeo then initiates a remanufacturing process containing more than 40 testing points on test benches. Original equipment standards are applied, and all remanufactured products are tested prior to packaging for sale in the aftermarket.

This industrial expertise has enabled Valeo to offer a full range of remanufactured parts and thereby champion environmental protection in the remanufacturing market.

Awards

- In December 2012, Valeo received the 2012 Trophée du Point Vert awarded by Eco-Emballages for its approach to sorting awareness on its wiper blade packaging. This trophy rewarded the entire environmental process initiated on Valeo’s Reilly site in 2010, with the “Packaging, Environment and Regulation” training course that tackles the themes of eco-labeling, eco-design, recycling (eco-packaging), standards and directives related to waste, COTREP and ADEME actions(1), areas of improvement on environmental issues in packaging (reduction in thickness, integration of recycled materials, smaller formats, etc.) and an extensive study on various products incorporating environmental criteria already existing.

- In October 2012, Valeo received an award in Las Vegas from the Automotive Aftermarket Products Expo (AAPEX) for the packaging of its “ULTIMATE Connect Master” wiper blade range. These packs are made using a single recyclable material that has the added advantage of being “universal” because it can be used for wiper blades of any technology: conventional, front or rear, flat or hybrid.

4.3 Environmental performance

4.3.1 A long-standing commitment to the environment

Environmental governance consistent with the challenges

For 20 years, Valeo has worked to limit the impact of its activities on the environment. Valeo sets out its environmental commitments in its Environment Charter developed by the Risk Insurance Environment Department (RIE). These environmental commitments are included in the Group’s Sustainable Development Charter:

- ensure the compliance of its activities with applicable laws and international agreements;
- deploy the ISO 14001 environmental management system on all sites;
- improve the environmental performance of its processes;
- optimize the transportation of people and goods in order to reduce greenhouse gas emissions;
- limit the use of natural resources and promote the use of renewable resources and energy;
- eliminate the presence of substances that are dangerous to the environment and health.

By its position in the organizational structure of the Group, the RIE department plays a central role in environmental governance. Its head is notably a permanent member of the Risk Committee, the body responsible for establishing and monitoring action plans in risk mapping reported to the Audit and Risks Committee.

To translate strategic commitments at the operational level, the RIE department sets targets for improving environmental performance: 2012 marked the completion of the second three-year plan (2010-2012) and the implementation of the 2013-2015 plan. These plans aim to reduce the environmental impacts of active sites; the Group takes into account the reduction of these impacts over the entire lifecycle of each site: selection of land, construction or acquisition of a site, operations and closure or sale. As such, before the creation or extension of a site, regardless of its location, Valeo performs an audit to identify the potential existence of an environmental liability, hazardous surroundings or environments that are sensitive to potential natural hazards.

Key dates in the Group’s environmental commitment

- Early 1990s: Definition of the Environmental Policy
- 1991: Launch of the program of environmental audits
- 1997: First Group site to receive ISO 14001 certification
- 2001: Introduction of centralized environmental reporting
- 2004: Signature of the UN Global Compact
- 2008: Sustainable Development Charter

Commitment to transparency

In the interests of transparency and openness towards its stakeholders, including shareholders and investors, the General Management presents the Group’s main environmental results at the Annual Shareholders’ Meeting. Valeo also regularly responds to requests bearing on its extra-financial performance.

In 2012, the Group once again took part in the survey of the Carbon Disclosure Project (CDP) which assesses companies on the transparency of their communications in respect of climate impact: Valeo was accordingly among the 32% of SBF 250 companies to take part in the “CDP 2012 France” survey. It was given a score of 61 out of 100 on transparency.

Valeo’s environmental performance is also evaluated by other international rating agencies, such as Sustainable Asset Management (SAM), as part of the establishment of the Dow Jones Sustainability Indexes (DJSI). The Group obtained a score of 80 out of 100 on environmental issues in 2012, well above the sector average of 51.

The Group pays close attention to shifts in its ratings from one year to the next, with a view to achieving continuous improvement in its environmental reporting.

Valeo is also keen to play an exemplary role in the environment with regard to the communities within which it operates. This commitment was reflected for instance with the Clean Production System Award for the Nanjing site (China) in 2012, on the heels of the Green Company award in 2011.

The following chapters follow the structure of the environmental issues listed in Decree No. 2012-557 of April 24, 2012 on the obligation of transparency in respect of social and environmental issues. In the interests of transparency, Valeo has also opted to include in each chapter indicators from the Global Reporting Initiative (GRI) in order to present its environmental performance.

### 4.3.2 General policy on environmental issues

Valeo’s organization to factor in environmental issues, and evaluation and certification processes

**A sound multi-tiered organization**

Valeo’s environmental management is based on continuous improvement driven by the Risk Insurance Environment Department, based on an organization structured around Business Groups, countries and sites: a network of Health, Safety, Environment (HSE) managers is tasked with ensuring that the Group’s HSE policy is adhered to and that its environmental objectives are met.
Cross-company bodies
The Risk Management Committee is the central steering body of the Risk Insurance Environment Department (RIE). Comprising the Head of the RIE department and the HSE managers of the four Business Groups and Valeo Service, it meets on average three times a year to capitalize on the feedback from each of its members and to advance the Group’s environmental policy and management of its industrial risks. Committee meetings also provide an opportunity for Valeo to invite external speakers in different fields of expertise.

Every month, the RIE department also brings together the Business Groups’ HSE managers to review progress on new real estate projects and to adopt the best possible environmental and safety solutions for each facility. To monitor progress on all these projects, the RIE department uses standardized tools to gather relevant information and ensure compliance with the Group’s rules.

Health, Safety, Environment network
The RIE department relies on a network of HSE managers in line with the Group’s matrix-based organization. HSE managers working in each of the four Business Groups and at Valeo Service provide technical assistance to the site HSE managers who report to them. As key players in the Group HSE structure, their role is to help promote continuous improvement by assisting sites in applying Group directives and complying with regulations in force. Their role is also to foster the spread of best practice between the sites of their respective Business Groups and to support investment requests aimed at meeting environmental objectives assigned by the RIE department.

At each site, an HSE manager is tasked with overseeing the practical implementation of Group standards with respect to health and safety at work, the environment, and the safety and security of buildings and installations. They lead and coordinate existing management systems and train staff with regard to compliance with internal and external requirements. They are also internal auditors within the meaning of the ISO 14001(1) and OHSAS 18001(1) standards.

Since 2011, the RIE department has designated HSE managers in each country to coordinate the process at the national level. These managers are selected among the site HSE managers and assume a complementary role to Business Group HSE managers. In particular, their position allows them to overcome cultural, linguistic and regulatory hurdles in the deployment of projects that are either initiated locally or requested by the Group: they provide the translation of the Group’s standards in the local language, for example. Their proximity to the sites further strengthens the sharing of best practices and enables the completion of cross-cutting work at the national level (monitoring of local regulations, for instance). To establish their credibility in the field, the country HSE managers are also actively involved in the integration of new HSE managers at the plants.

In total, nearly 150 people are directly involved in the day-to-day management of HSE issues within the Group.

The main environmental issues facing sites
The industrial activities of the Group’s sites differ in nature. Accordingly, the risks they pose to the environment vary as well. As part of its risk management policy, the RIE department has conducted an analysis of the key issues facing each Business Group. A summary of this analysis is set out in the table below.

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<tbody>
<tr>
<td>Organization and policy</td>
<td></td>
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<td></td>
<td>ISO 14001 certification</td>
<td>Regulatory compliance</td>
</tr>
<tr>
<td>Sustainable use of resources</td>
<td>Energy consumption</td>
<td>Water and energy consumption</td>
<td>Energy consumption</td>
<td>Water and energy consumption</td>
<td>Packaging consumption</td>
</tr>
<tr>
<td>Emissions and pollution</td>
<td>VOC emissions(1)</td>
<td>Management of chlorinated solvents</td>
<td>VOC emissions(1)</td>
<td>VOC emissions(1)</td>
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<tr>
<td>Waste management</td>
<td>Production of waste</td>
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<td>Reuse of waste</td>
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<tr>
<td>Climate change</td>
<td>Indirect GHG emissions(1)</td>
<td>Direct and indirect GHG emissions</td>
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<td></td>
<td>GHG emissions(1) related to the transportation of goods</td>
</tr>
</tbody>
</table>

SUSTAINABLE DEVELOPMENT

Environmental performance

Active certification policy

Nearly 15 years ago, Valeo undertook a process of certification of management systems in order to meet its commitment to reduce its environmental impacts and improve health and safety conditions for its employees. ISO 14001 environmental certification and OHSAS 18001 health and safety certification by independent third parties provide further assurance to stakeholders of the Group’s firm commitment to HSE issues. The current practice is to conduct certification of individual sites, but the Group is reviewing the possibility of obtaining multi-site certification by Product Group or product line.

In view of the percentage of certified sites, the certification process is currently considered mature for plants and distribution platforms. At the end of 2012, 96% of sites had obtained ISO 14001 certification and 88% had obtained OHSAS 18001 certification. The objective set in 2009 of having all sites certified in both areas has not been fully achieved. Some sites present in the Group in 2009 have not yet been certified (two for ISO and six for OHSAS), while sites integrated since 2009 are in the process of implementing their system.

The Group aims to bring new sites (acquired or created) into this dual certification process as quickly as possible, helping bring them up to the required level.

Employee training and information on environmental protection

Valeo uses various channels for internal communications and employee training on HSE issues, including:

- centralized information in the Group’s quarterly internal newsletter, “Valeo Info”, translated into all languages, with a “Planet” page and relevant articles;
- training of HSE managers using modules approved by the RIE department;
- training for site employees on environmental procedures and respect for the environment, particularly as part of the integration of new managers;
- awareness-raising for all site staff on measures aimed at controlling risks and impacts through ISO 14001 and OHSAS 18001 management systems;
- information for employees through newsletters and dedicated displays, and at meetings of task forces, etc.;
- dedicated events such as “Sustainable Development Week”, featuring local initiatives.

In 2012, nearly 28,000 hours of environmental training were provided across all sites.

Resources devoted to the prevention of environmental risks and pollution

The Group has developed working and assessment tools to ensure that sites comply with both the prevailing regulations and internal standards, and to help them rein in their environmental impacts and improve their performance.

High risk-control standards

Sites’ compliance with the prevailing regulations is an essential requirement for the Group. As such, each site has the obligation of maintaining a regulatory watch on HSE issues. Since 2010, the RIE department has promoted the development of national monitoring tools by the network of country HSE managers.

The Risk Management Manual contains all of Valeo’s standards (known as directives) with respect to the environment, health and safety at work, and the safety and security of installations. The RIE department, which periodically updates this manual, aims to maintain binding requirements at least equivalent to the most stringent local regulations. Implementation of these directives is mandatory for all Group sites.

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(1) The scope used to calculate these data is set out in section 4.6.1, page 173.
The Risk Management Manual includes a specific chapter on the prevention of crisis situations and the preparation of emergency plans. The Group requires each site to establish an emergency plan to fight against foreseeable accidents. In this context, Valeo has developed a powerful tool to assist in the design and implementation of emergency plans, crisis management and the resumption of work in facilities: Valeo Emergency and Recovery Management (VERM).

The directives contained in the Risk Management Manual were updated in 2012. The year also saw the issuance of new directives, notably covering the following HSE issues: biodiversity, noise, odors and explosions. To aid the accurate comprehension and application of the Risk Management Manual on the various sites, the RIE department plans to embark on an ambitious training program for operational teams in 2013. The program was successfully tested in Thailand in July 2012.

Maintaining a high level of operational safety

The Group’s policy has always been to assure the highest-possible level of protection at its sites against natural disasters and technological risks. This is why:

- the vast majority of Valeo’s sites are HPR (Highly Protected Risk)-classified, and are equipped with automatic fire-protection sprinkler systems. Furthermore, employees receive regular training in dealing with all kinds of risk situations;
- all sites located in areas exposed to seismic risk have been built or upgraded to comply with the most recent seismic standards. Valeo’s sites in Japan suffered little physical damage during the March 11, 2011 earthquake;
- the Group’s sites are either not located in flood-prone areas or are equipped with flood-protection systems and contingency plans; the sites in Thailand did not suffer any physical damage during the floods in that country towards the end of 2011; moreover, no major natural hazard significantly affected any of the Group’s sites in 2012;
- Valeo’s new facilities are located as far as possible from sites representing significant potential risks (for example, Seveso(1) sites, etc.) that could have a domino effect on them;
- in 2011, risks related to tsunamis were added to the document dealing with the selection process for potential locations and to the risk management policy;
- Valeo is continuing to reinforce the quality of physical and non-physical security systems for facilities (access control, video surveillance and intrusion detection). The Group also conducts physical and virtual intrusion tests to verify effectiveness. Fundamental performance considerations – health, safety and security – are tested on an ongoing basis to allow for on-site improvements.

An ambitious audit program worldwide

Valeo is implementing a comprehensive program of audits worldwide, including external compliance and certification audits, self-evaluations performed by the site HSE managers, and cross-site verification audits.

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Program of external audits worldwide

At the initiative of the RIE department, audits of the Group’s sites are regularly performed by external consultants to ensure compliance with and proper implementation of the Risk Management Manual in respect of the environment, occupational health and safety, and the safety and security of buildings and facilities. In place for nearly 20 years, this audit program is a major component of Valeo’s policy of reducing risk and improving the performance of its sites, which are audited every three years on average. At the beginning of each year, the RIE department lists the sites to be audited, taking the three-year average into account.

At the end of each audit resulting in a detailed report, the sites are given a score based on objective criteria periodically redefined by the RIE department. In 2012, HSE scoring criteria were toughened to reflect the objective of operational excellence.

On the basis of the findings and recommendations ordered in accordance with the level of risk, these audits give rise to the drafting of action plans by the various sites. The progress of these plans is reported to the RIE department and monitored by the Business Group HSE managers via Road Map Manager, a centralized tool used by all Group sites.

In 2012, 159 external audits were performed, in addition to 203 ISO 14001 and OHSAS 18001 certification and monitoring audits.

Self-evaluations

In addition to external audits, a self-evaluation tool has been in place since 2008, as part of the Road Map Manager. Self-evaluations allow sites to monitor their compliance with Group directives. The tool also provides the Business Groups’ HSE managers and the RIE department with an overview of the degree of compliance with the directives at the operational level.

To incorporate the requirements set under the new directives, the tool will be updated in 2013.

Cross-site verification audits

Cross-site verification audits are carried out on one site by the HSE manager of another site. Their purpose is to verify the implementation of HSE management systems and to ensure consistency between self-evaluation findings and the practical measures taken in response. As such, they also promote performance improvement, exchanges between sites and skills-sharing.

Qualification criteria for auditors were formalized in 2011. The process was introduced in France in 2012 and will gradually be rolled out in other countries.

Expenditure and investment in the environment

Total environmental protection expenditures and investments by type

Operating expenses related to the environment totaled approximately 14 million euros in 2012. They include the cost of waste treatment, analysis of effluents, operation of internal treatment plants and environmental studies. On top of these expenses come clean-up costs on active sites, in the amount of 450,000 euros.

In 2012, Valeo invested nearly 2 million euros for the protection of the environment on active sites. This amount includes for instance the cost of installing air-treatment systems, the implementation of retention systems for better management of hazardous materials and the development of waste storage areas.

Amount of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations relating to the environment

Valeo did not receive any significant fines on environmental issues in 2012. By contrast, two Group sites were the object of administrative sanctions: they took immediate action to comply. This aspect is monitored very closely by the RIE department.

Amount of provisions and guarantees for environmental risks

Provisions set aside for site restoration or for the environment amounted to 20 million euros at December 31, 2012.

In addition, the Group has identified the French sites covered by the obligation to set aside financial guarantees with a view to making them safe under Decree No. 2012-633 of May 3, 2012: six sites were concerned in 2012, and six others will have to start setting aside guarantees in 2017.
4.3.3 Rigorous management of environmental performance

Centralized environmental reporting

For the past ten years, Valeo has deployed a centralized reporting tool, Valeo Risk Indicators (VRI), across all of its sites to measure its sites’ environmental performance via an internet platform. Quarterly, or annually for some parameters, this tool permits the collection of over 200 indicators, allowing constant control of the environmental performance of the Group’s sites and ensuring that its goals are met. Among the many indicators available in VRI, every year the Group selects those to be published in the Registration Document in view of its key environmental issues, its performance objectives and the relevance of the indicator to the automotive suppliers sector. These indicators are presented in a manner consistent with the guidelines of the Global Reporting Initiative (GRI).

The environmental data published concern all plants and distribution platforms worldwide, excluding subsidiaries in which the Group has a minority interest, administrative sites and centers dedicated to R&D activities, i.e., a total of 126 sites for environmental indicators, nine more than in 2011.

ISO 14001 and OHSAS 18001 certification indicators do not include the assembly plants for vehicle front-end modules in their calculation, as these plants are located directly at the automakers’ site or nearby. ISO 14001 and OHSAS 18001 certification is therefore open to 121 sites.

Valeo works each year to make its reporting more reliable, using feedback and numerous exchanges with sites during phases of data validation. In 2012, this effort also resulted in the organization of a dedicated external audit of the Taegu site (South Korea), a major contributor to environmental reporting whose reported 2011 data needed to be confirmed. Moreover, as in previous years, responses from all sites were consolidated and checked by an external firm in order to ensure their quality. For this purpose, nearly 100,000 data items were processed and validated.

The procedures for defining the reporting scope and validating indicators are described in the methodological note provided in section 4.6.1, page 173.

External audit imposed by the Grenelle 2 law

Pursuant to Article 225 of the Grenelle 2 law dated July 12, 2010, Decree No. 2012-557 of April 24, 2012 on companies’ obligation of transparency in respect of social and environmental issues provides for the verification by an independent third party of information disclosed by French companies. In this context, and in the absence of the publication of the Ministerial Order defining the terms of this audit, Valeo nevertheless decided to designate an independent verifier to perform an audit of its labor-related and environmental information.

This assignment took place in three stages:

- the first stage was a review of the reporting process: a review of the scope, definitions of indicators, methods of calculation, consolidation process and controls;
- in the second stage, four site audits were performed to verify the proper implementation of reporting procedures and the pertinence of the information reported. This stage was rounded out by a review of consolidated information (review of the completeness and accuracy of the information);
- the third stage saw the independent verifier produce a synthesis of observations in the form of a limited assurance report including a statement of completeness and an opinion as to the accuracy of the information it contained in the management report in respect of 2012. This report appears in section 4.8, pages 187 to 188 of this chapter.

The goal of excellence: 100% response rate expected for each indicator

The representativeness of each indicator is measured by a response rate. The rate is expressed as sales of the sites having responded to the indicator divided by total sales of all sites in the reporting scope. In 2012, the response rate per indicator was excellent, as shown in the following diagram: readings of 100% for practically all indicators published, as in previous years, confirming the sites’ commitment to reporting.
Environmental objectives in keeping with the Group’s commitment

Assessment of the performance for the 2010-2012 period

As part of its Environmental Action Plan for 2010-2012, the RIE department set ambitious quantified targets based on the performances of sites in 2009. In 2012, the Group substantially exceeded its targets in respect of water and energy consumption. It significantly improved its performance in terms of consumption of packaging materials, direct and indirect greenhouse gas emissions, and deployment of ISO 14001 and OHSAS 18001 management systems, while nevertheless missing its targets. With regard to waste management, Valeo will have to make considerable efforts to reverse the trend during the next three-year plan.

2012 readings for each indicator are described in more detail in sections 4.3.4 to 4.3.7. In addition, a summary table of environmental data is available in section 4.7.1.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Unit</th>
<th>2012 target (base = 2009)</th>
<th>2012 result (base = 2009)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental performance of sites</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in energy consumption</td>
<td>MWh/€m</td>
<td>-10%</td>
<td>-18%</td>
<td>■ ■</td>
</tr>
<tr>
<td>Reduction in water consumption</td>
<td>cu.m/€m</td>
<td>-7%</td>
<td>-32%</td>
<td>■ ■</td>
</tr>
<tr>
<td>Reduction in packaging materials consumption</td>
<td>kg/€m</td>
<td>-15%</td>
<td>-3%</td>
<td>□</td>
</tr>
<tr>
<td>Waste management:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in waste production</td>
<td>metric tons/€m</td>
<td>-15%</td>
<td>+13%</td>
<td>■</td>
</tr>
<tr>
<td>Waste recovery rate</td>
<td>%</td>
<td>+15%</td>
<td>-3%</td>
<td>■</td>
</tr>
<tr>
<td>Carbon emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction of direct and indirect greenhouse gas emissions</td>
<td>metric t CO2/€m</td>
<td>-10%</td>
<td>-9%</td>
<td>□</td>
</tr>
<tr>
<td>Environmental and occupational health and safety certification</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISO 14001 certification</td>
<td>% of sites</td>
<td>100%</td>
<td>96%</td>
<td>□</td>
</tr>
<tr>
<td>OHSAS 18001 certification</td>
<td>% of sites</td>
<td>100%</td>
<td>88%</td>
<td>□</td>
</tr>
</tbody>
</table>


Legend of the “status” of the desired outcome:

■ Target exceeded by more than 5%.
□ Target achieved.
□ Improvement of indicator but target not achieved.
□ Deterioration of indicator.

(1) See 4.6.1 for a description of the scope covered by the target.
Continuous performance improvement

In the wake of the encouraging results of the second plan for the 2010-2012 period, the Group intends to continue to improve its environmental performance over the next three years, with the following ambitious targets underscoring its determination:

<table>
<thead>
<tr>
<th>Theme</th>
<th>2013-2015 objectives (base = 2012)</th>
<th>Target</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable use of resources</td>
<td>Reduction in water consumption</td>
<td>-10%</td>
<td>cu.m/sales</td>
</tr>
<tr>
<td></td>
<td>Reduction in energy consumption</td>
<td>-10%</td>
<td>kWh/sales</td>
</tr>
<tr>
<td></td>
<td>Reduction in packaging materials consumption</td>
<td>-7%</td>
<td>metric t/sales</td>
</tr>
<tr>
<td>Production of waste</td>
<td>Reduction in the production of hazardous and non-hazardous waste</td>
<td>-7%</td>
<td>metric t/sales</td>
</tr>
<tr>
<td>Carbon emissions</td>
<td>Reduction of direct and indirect greenhouse gas emissions</td>
<td>-10%</td>
<td>metric t CO2/sales</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management systems</td>
<td>ISO 14001 and OHSAS 18001 certification</td>
<td>100%</td>
<td>% of sites</td>
</tr>
<tr>
<td></td>
<td>ISO 50001 certification (energy management)</td>
<td>10%</td>
<td>% of sites</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Promotion of local biodiversity initiatives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers and service providers</td>
<td>Reinforcement of performance-evaluation criteria and environmental compliance of the Group’s subcontractors, suppliers and service providers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: for new sites, ISO 14001 and OHSAS 18001 certification to be obtained within three years of entry into the Group

4.3.4 Prevention of pollution and management of waste

Measures to prevent, reduce or remedy emissions into air, water and soil

Reducing atmospheric emissions and ozone-depleting substances

Emissions of nitrogen oxides (NOx) and sulfur oxides (SOx) and other significant emissions into the air

Valeo monitors emissions into the air of volatile organic compounds (VOCs), nitrogen oxides (NOx), lead (Pb) and trichlorethylene (TCE) resulting from its activities.

Emissions of sulfur oxide (SOx) are not monitored, as combustion plants mainly use natural gas.

In 2012, NOx emissions were estimated at 134 metric tons.

With regard to VOC emissions, the increase as a proportion of sales compared with 2011 was attributable to the consolidation of the eight Niles sites (Comfort and Driving Assistance Systems Business Group) in the environmental reporting scope for the first time in 2012, and an underestimate of emissions from the Taegu site in South Korea in 2011. This increase should not obscure the efforts undertaken by the Group’s legacy sites, which are actively working to reduce their VOC emissions, primarily attributable to the use of chemicals such as solvents and paint. The Veszprem site in Hungary, for instance, acquired a biological treatment plant for VOCs in late 2011, allowing a decrease of nearly 75% in its emissions. Other sites seek to use water-based products when automakers’ constraints allow.

In addition, the Group monitors the release into the atmosphere of lead and TCE, two compounds used in legacy production processes. Lead emissions are not significant (6kg in 2012). Emissions of TCE, which is still used at one Group site (Taegu, South Korea), increased significantly in 2012 (249 metric tons) due to the underestimation of the prior year data.
SUSTAINABLE DEVELOPMENT

Environmental performance

Emissions of ozone-depleting substances GRI EN19

Valeo has for several years sought to be proactive in reducing emissions of ozone-depleting substances. Its commitments on the subject are set out in a dedicated directive within the Risk Management Manual: chlorofluorocarbons (CFC) and halons are banned on all sites; for hydrochlorofluorocarbons (HCFC), the Group’s objective is to anticipate elimination targets under the Montreal Protocol. To comply with this directive, the sites have taken action to replace and periodically monitor leaks from equipment containing refrigerants.

For the first time, the Group made an overall estimate of emissions of CFCs and HCFCs in 2012: 478 kg of CFC-11 equivalent (reference component for measuring the potential depletion of the ozone layer).

Measuring and containing wastewater discharge

Total water discharge GRI EN21

Broadly speaking, the Group’s activities do not generate highly pollutant effluents. When required by local regulations, sites measure the degree of pollution of effluents and, where necessary, equip a facility to treat wastewater before discharging it into the natural environment or the public system. In 2012, more than a quarter of the Group’s sites had such a treatment facility, with a total discharge of 604,000 cu.m., representing an increase of 4% for these sites compared with 2011.

In 2012, the amount of heavy metals discharged from internal treatment stations totaled 55 kg, a decline of 65% compared with 2011 in absolute terms, explained by the overestimate of historical data.

Prevent accidental discharges into the soil

As part of their environmental management system, and in accordance with Group directives, sites are equipped to prevent accidental spillage into the environment. In addition, underground tanks have been banned within the Group since the early 1990s, in the aim of eliminating the risk of significant pollution of soil and groundwater associated with such facilities. Moreover, internal landfills are prohibited on all sites regardless of their location.

When a business is sold or shut down, the Group systematically commissions an audit, generally accompanied by an investigation of the soil and groundwater, to determine whether any pollution occurred during its operational phase. If pollution is discovered, the necessary measures are taken. If a site is closed permanently prior to sale, all waste, raw materials, products and equipment are removed and site maintenance continues.

Total number and volume of significant spillage GRI EN23

No significant spillage occurred on the Group’s sites in 2012.

Prevention, recycling and disposal of waste

Total weight of waste by type and nature of treatment GRI EN22

The main waste products generated by the Group’s facilities, in descending order of weight, are metal, wood and plastics:
- almost all metal waste is sold for recycling;
- wood is recycled or used to generate heat;
- some plastic is sold for recycling.

Hazardous waste accounts for less than 15% of the total share of waste produced by the sites in recent years.

Production of hazardous and non-hazardous waste

<table>
<thead>
<tr>
<th>Year</th>
<th>Hazardous waste/Sales (metric tons/€m)</th>
<th>Total waste generated (thousands of metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>113.1</td>
<td>15.0</td>
</tr>
<tr>
<td>2010</td>
<td>13.9</td>
<td>15.0</td>
</tr>
<tr>
<td>2011</td>
<td>15.0</td>
<td>197.3</td>
</tr>
<tr>
<td>2012</td>
<td>15.0</td>
<td>197.3</td>
</tr>
</tbody>
</table>

In 2012, for the first time since 2009, the amount of waste produced as a proportion of sales stabilized. This stemmed from efforts by the sites of all Business Groups to reduce their waste production. Progress was particularly noteworthy in the Visibility Systems Business Group, which achieved an 8% reduction in waste as a proportion of sales between 2011 and 2012.

Despite these efforts, the goal of reducing waste by 15% between 2009 and 2012 was not achieved. Valeo has set a new reduction target under its next three-year plan.

The proportion of waste recovered was approximately 80% in 2012. While satisfactory, the outcome fell short of the initial target.
Quantities and characteristics of waste generated in 2012

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total waste generated (thousands of metric tons)</td>
<td>113.1</td>
<td>151.0</td>
<td>181.8</td>
<td>197.3</td>
</tr>
<tr>
<td>of which hazardous waste (%)</td>
<td>14%</td>
<td>13%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Intensity of waste production (metric t/€m)</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Percentage of waste recovered</td>
<td>82%</td>
<td>83%</td>
<td>83%</td>
<td>79%</td>
</tr>
</tbody>
</table>

Regional breakdown of waste production in 2012

- Asia: 32%
- Europe: 43.5%
- South America: 15.8%
- North America: 4.3%
- Middle East: 4.3%
- Africa: 3.7%
- South America: 0.7%

Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention, and percentage of transported waste shipped internationally [GRI EN24]

In 2011, the Group began monitoring the amount of hazardous and non-hazardous waste exported by its sites. Some sites have to ship their waste to another country to overcome the lack of adequate treatment systems locally. This is the case for the Rio Bravo and Juarez sites in Mexico for instance.

In 2012, 748 metric tons of waste were exported, approximately 10% of which was hazardous waste. These amounts accounted for less than 1% of total waste generated across all Group sites.

Noise and other forms of pollution

Valeo strives to follow up all complaints addressed to its sites on environmental issues. In 2012, a total of five complaints were received, three of which regarding noise and odors. As part of their ISO 14001 certified environmental management systems, the sites concerned took the appropriate measures.
4.3.5 Sustainable use of resources

Water consumption and water supply in line with local constraints

Total water withdrawal by source

To measure the overall impact of its activities on water resources, Valeo measures its consumption by distinguishing the different sources of its withdrawals (city water, groundwater, surface water) and uses of water on its sites (industrial water, domestic water). Valeo’s sites use fairly little groundwater and surface water (16%), and industrial usages account for 54% of consumption.

Water supply sources

Valeo set a target of reducing its water consumption as a proportion of sales by 7% for the 2010-2012 period. This target was largely exceeded, with a reduction of 32% compared with the 2009 level. This success was the result of many years of efforts by all sites, particularly in the search for leaks and efforts to reduce consumption of industrial water for cooling (removal of all open systems by the end of 2011).

In absolute terms, the sites’ water consumption increased by 9% compared with 2011, in line with the increase in the Group’s activity. As a proportion of sales, it remained stable. Following this phase of stabilization in 2012, the Group aims to take its commitment further, and has set a target of a 10% reduction in consumption as a proportion of sales by 2015. Sites will continue their systematic efforts to locate leaks on industrial and domestic networks, and to reuse water.

Water sources significantly affected by withdrawal of water

Group sites also take into account water restrictions, which reflect pressure on local water resources. In 2012, only seven cases of temporary limits or cut-offs of water supply were identified on the 126 sites reporting environmental indicators: five in Asia (China, Japan, Thailand), one in the United States and one in France.

To refine the analysis of its impact on water resources, the Group plans to evaluate its water footprint in 2013.

Percentage and total volume of water recycled and reused

Plants use water to cool production lines: water circulates in a closed loop in accordance with the Group’s requirements. In addition, in 2012, 20 sites declared that they internally recycle and reuse their industrial water; nine sites recover rainwater, mainly for domestic purposes.
Regional breakdown of water consumption in 2012

- Asia: 49.1%
- Africa: 0.6%
- South America: 5.6%
- North America: 36.6%
- Europe: 7.6%
- Middle East: 0.5%
- South America: 0.6%
- Africa: 0.6%

Consumption of raw materials and measures taken to improve efficient use

Materials used by weight or volume (GRI EN1)

Valeo is pursuing two areas for improvement in terms of resource consumption: reduction in the consumption of raw materials and use of recyclable and recycled materials. These areas are taken into account systematically by R&D teams (see page 110 for more information on internal eco-design requirements).

The main raw materials used by the sites are metals and plastics, used directly in the composition of finished products and packaging materials.

![Raw material consumption chart](chart.png)

<table>
<thead>
<tr>
<th>Year</th>
<th>Metals (thousands of metric tons)</th>
<th>Plastics and resins (thousands of metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>760</td>
<td>125</td>
</tr>
<tr>
<td>2010</td>
<td>723</td>
<td>161</td>
</tr>
<tr>
<td>2011</td>
<td>817</td>
<td>182</td>
</tr>
<tr>
<td>2012</td>
<td>877</td>
<td>195</td>
</tr>
</tbody>
</table>

The increase in consumption of the key raw materials stemmed directly from the overall increase in the activity of the Group’s sites.

Limiting the quantity of packaging materials

Packaging is essential to the handling of Valeo products. It is required for transportation, facilitates storage, protects products and, in the case of aftermarket products, helps sell them. For these various purposes, Valeo uses many different kinds of packaging materials, mainly cardboard, wood, plastics and metal. Cardboard and wood together account for approximately 90% of packaging materials used.

Breakdown of packaging materials consumption

- 63% Cardboard
- 28% Wood
- 8% Plastics
- 1% Other

![Packaging materials consumption chart](chart.png)

Packaging materials consumption

- 2009: 6.0
- 2010: 6.3
- 2011: 6.1
- 2012: 7.1

In 2012, consumption of packaging materials as a proportion of sales edged up slightly (2%) compared with 2011. In absolute terms, there was a 10% increase attributable to the consolidation of the new Niles sites, particularly Chonburi in Thailand, and a significant increase in activity on the San Luis Potosi (Mexico) and Skawina (Poland) sites of the Thermal Systems Business Group, which are big users of packaging materials.
Despite Valeo’s efforts to reduce its consumption of packaging, particularly through the reuse of materials (see “GRI EN2”), the target for the 2010-2012 period was missed. Among the reasons cited by the sites were constraints imposed by customers for the packaging and shipment of parts. The Group will continue to monitor progress on this indicator during the next three-year plan. It has set a new target of a 7% reduction in the consumption of packaging materials as a proportion of sales compared with 2012 levels for the 2013-2015 period.

Elimination of hazardous substances used by sites
Because of their danger and their legacy use in industrial processes on its sites, the Group also monitors the consumption of heavy metals (lead, mercury, chromium VI, cadmium), chlorinated solvents and substances classified under European regulations as carcinogenic, mutagenic and reprotoxic (CMR).

The Group’s consumption of heavy metals has been steadily declining for more than five years (19 metric tons in 2012). For chlorinated solvents (273 metric tons) and CMR substances (279 metric tons), the main contributor is the Taegu site in South Korea. This site was voluntarily removed from the reporting scope for these two indicators in 2011, due to the unreliability of data, and was fully reintegrated in 2012, explaining the significant increase compared with the prior year.

The Group is pursuing an active policy of elimination of all substances deemed hazardous, formalized in a directive on “regulated or prohibited substances”, which applies to all sites and is based on the general principles of REACH(1) (see the section on R&D, page 110). To this end, sites follow a procedure that involves identifying prohibited substances, seeking out substitute products (at an acceptable price), testing them and having them approved by customers. Most of the hazardous substances still in use at Valeo’s sites are those for which substitute products are either still undergoing approval or are currently prohibitively expensive, or those whose use is required by customers.

In addition, Valeo promotes the use of reusable packaging (extensive use of shuttle crates between Valeo and its customers and/or suppliers) and eco-design of packaging from recycled materials (cardboard, paper, plastic) with a low environmental impact.

Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation GRI EN26

Initiatives to mitigate environmental impacts caused during use and at the end of life are dealt with in the section on R&D, which describes the Group’s commitments in terms of eco-design (see pages 111 and 112).

Percentage of products sold and their packaging materials that are reclaimed by category GRI EN27

Valeo pays particular attention to the recyclability and reuse of its products through its “Eco-Design Standard” Directive, which incorporates the requirements of the End-of-Life Vehicles Directive (ELV(1)). In addition, the Group is a major player in the remanufacturing market (aftermarket, spare parts) through efficient collection of used parts (eCORPS system, see page 114).

In packaging, Valeo has focused its efforts on the design of recyclable packaging and the promotion of sorting. In this area, the Group received two awards for its wiper blades in 2012:

- the Trophée du Point Vert 2012 for its approach to raising sorting awareness on its packaging (symbols and explanations);
- an award at the Automotive Aftermarket Products Expo in the United States in the Environmental Impact category for packaging consisting of a single recyclable material.

For more details, see section 4.2.3, page 114

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Energy consumption, measures to improve energy efficiency and use of renewable energy

**Direct and indirect energy consumption by primary energy source GRI EN3 and GRI EN4**

Valeo sites use the following three types of energy for industrial and domestic usages:

- Direct energy as primary energy sources (fuel oil, natural gas);
- Indirect energy in the form of electricity, steam and compressed air;
- Direct renewable energy generated on site, of solar origin, which to date provides only a very small amount of energy.

Electricity and natural gas have for several years been the two main sources of energy used by sites; together, they account for nearly 98% of the total energy consumption. The Group does not have detailed information on the primary sources used for the generation of electricity consumed on its sites. It does not take into account energy consumed in the operation of handling equipment (propane, fuel).

**Breakdown of direct and indirect energy consumption**

- 27% Natural gas
- 70% Electricity
- 1% Other energy sources (incl. renewables)
- 2% Fuel oil

**Energy consumption**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect energy consumption/Sales (MWh/€m)</td>
<td>1,433</td>
<td>1,716</td>
<td>1,764</td>
<td>1,841</td>
</tr>
<tr>
<td>Direct energy consumption/Sales (MWh/€m)</td>
<td>1,300</td>
<td>1,230</td>
<td>1,150</td>
<td>1,120</td>
</tr>
<tr>
<td>Total energy consumption (GWh)</td>
<td>2,733</td>
<td>2,946</td>
<td>2,914</td>
<td>3,961</td>
</tr>
</tbody>
</table>

Energy consumption as a proportion of sales declined by 4% compared with the prior year. However, it rose by 4% in absolute terms, mainly due to the consolidation of the eight Niles sites by the Comfort and Driving Assistance Systems Business Group. The 2012 performance confirmed the trend of recent years and allowed the target for the 2010-2012 period to be beaten: reduction of 18% compared with 2009, as largely exceeding the target of 10%.

**Regional breakdown of energy consumption in 2012**

- Asia 0.3%
- Africa 5.3%
- South America 13.8%
- North America 1.4%
- Middle East 0.3%
- Europe 54.3%

**Energy saved due to conservation and efficiency improvements GRI EN5**

The indicator used by Valeo for quantifying savings is the energy intensity ratio (MWh/€m). The calculation of this ratio at constant reporting scope between 2011 and 2012 highlights energy savings: the gain amounted to 45 GWh, in line with the anticipated gain declared in the prior year by the sites (40 GWh).

The good energy performance recorded by the Group in 2012 was obtained thanks to numerous individual initiatives on the sites. The main projects were:

- Recovery of energy generated by compression facilities for heating offices and workshops: this is the case, for instance, on the sites in Skawina (Poland), Veszprem (Hungary) and Etaples-sur-Mer and Saint-Florine (France), with Saint-Florine obtaining an Energy Saving Certificate;
- Automatic timers for heating and lighting: San Luis Potosi (Mexico), Frosinone-Ferentino (Italy) and Suze-sur-Sarthe (France);
- Management of stand-by mode for production equipment: Jedeida (Tunisia), Laval and Sens-Saint-Clément (France);
- Searches for leaks in compressed air systems: such action is widely used in all Business Groups, especially during annual production shutdowns.
In total, 78 sites declared that they adopted new energy efficiency measures in 2012. In 2013, the sites aim to achieve overall energy savings amounting to 1% of the Group's total consumption in 2012, or about 24 GWh.

In conjunction with these local initiatives, Valeo ordered 16 energy performance audits of its French sites from an external provider in 2012, with the aim of identifying potential savings and energy solutions that will ultimately be deployed on all Group sites on the basis of anticipated returns on investment. These audits came on top of substantive work undertaken in 2010 leading to the distribution in late 2011 of good practices for energy conservation.

To take its approach to energy efficiency further, Valeo plans to begin in 2013 the deployment of ISO 50001 energy management systems on its sites. The Group aims to have 10% of its sites certified by the end of 2015.

Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives

Initiatives taken by Valeo in this area are described in the section on R&D (see pages 112 and 113).

Land use

The 126 sites in the reporting scope occupy a total area of approximately about 700 hectares, of which approximately 10% are left in their natural state. The rest is used for buildings, traffic areas and gardens.

4.3.6 Fight against climate change

Greenhouse gas emissions

Since 2009, Valeo has made progress in the analysis of its carbon footprint by evaluating the direct and indirect greenhouse gas (GHG) emissions resulting from its activities. For 2012, the following emission sources are included in the review:

- **direct GHG emissions**: combustion emissions from stationary sources on sites, emissions from fuel combustion by Group-owned vehicles, direct emissions from non-energy processes such as the incineration of VOCs, and direct fugitive emissions relating to refrigerant leaks (included in Scope 1 of the international framework);

- **indirect GHG emissions** associated with energy consumption, related to the consumption of electricity, steam, compressed air and other sources (included in Scope 2 of the international framework);

- **other indirect GHG emissions** related to purchases of products used in industrial processes, and the transportation of goods and people (included in Scope 3 of the international framework).

Total direct and indirect greenhouse gas emissions

To contribute to the fight against global warming, Valeo made a significant commitment to reduce by 10% its direct and indirect GHG emissions as a proportion of sales over the 2010-2012 period, based on the 2009 performance.

On a comparable reporting scope in terms of GHG emission types (sum of direct emissions from combustion and indirect emissions from electricity consumption), the three-year target of a 10% reduction was almost reached in 2012, with an outcome of 54.3 metric t CO₂ eq./€m, 9% below the 2009 level. This significant reduction stemmed from efforts by the sites to improve their energy efficiency.

The direct and indirect emissions of the Group’s sites increased significantly between 2011 and 2012 (17% and 11% respectively in absolute terms), due to a combination of several factors: consolidation of nine more sites than in the 2011 reporting scope, significant increase in activity in some countries and, most important, the inclusion of new GHG emission types in the calculation.

In 2012, Valeo sought to complete the evaluation of its carbon footprint by estimating the magnitude of GHG emissions relating to the leakage of refrigerants, mainly used for air-
Environmental performance

conditioning systems for buildings and some industrial facilities. Using the methodology for quantifying leakage defined by France’s Environment Agency and Energy Management (Agence de l’environnement et de la maîtrise de l’énergie – ADEME), these emissions are estimated at approximately 17,400 metric tons of CO₂ equivalent. This estimate may be fine-tuned in future years.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct GHG emissions (thousands of metric tons CO₂ eq.)</td>
<td>Emissions generated by fuel oil and gas combustion at sites</td>
<td>108.1</td>
<td>129.1</td>
<td>124.5</td>
<td>126.0</td>
</tr>
<tr>
<td></td>
<td>Direct emissions from non-energy processes</td>
<td>NC</td>
<td>NC</td>
<td>2.8</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td>Emissions caused by Valeo’s vehicle fleet</td>
<td>NC</td>
<td>NC</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>Fugitive emissions (refrigerant leakage)</td>
<td>NC</td>
<td>NC</td>
<td>NC</td>
<td>17.4</td>
</tr>
<tr>
<td>TOTAL DIRECT EMISSIONS</td>
<td></td>
<td>108.1</td>
<td>129.1</td>
<td>131.5</td>
<td>153.2</td>
</tr>
<tr>
<td>Indirect GHG emissions (thousands of metric tons CO₂ eq.)</td>
<td>Emissions from electricity consumption(2)</td>
<td>336.1</td>
<td>410.5</td>
<td>456.3</td>
<td>505.3</td>
</tr>
<tr>
<td></td>
<td>Emissions from consumption of other energy</td>
<td>NC</td>
<td>NC</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td>TOTAL INDIRECT EMISSIONS</td>
<td></td>
<td>336.1</td>
<td>410.5</td>
<td>457.7</td>
<td>506.4</td>
</tr>
</tbody>
</table>

(1) Re-evaluation of the 2011 data for the vehicle fleet and change of methodology for emissions from non-energy processes: the latter stem notably from VOC incinerators and no longer include the emissions of internal wastewater treatment stations.

(2) The calculation takes into account the primary energy source used by each country to generate electricity; the coefficients used for the 2012 data are the latest published by the International Energy Agency, at the end of 2012.

Regional breakdown of greenhouse gas emissions(2) in 2012

- Africa: 0.5%
- South America: 16.4%
- North America: 1.4%
- Middle East: 42.8%
- Asia: 37%
- Europe: 1.9%

Other relevant indirect greenhouse gas emissions

Based on the evaluation of the carbon footprint made in previous years, other indirect GHG emissions considered relevant by Valeo are:

- **emissions linked to purchases of materials** entering into industrial processes (steel, aluminum, copper, zinc, plastics, electronic components, chemicals and packaging);
- **emissions from the transportation** of products (logistics).

These two types of emissions accounted for 82% and 4% respectively of the Group’s overall footprint in 2011. GHG emissions associated with waste treatment are not considered relevant (less than 1% in 2011), and are no longer reported.

By contrast, Valeo monitors **emissions from passenger transportation**, even though they account for only a small proportion of the overall footprint. Emissions relating to business air travel by Group employees working at the headquarters and the headquarters of the various Business Groups were taken into account for the first time in 2012 in order to improve reporting.


(2) The chart shows direct emissions related to gas and fuel oil combustion at sites and indirect emissions related to electricity consumption.
Environmental performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Other relevant indirect GHG emissions (thousands of metric tons CO₂ eq.)</td>
<td>Emissions generated by the production of the main materials used in industrial processes</td>
<td>2,782.9</td>
<td>3,643.2</td>
<td>4,198.2</td>
<td>4,468.0</td>
</tr>
<tr>
<td></td>
<td>Materials (metals)</td>
<td>1,887.0</td>
<td>2,470.1</td>
<td>2,817.0</td>
<td>2,906.3</td>
</tr>
<tr>
<td></td>
<td>Materials (other)</td>
<td>895.9</td>
<td>1,173.1</td>
<td>1,381.2</td>
<td>1,561.7</td>
</tr>
<tr>
<td></td>
<td>Emissions generated by logistics</td>
<td>120.8</td>
<td>142.3</td>
<td>207.1</td>
<td>134.3</td>
</tr>
<tr>
<td></td>
<td>Road/rail/sea transportation</td>
<td>87.0</td>
<td>92.8</td>
<td>117.4</td>
<td>102.0</td>
</tr>
<tr>
<td></td>
<td>Air/express transportation</td>
<td>33.8</td>
<td>49.5</td>
<td>89.7</td>
<td>32.3</td>
</tr>
<tr>
<td></td>
<td>Emissions generated by employee travel</td>
<td>146.2</td>
<td>101.9</td>
<td>110.4</td>
<td>136.0</td>
</tr>
<tr>
<td></td>
<td>Work commute</td>
<td>89.8</td>
<td>68.7</td>
<td>77.9</td>
<td>86.0</td>
</tr>
<tr>
<td></td>
<td>Business trips</td>
<td>56.4</td>
<td>33.2</td>
<td>32.5</td>
<td>50.0</td>
</tr>
<tr>
<td></td>
<td>TOTAL OTHER INDIRECT EMISSIONS(1)</td>
<td>3,049.9</td>
<td>3,887.4</td>
<td>4,515.7</td>
<td>4,738.3</td>
</tr>
</tbody>
</table>

(1) Total emissions presented in the table differ from previous years because the calculation published in respect of 2012 only takes into account those emissions that were considered relevant (“GRI EN17” indicator).

The Group’s overall carbon footprint totaled approximately 5.4 million metric tons of CO₂ equivalent in 2012. As a proportion of sales, it was stable compared with previous years.

Breakdown in 2012 of main GHG emissions

- 9% Direct emissions from energy combustion
- 1% Other direct emissions
- 2% Indirect emissions – production of electricity and other types of energy
- 3% Indirect emissions – production of inputs
- 2% Indirect emissions – logistics
- 83% Indirect emissions – business trips

Initiatives to reduce greenhouse gas emissions and reductions achieved

The Group is stepping up its initiatives to reduce its carbon footprint, both at site level, in logistics and upstream in the product design phase. Initiatives include:

- projects undertaken at sites to improve their energy performance (see GRI EN5);
- the optimization of the transportation of finished products (see GRI EN29);
- local initiatives implemented by plants for the transportation of employees, such as the purchase of low-carbon vehicles (Humpolec, Czech Republic), engine maintenance of employee vehicles (San Luis Potosi, Mexico), carpooling (Seymour, United States) and the use of the public transportation (Créteil, France).

Moreover, plants are generally built close to customers, thereby minimizing emissions from the transportation of finished products.

The chart shows the preponderant contribution of materials used in industrial processes to the Group’s overall carbon footprint (83%, of which two-thirds for metals), whereas direct emissions represent only 3%.
Carbon efficiency of infrastructure and logistics

Significant environmental impacts of transporting products and other goods and materials used for the Group’s operations and transporting members of its workforce

Valeo’s operations require inbound supplies of raw materials and parts from suppliers, the transfer of parts between sites, and outbound deliveries to automaker-customer premises plants and dealer networks. The main environmental impacts of these logistics flows stem from the consumption of packaging materials and emissions of greenhouse gases attributable to the use of non-renewable fuels.

Valeo continued its efforts to rein in these impacts in 2012, working on the following three areas:
- optimization of transportation use;
- reduction of storage facilities; and
- optimization of finished-product packaging.

The optimization of truck routes and load factors by several suppliers and/or on several sites within a region continued in 2012. Thus, despite the growth in activity resulting in increased volumes and, in turn, supplies, flow optimization implemented by Valeo helped support this growth without increasing transportation volumes.

Valeo also continued to work on the optimization of the energy consumed in storage areas, as well as on reducing the number of external stores. Standardization work on internal storage areas also permitted better control of space and management of storage areas.

In packaging, 2012 saw Valeo continue the innovative approach that has made it a pioneer in its sector. Work to standardize packaging was undertaken by the Logistics Committee of GALIA (Groupe pour l’amélioration des liaisons dans l’industrie automobile), a group tasked with promoting information and product exchanges in the automotive industry, which since 2011 has been chaired by the head of development and continuous improvement of supply chain management at Valeo. This work focused on the optimization of containers used for the transportation of products to boost truck and container load factors, thereby reducing greenhouse gas emissions. A new model of pallet roller was also tested for trucks, allowing better loading in several layers, maximizing the available space. The ensuing “GALIA” standard is pending approval by the Logistics Committee.

In 2012 Valeo initiated a process that helped finalize the creation of a joint document for the Finance, Logistics and Purchasing Departments: Group Orientations for Transportation, Warehousing, Packaging of Material Procurement Flows. This document, approved by department heads, lays down Valeo’s requirements in terms of the organization of transportation, the positioning of external storage facilities owned by suppliers and in terms of packaging to facilitate just-in-time delivery. This formalization of Valeo’s requirements is a strong signal of its commitment to optimizing logistics costs, but also to reducing its greenhouse gas emissions.

The various measures concerning the three priorities in logistics management policy delivered a 9% reduction in the Group’s transportation-related expenditure in 2012.

Adaptation to the consequences of climate change

Valeo operates in areas that in recent years have experienced exceptional natural events, particularly Asia and America. Although the Group’s sites have not suffered major damage in these areas, the RIE department has imposed the deployment of preventive measures, such as work to make roofs able to withstand hurricanes, flood protection and the elevation of land before building.

Systematic analysis of natural hazards is performed before any acquisitions of new land or new sites. This issue is followed closely by insurers, who are tightening their standards for buildings.

(1) Information relating to the transportation of personnel is presented in the GRI EN17 and EN18 indicators.
4.3.7 Protection of biodiversity

Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas **GRI EN11**

Almost all of the land used by Valeo, i.e., 87% of its operating plants, is located in urban areas or areas zoned for industrial use. In addition, its activities are not liable to significantly alter ecological processes (no extraction or spraying, for instance).

To understand its potential impacts more precisely, the Group conducts an annual inventory of sites located in or near (within 10 km) protected areas in respect of biodiversity. Twenty sites were accordingly identified in 2012, of which five in Brazil and nine in France. They include plants located in the vicinity of Natura 2000(1) areas or natural areas of ecological, flora and fauna interest (ZNIEFF(1)). The relevant sites take care to adhere to the requirements related to these constraints. For example, the Itatiba site (Brazil) is located along the Atibaia River, a preserved environmental zone. In conjunction with the competent Brazilian administration, Valeo has agreed to demolish buildings located within 50 meters of the river.

Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas **GRI EN12**

The precise identification of significant direct impacts on biodiversity is conducted across sites through their environmental analysis; this step is crucial in the implementation of an ISO 14001 certified environmental management system.

Strategies, current actions and future plans for managing impacts on biodiversity **GRI EN14**

The Biodiversity Directive drafted in late 2011 was distributed to all sites in 2012. It lays down guidelines to regulate practices in terms of biodiversity conservation during the phases of selection, construction, operation and closure of plants.

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4.4 Valeo’s labor-related indicators

4.4.1 Introduction

Valeo’s Human Resources strategy is a critical part of its international development drive and of its search to acquire and/or enhance essential skills, particularly in terms of innovation.

The Human Resources strategy is both global and local, adapted to the specific cultural and economic conditions in the different countries where the Group does business. This enables it to deal with a broad range of situations, such as:

- competing for high performers in certain professions, not only in fast-developing countries but also in many other countries;
- maintaining workforce flexibility as part of a job and skills planning approach.

The priorities of the Human Resources Department are to:

- maximize employee safety;
- promote diversity across the Board (gender, disability, generational, cultural);
- continue putting in place the “Well-being at work” program;
- boost skills in order to keep pace with technological changes and the Group’s international development, and improve staff employability;
- adhere strictly to the Valeo Code of Ethics and compliance obligations promoting respect for others, and act in accordance with anti-trust and anti-corruption laws.

These fundamental issues are also taken up in Valeo’s corporate social responsibility policy. This policy was strengthened by the Corporate Social Responsibility (CSR) agreement signed on July 10, 2012 between Group management and the Committee members of its European Works Council. The purpose of this agreement is to ensure that an appropriate labor framework is in place to accompany the Group’s international expansion, in line with its principles of responsibility, Code of Ethics and sustainable development policy. The agreement also seeks to promote labor and environmental practices which go beyond legal and regulatory obligations, by:

- giving due consideration to people’s health and safety issues when thinking about new capital investments;
- making one-to-one employee meetings a common practice in order to encourage skills development and adaptation;
- in the event of changes in the economic and industrial environment impacting its workforce, anticipating how employees will be impacted by strategic decisions taken, through informative meetings with employee representative bodies, and ensuring that adequate assistance is provided to those affected, in line with the best industry practices in the local market concerned.

The employment indicators presented below are based on the requirements and recommendations set out in Articles L.225-102-1 and R.225-105-1 of the French Commercial Code (Code du Commerce) resulting from the “Grenelle 2” decree of April 24, 2012. The Group has opted to take into account the entire worldwide scope of consolidation, except for the following joint ventures (where only the workforce are included): Minda Valeo Security Systems Private Limited in India, Nitto Manufacturing Co. Ltd in Japan, Niles CTE Electronic Co. Ltd in Taiwan, Fuzhou Niles Electronics Co. Ltd and Huada Automotive Air Conditionner (Hunan) Co. Ltd in China.
4.4.2 Headcount in line with the Group’s international development

Total headcount and breakdown of employees by gender, age and geographic area

**Change in headcount over three years**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineers and managers</td>
<td>11,375</td>
<td>13,611</td>
<td>15,929</td>
<td>17%</td>
</tr>
<tr>
<td>Administrative staff, technicians and supervisors</td>
<td>7,637</td>
<td>10,910</td>
<td>9,333</td>
<td>-14%</td>
</tr>
<tr>
<td>Operators</td>
<td>31,767</td>
<td>35,268</td>
<td>39,748</td>
<td>13%</td>
</tr>
<tr>
<td><strong>REGISTERED HEADCOUNT</strong></td>
<td>50,779</td>
<td>59,789</td>
<td>65,010</td>
<td>9%</td>
</tr>
<tr>
<td>Temporary staff (full-time equivalent at December 31)</td>
<td>7,151</td>
<td>8,211</td>
<td>7,590</td>
<td>-8%</td>
</tr>
<tr>
<td><strong>TOTAL HEADCOUNT</strong></td>
<td>57,930</td>
<td>68,000</td>
<td>72,600</td>
<td>7%</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent staff</td>
<td>47,146</td>
<td>54,897</td>
<td>60,708</td>
<td>11%</td>
</tr>
<tr>
<td>Non-permanent staff (fixed-term and temporary)</td>
<td>10,784</td>
<td>13,111</td>
<td>11,892</td>
<td>-9%</td>
</tr>
</tbody>
</table>

At December 31, 2012, the Group employed 72,600 people worldwide, an increase of 7% compared with 2011. This increase chiefly reflects an increase in engineers and managers (up 17%) and operators (up 13%), partly offset by the fall in administrative staff, technicians and supervisors (down 14%).

**Breakdown of registered headcount by socio-professional category**

- Engineers and managers: 63% in 2010, 60% in 2011, 61% in 2012
- Administrative staff, technicians and supervisors: 15% in 2010, 18% in 2011, 14% in 2012
- Operators: 22% in 2010, 22% in 2011, 25% in 2012

The growth in the number of engineers and managers reflects the Group’s massive investment in innovation, chiefly in Europe and Asia, as well as vigorous expansion in fast-growing markets such as Eastern Europe, North America and Asia, in line with the Group’s strategy.

**Breakdown of registered headcount by gender**

- Women: 31% in 2010, 32% in 2011, 33% in 2012
- Men: 69% in 2010, 68% in 2011, 67% in 2012

For the first time, women represent one-third of the Group’s employees. Group management has set up a special committee to promote diversity and increase the proportion of women in the workforce. However, these aggregate ratios vary widely from one region to the next (see section 4.4.6, page 157).
At December 31, 2012, the Group’s registered headcount by age is as follows:

- 0.9% aged under 20;
- 29.7% aged between 20 and 29;
- 34% aged between 30 and 39;
- 22.3% aged between 40 and 49;
- 12.2% aged between 50 and 59;
- 0.9% aged 60 or over.

In all, 39.6% of engineers and managers are in the 30-39 age bracket, compared with just 33.3% of administrative staff, technicians and supervisors, and 31.9% of operators. In all, 34.1% of operators are in the 20-29 age bracket.

Given the large number of young people among the employees hired each year, generational turnover remains significant, as staff numbers are reinforced in fast-growing regions.

In 2012, headcount fell 5.5% in South America, 1.43% in Western Europe, and 2.4% in Africa compared to 2011. In contrast, headcount rose 18.1% in North America, 8.1% in Eastern Europe, and 15.4% in Asia. The 15.4% increase in staff numbers in Asia is a consequence of the Group’s strategy, in which expansion in Asia is a priority.

Valeo’s policy of international expansion led to a 7% rise in the number of employees worldwide. Today, 80% of employees are based in a country other than France, compared with 66% in 2000.

Growth in employee numbers was particularly pronounced in Asia, with headcount up 15.4%. However, the manufacturing industry and the automotive sector in particular were once again hard hit by the economic crisis, resulting in selective workforce adjustments as part of a job and skills planning approach.
Valeo’s success hinges on being able to attract top international performers, particularly in fast-growing markets and in emerging countries, and developing CO₂ emissions reduction technologies. Qualified teams ensure Valeo can offer its customers around the world value-added services in terms of innovation, total quality and competitive solutions and services.

To ensure that recruitment, both internal and external, is managed coherently and professionally, all managers are trained using a recruitment kit. This kit brings together in a single document all existing tools such as the Employer Brand, fully revised in 2008 with a new visual identity, the Internal Mobility Charter and the Valeo Competences system, launched in 2004. A Recruitment Guide, which was fully revised in 2011, explains the Group’s operating culture and the key messages to communicate to applicants. By offering a standard recruitment policy based on objective selection criteria, the Recruitment Guide helps to promote diversity at Valeo and to eliminate all forms of discrimination. A new tool to identify transversal skills was also added to this kit, making it possible to focus the selection of applicants more on these specific skills.

This new recruitment kit was rolled out in October 2011, and all managers were given recruitment training in 2012.

In order to ensure the efficient management of external applicants, the Group has also improved the functionalities of its website with a new “Candidates” section and has completely revisited its corporate identity guidelines for press and web communication in order to improve the visibility of its brand on employment markets. In 2012, Valeo hired 16,559 people worldwide, of which 10,991 were hired on permanent contracts, including more than 3,301 engineers and managers.

With its strong corporate image and experience, the Group did not encounter any particular problems with recruitment during the year, apart from certain highly localized difficulties concerning positions requiring advanced specialization or specific language skills and in catchment areas where competition for skilled labor is fierce.

The number of employees hired on permanent contracts fell by 13% to 10,991 in 2012 from 12,591 in 2011.

A total of 5,569 employees were hired on fixed-term contracts in 2012, representing a fall of 10% compared to 2011.
### Breakdown of new hires by geographic area

<table>
<thead>
<tr>
<th></th>
<th>Permanent contracts</th>
<th>Fixed-term contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>537</td>
<td>1,452</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>688</td>
<td>1,686</td>
</tr>
<tr>
<td>Africa</td>
<td>140</td>
<td>227</td>
</tr>
<tr>
<td>North America</td>
<td>1,151</td>
<td>1,338</td>
</tr>
<tr>
<td>South America</td>
<td>1,087</td>
<td>946</td>
</tr>
<tr>
<td>Asia</td>
<td>2,010</td>
<td>6,942</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>5,613</td>
<td>12,591</td>
</tr>
</tbody>
</table>

While the growth in the number of new hires appeared to slow in 2012 versus 2011, this is actually due to the acquisition of Niles (now Valeo Niles), whose workforce comprising almost 4,000 employees were added to 2011 figures. Stripping out this impact, new hires on permanent contracts rose from 5,600 in 2010 to 8,600 in 2011 and around 11,000 in 2012, reflecting a significant increase in new hires.

This explanation concerns figures for Asia in particular, which is where most Valeo Niles’ employees are based. Stripping out this impact, new hires on permanent contracts in Asia increased from around 2,000 in 2010 to 2,950 in 2011 and 4,750 in 2012. The pick-up in the pace of new hires is therefore in line with the Group’s strategy of expansion in Asia.

Other changes respond to trends in the automotive market across different regions, with new hires slowing in Europe (excluding for research centers in Western Europe), on the rise in Africa, up sharply in North America and down significantly in South America, due to the sluggish order intake in previous years.

The Group’s hiring policy favors permanent contracts over fixed-term contracts, and for every one new hire on a fixed-term basis, two employees are hired on a permanent contract. However, this ratio is higher in regions with strong structural growth (Asia, Eastern Europe or America) as opposed to regions with a more stable headcount or regions affected by the prevailing economic climate (e.g., Western Europe).

### Breakdown of departures by geographic area

<table>
<thead>
<tr>
<th></th>
<th>Western Europe</th>
<th>Eastern Europe</th>
<th>Africa</th>
<th>North America</th>
<th>South America</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layoffs</td>
<td>35</td>
<td>11</td>
<td>0</td>
<td>58</td>
<td>89</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>17.5%</td>
<td>5.5%</td>
<td>0%</td>
<td>29%</td>
<td>44.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Dismissals</td>
<td>202</td>
<td>239</td>
<td>7</td>
<td>428</td>
<td>585</td>
<td>573</td>
</tr>
<tr>
<td></td>
<td>9.9%</td>
<td>11.8%</td>
<td>0.3%</td>
<td>21%</td>
<td>28.8%</td>
<td>28.2%</td>
</tr>
<tr>
<td>Resignations</td>
<td>484</td>
<td>533</td>
<td>68</td>
<td>672</td>
<td>195</td>
<td>2,308</td>
</tr>
<tr>
<td></td>
<td>11.4%</td>
<td>12.5%</td>
<td>1.6%</td>
<td>15.8%</td>
<td>4.6%</td>
<td>54.2%</td>
</tr>
<tr>
<td>Early retirement</td>
<td>88</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>97.8%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Retirement</td>
<td>160</td>
<td>75</td>
<td>2</td>
<td>74</td>
<td>3</td>
<td>101</td>
</tr>
<tr>
<td></td>
<td>38.6%</td>
<td>18.1%</td>
<td>0.5%</td>
<td>17.8%</td>
<td>0.7%</td>
<td>24.3%</td>
</tr>
</tbody>
</table>
Valeo terminated 2,234 contracts in 2012, corresponding to 3.7% of permanent employees (compared with 3.7% in 2011 and 4.4% in 2010).

Layoffs accounted for 9.4% of the total compared with 9.8% in 2011 and 35.6% in 2010.

Contract terminations and particularly layoffs remain fairly low. Other contract terminations were for personal reasons, some of which on disciplinary grounds. Depending on local laws and regulations, terminations can occur for professional incompetence or a job/skills mismatch.

Valeo is firmly committed to strategic workforce planning. In the event of economic difficulties, it implements measures to delay and, wherever possible, avoid terminations such as granting leave or vacations, cutting overtime, reducing the number of temporary staff and subcontractors, and putting employees on short-time working arrangements. When there is a clear need to optimize industrial performance, Valeo undertakes restructuring operations. In this case, the Group liaises regularly with labor organizations and uses all available mechanisms to find alternative employment through internal redeployment, outplacement, takeover of the plant by another owner or reindustrialization of local labor pools.

Early retirements and statutory retirements represented 0.8% of permanent employees versus 0.7% in 2011 and 0.8% in 2010.

Resignations, which were again one of the main reasons for departure, represented 7% of the permanent headcount in 2012 (7% in 2011 and 4.5% in 2010). By occupational category, resignations represented 7.2% of permanent engineers and managers, 3.4% of permanent administrative staff, technicians and supervisors, and 7% of permanent operators.

Headcount turnover at Valeo represents the number of voluntary departures of engineers and managers expressed as a percentage of the total number of engineers and managers on the payroll (retirements and contract terminations are not taken into account).

Engineer and manager turnover is analyzed in detail every month, by Business Group, network, function, age, country, gender, level in the organization and seniority.

The aim of this analysis is to identify the reasons for departures and put in place measures to address them.

In 2012, the turnover of engineers and managers in the Group was 7.08% compared to 9.21% in 2005, representing an overall decrease of 23%. This is despite turnover having increased sharply in 2007 and then fallen sharply in 2009. These trends reflect a more stable organization, a downbeat economic climate in certain countries, and the voluntary initiatives taken in response. Turnover was lowest in Spain (1.95%), Japan (2.66%) and Korea (3.73%).

Turnover is higher in emerging countries such as China, where it stood at 9.8%. However, Valeo’s turnover in China is five points below the national average, thanks to a global talent retention policy, which has yielded results over the past few years.
This strategy is based on three key concepts:

**Financial recognition**
- Compensation
- Employee benefits
- Retention programs

**Non-financial recognition**
- Organizational strategy
- Corporate culture
- Leadership and management
- Working environment

**Organizational mechanism**
- Career
- Training
- Recognition

Forging loyalty among engineers and managers and being able to retain them is essential.

In order to boost loyalty and reduce turnover on a long-term basis, Valeo decided that career plans would be discussed during mid-year reviews held for engineers and managers.

### Organization of work according to Group needs

#### Working week of full-time employees

The working time of employees at the Group’s 125 plants, 21 research centers, 40 development centers and 12 distribution platforms is organized on the basis of statutory provisions, varying from 35 to 48 hours per week, depending on the laws and regulations in each country.

The most common statutory working week is 40 hours.

In France, the agreement on the reduction of working time signed with the trade unions on April 20, 2000 establishes working time as follows:
- 215 days annually for engineers and managers (fixed daily basis);
- 35 hours per week for administrative staff, technicians and supervisors (excluding employees with a fixed working time of 37.5 hours);
- 35 hours per week for operators.

#### Working week of part-time employees

Part-time work is considered to be any work schedule with fewer hours than the standard working week at the entity in question. Average working hours for part-time employees consequently vary from 16 to 36 hours per week, depending on the country and occupational category.

A total of 1,070 employees were working part-time in the Group in 2012, or 1.6% of the registered headcount (versus 1.9% in 2011 and 2.1% in 2010).

Women represent 68% of part-time employees (72% in 2011 and 74.5% in 2010). By category, part-time employees break down as engineers and managers (11%), administrative staff, technicians and supervisors (13%), and operators (76%).
Valeo adapts working time so as to optimize plant utilization. Certain machinery is operated round-the-clock, thereby requiring three different shifts: a morning shift, an afternoon shift and a night shift, as part of 3 x 8-hour shift arrangements. In some plants, employees working nights may be part of a fixed shift, which means that they work nights on a regular basis. These are known as the permanent night shift teams. When there are no night shifts, work is organized into 2 x 8-hour shifts. Certain employees, including production staff, may work standard working hours during the day. This applies in particular to staff with certain impairments or disabilities.

In 2012, 54% of the registered headcount worked on the basis of shifts.

Structural staff work during the day, with working time depending on local laws and regulations. To ensure a good work-life balance, Valeo has rolled out certain initiatives (depending on the entity in question) such as flexi-time arrangements, bans on late meetings, company concierge services and reservation of nursery places.

Paid overtime corresponded to 9.8% of total possible working hours (i.e., the number of basic hours that could be worked by all Group employees).

In 2012, Valeo saw a 60% increase in overtime compared with 2011, reflecting excess activity at certain plants.

It should be noted that following the acquisition of Niles in 2011, Valeo only included Niles’ headcount and new hires in this document, whereas in 2012, all Niles’ indicators are included in the report, including overtime (2,300,000 hours).
4.4.3 Health and safety among the Group’s top priorities

Description of health and safety at Valeo

In the field of safety and working conditions, Valeo’s goal is “zero accidents”.

Valeo has implemented systematic audits performed by external consultants so that risks can be better assessed and managed and quality standards improved. The aim is for all sites to obtain ISO 14001 and OHSAS 18001 certification. In 2010, a new self-evaluation tool was developed by Valeo to allow each HSE manager to perform a self-assessment audit against benchmarks based on Group HSE directives. The tool is used in addition to the audits performed by external consultants and makes it possible to assess site performance on a more regular basis.

In 2012, in keeping with its policy of continuous improvement, Valeo continued to roll out tools for analyzing each occupational accident or incident (Quick Response Quality Control – Safety QRQC). This tool was introduced in 2007 and have been optimized each year since then thanks to management input. This has resulted in a significant decline in the accident rate.

In 2010, safety performance became an integral part of managerial assessment criteria at all levels of the organization, as a way of increasing employee awareness and involvement. The large majority of these policies were included in the European Works Council agreement on Corporate Social Responsibility.

Health and safety topics covered in formal agreements with trade unions

Valeo signed a Corporate Social Responsibility (CSR) agreement in 2012. Chapter 3 of this agreement dealing with social, corporate citizenship and environmental practices includes several articles discussing health and safety at work.

For the first time, shared commitments were enshrined in a European agreement and will be gradually extended to all of the Group’s companies outside Europe. At December 31, 2012, the agreement was applicable to 84% of Group entities worldwide. Despite it covering a wide range of issues, this arrangement was recognized as a single “CSR agreement”.

The main tenets of this agreement are as follows:

- investments shall not jeopardize the health or safety of employees;
- working conditions shall be put in place to protect the health, safety, and physical and mental integrity of employees. Employee well-being shall be a constant focus for improvement;
- training programs shall be developed in all Group entities to raise each employee’s awareness of the importance of wearing appropriate protective gear and behaving in a manner that does not endanger his/her colleagues;
- risk prevention initiatives shall be rolled out as part of a continuing improvement initiative aimed at eliminating accidents and occupational illnesses and improving the management of risks with delayed consequences (chemical risks, musculoskeletal diseases, psychosocial disorders, etc.);
- discussions with trade unions and similar bodies about individual health and safety shall be encouraged;
- employees shall be reminded that no bullying or moral or sexual harassment will be tolerated;
- appropriate indicators shall be set up and reported on to employee representatives.

In addition to the European agreement, 24 more specific health and safety agreements were signed by companies in ten different countries, including two in Germany, two in Brazil, two in Spain, six in France, one in Hungary, one in Italy, five in Mexico, three in the Czech Republic, one in Romania and one in Thailand (see the table of agreements by country in section 4.4.4, “Collective bargaining agreements”, on page 151).

Frequency and severity of occupational accidents and occupational illnesses

Besides systematically implemented internal and external audits, Valeo uses three indicators to gauge the efficiency of its measures:

- Frequency rate 2 (FR2): number of accidents with or without lost time per million hours worked;
- Frequency rate 1 (FR1): number of accidents with lost time per million hours worked;
- Severity rate (SR1): number of days lost owing to an occupational accident per thousand hours worked.

The calculation of this indicator includes all Valeo employees whatever their type of employment contract, including fixed-term employees, trainees, temporary employees, contractors and VIEs (international corporate volunteers).
SUSTAINABLE DEVELOPMENT

Valeo’s labor-related indicators

The number of days lost is calculated based on calendar days.
Only actual working hours are taken into account in the number of hours worked. Accordingly, paid vacation and paid or unpaid absences of any kind are not included.

In calculating the severity rate, the number of lost time days for temporary staff is capped based on the term of their employment contract.

These three indicators show the Group’s improved safety performance since 2007, owing largely to management’s commitment to this issue.

Valeo formally analyzes every incident/accident (Safety QRQC) in order to better organize risk prevention and put in place appropriate protective measures for its employees.

In all, 15% of training hours organized within Valeo in 2012 were dedicated to safety. In 2012, 65% of employees attended at least one training session on safety (58.6% in 2011).

The main causes of lost-time accidents in 2012 were:

- failure to respect ergonomic principles (posture) (23%);
- faulty machinery or equipment, a lack of safety instructions or inadequate safety regulations (16%).

Valeo aims to improve accident risk prevention and detection in three ways:

- identifying “near misses” at all levels of the organization;
- designing safe and secure equipment, machines and workstations (during project development phases);
- constantly improving standards (continuous improvement initiative) and sharing best safety practices across the entire organization.

In 2012, the FR2 ratio was 13.27 (compared to 49.54 in 2007), illustrating the ongoing improvement in the Group’s safety record, with a drop of 73% in accidents over the past five years (with and without lost time).

In 2012, the number of lost-time accidents continued to fall, with an FR1 ratio of 2.64 compared to 5.47 in 2007, representing a 52% improvement over the past five years.

Group severity rate (SR1)

Calculation: number of days lost owing to occupational accidents per thousand hours worked.

Formula for calculating SR1: (number of days lost owing to occupational accidents x 1,000)/number of hours worked.

Frequency rate in France (FR1/FR2)

In 2012, the FR2 ratio was 49.12% (2011: 51.82%) and the FR1 ratio was 8.49% (2011: 6.64%).
The number of lost-time accidents expressed as a percentage of the total number of accidents reported is an effective way of measuring the reliability of the information provided by Group sites.

This ratio varies widely from one country to the next, for example from 5% in Thailand and the US to 62% in Germany and 64% in Poland. In view of these differences, the Group will continue to improve communication around this issue and encourage sites to report all site accidents – even those causing no injuries or lost-time days. In fact, reporting even minor accidents may help avoid more serious ones in the future, thanks to the analysis of the causes of accidents occurred and to the implementation of appropriate action plans.

The Group seeks to raise safety awareness at different levels of its organization. Indicators are presented at Operational Committee and Liaison Committee meetings, as well as at meetings of the Risk Management Committee.
SUSTAINABLE DEVELOPMENT

Valeo’s labor-related indicators

Absenteeism GRI LA7

The absenteeism rate includes absences for illness, unjustified absences, authorized absences (unpaid leave, etc.), absences due to occupational accidents and accidents on the way to work, strikes, layoffs or other reasons. The absenteeism rate has fallen slightly over the past three years, from 2.35% to 2.25%.

However, this relative stability at Group level conceals regional differences; with absenteeism stable between 2011 and 2012 for South America and down in Europe (excluding France) and Africa, but increasing in France, North America and Asia.

Although Valeo has a consistent policy to track absenteeism, the level of social security coverage as well as cultural differences have a strong bearing on national rates.

Group absenteeism rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2.35</td>
</tr>
<tr>
<td>2011</td>
<td>2.28</td>
</tr>
<tr>
<td>2012</td>
<td>2.25</td>
</tr>
</tbody>
</table>

Calculation: actual hours of absence expressed as a percentage of total possible working hours.
Breakdown of absences by cause and geographic area

<table>
<thead>
<tr>
<th>Cause</th>
<th>France</th>
<th>Western Europe</th>
<th>Eastern Europe</th>
<th>North America</th>
<th>South America</th>
<th>Africa</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suspensions</td>
<td>6.3%</td>
<td>4.0%</td>
<td>6.4%</td>
<td>28.7%</td>
<td>13.2%</td>
<td>20.0%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Occupational and commuting accidents</td>
<td>88.2%</td>
<td>88.4%</td>
<td>86.9%</td>
<td>53.8%</td>
<td>63.5%</td>
<td>69.1%</td>
<td>41.8%</td>
</tr>
<tr>
<td>Illness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unauthorized absences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized absences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strikes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Well-being at work

Timeline of main initiatives

2004
- Risk analysis framework for occupational accidents certified at all Group sites.
- Common accident-prevention methodology rolled out as part of Group companies’ ongoing improvement initiatives.

2007
- Formal ergonomic policy set up and integrated into internal site certification.

2008
- “Play Safe” training module designed, enabling employees to put into practice risk prevention and safety measures both in and outside the workplace.

2009
- First discussions take place regarding a “Well-being at work” initiative, extending risk prevention and treatment to employees’ psychological health.

2010
- “Well-being at work” agreement signed in France.
- A list of 63 actions for improving well-being at work circulated to all Group entities.
- Labor climate survey launched at all French sites.
- “Well-being at work” committees set up at all French sites to adapt and implement action plans at a local level.

2011
- Local action plans defined and implemented following findings of the survey.
- “Well-being at work” film produced and shown to all French sites.

2012
- “Well-being at work” program rolled out worldwide.
- “Well-being at work” film subtitled in English.

Update on the worldwide implementation of the “Well-being at work” program

Worldwide implementation of the “Well-being at work” program was launched at the Group Human Resources convention in December 2011.

It culminated in an October 2012 report on the roll-out and assimilation of the program by the different countries concerned, issued at the time of the annual senior management convention.

The process drew on a survey of existing best practices at the Group’s different sites and used the “inquiry, analysis, action” methodology that has been tried and tested in the French sites.
SUSTAINABLE DEVELOPMENT

Valeo’s labor-related indicators

The implementation of the program worldwide testifies to a global commitment at the highest level of the organization to encourage local take-up over the long term.

The Group’s Executive Committee asked selective managers to oversee communication and implementation efforts worldwide.

Seminars were organized in 11 regions, involving country heads, site managers and HR managers in these regions.

These seminars helped train local managers and raise awareness of the issues and the cultural changes involved. A concrete action plan was prepared for each country and site by working groups.

For example, at the Group’s six sites in Brazil, Valeo rolled out 77 concrete measures adapted to specific local conditions in 2012.

The launch of this communication offensive was accompanied by some remarkable local initiatives, adapted to local culture and expectations, and by more sophisticated management tools for employees. Since 2012, these have included (worldwide scope):

- a Group management training module on well-being issues known as “Play Well”, along the lines of the previous “Play Safe” training initiative on safety;
- a reminder of existing rules and a review of the Code of Ethics at annual appraisal meetings between employees and their line manager;
- the inclusion of behavioral performance on an equal footing with business performance during annual appraisals;
- specific discussions during annual appraisals designed to gauge employees’ feelings about workload and work-life balance;
- a specific channel for reporting any suspicions of harassment, so that they may be treated centrally and a formal objective inquiry carried out before any conclusions are drawn;
- particular emphasis on recognition and reward, including for hard work and progress as well as actual results;
- the first reporting on employee well-being indicators in the monthly review of operational divisions’ financial performance.

This approach is now embedded in Valeo’s management culture.

From now on, initiatives undertaken by each country will therefore be monitored at Group level on the basis of this “Well-being at work” program, the worldwide implementation of which was finalized in 2012.

Valeo is convinced that its “Well-being at work” program:

- responds to a concern of its workforce as a whole;
- represents an important investment for the future; and
- currently allows the Group to be exemplary in these issues thanks to strong employee commitment.
Besides initiatives taken within the scope of the “Well-being at work” program, the Group also encourages its sites to develop leisure, cultural and transport-based initiatives.
### Proportion of sites with leisure and cultural initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assistance for employees with children</td>
<td>45%</td>
<td>50%</td>
</tr>
<tr>
<td>Celebration of mother’s/father’s day and birthdays</td>
<td>34%</td>
<td>45%</td>
</tr>
<tr>
<td>Celebration of national and religious holidays</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Organization of picnics among colleagues</td>
<td>37%</td>
<td>34%</td>
</tr>
<tr>
<td>Subsidies for employee cultural activities</td>
<td>37%</td>
<td>42%</td>
</tr>
<tr>
<td>Financial support for employee holidays</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>Organization of excursions and trips</td>
<td>45%</td>
<td>45%</td>
</tr>
<tr>
<td>Access to a book or video library</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>Subsidy or price reduction for sports activities</td>
<td>41%</td>
<td>43%</td>
</tr>
</tbody>
</table>

### Proportion of sites with transportation-based initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car-sharing program in place</td>
<td>43%</td>
<td>45%</td>
</tr>
<tr>
<td>Reductions on Valeo products</td>
<td>43%</td>
<td>45%</td>
</tr>
<tr>
<td>Full or partial reimbursement of gas costs</td>
<td>43%</td>
<td>42%</td>
</tr>
<tr>
<td>Full or partial reimbursement of public transportation costs</td>
<td>50%</td>
<td>55%</td>
</tr>
<tr>
<td>Home-work shuttle service for employees</td>
<td>49%</td>
<td>45%</td>
</tr>
</tbody>
</table>

### 4.4.4 Labor relations and compliance with the Code of Ethics

**Organization of labor relations**

Valeo is convinced that sound labor relations are vital for the Company in order to adapt to the vast, swift and deep-seated changes affecting the automotive industry. To meet today’s challenges, Valeo must continue promoting labor relations that provide a platform for exchanging points of view, fostering mutual understanding and finding well-balanced solutions that are in the interests of all stakeholders.

**Employee representative bodies**

In 1984, Valeo established a Group Committee in France, the members of which are appointed by trade unions from among the elected representatives sitting on Works Councils at entity and site levels. They represent the Group’s various French entities. This representative body, which is chaired by the Chief Executive Officer, meets twice annually and is briefed on the business activity, financial position, economic outlook and employment trends and forecasts concerning the Group and Valeo’s French entities.
In 1999, Valeo also created, by way of agreement, a European Works Council. While not interfering with the work of national representative bodies, the European Works Council provides a forum for exchanging views and establishing a dialog between management and the 19 employee representatives from each European country in which Valeo operates. A committee, comprising nine members, meets quarterly at a European site.

The European Works Council represents 48.3% of the Group’s registered headcount, or 31,384 employees.

A new European Works Council agreement (composition, competencies, organization, rights and obligations of members, etc.) was signed by Group management and all members of the Committee in March 2012.

The European Works Council was widely consulted as regards the contents of the CSR agreement, signed with members of the Committee in July 2012.

There is no Global Works Council representing the Group’s employees worldwide. Each country sets up specific bodies in line with local laws and regulations.

Valeo does not have to contend with many strikes at its sites, and strikes account for only 2.4% of absences worldwide. In France, the main area of conflict is usually wage negotiations, which take place in the first quarter of each year. In 2012, 10 out of 37 sites in France were affected by strikes, with between 30 minutes to 1.5 hours lost per shift. Other causes of conflict were either local negotiating difficulties or a call for a nationwide strike from one or more trade unions. Attendance at these strikes by Valeo employees in 2012 was fairly low.

**Collective bargaining agreements**

Valeo has an active contractual bargaining policy with trade unions and other such bodies, and 221 agreements were signed in 2012 (compared with 269 in 2010 and 211 in 2011) in 19 countries. These agreements covered a wide variety of issues, in accordance with arrangements under national jurisdictions.

<table>
<thead>
<tr>
<th>Number of agreements</th>
<th>Working hours</th>
<th>Wages</th>
<th>Profit-sharing/incentives</th>
<th>Bonuses</th>
<th>Health and safety</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>38</td>
<td>16</td>
<td>6</td>
<td>1</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Argentina</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Benelux</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Brazil</td>
<td>15</td>
<td>3</td>
<td>8</td>
<td>5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>China</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Korea</td>
<td>7</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Spain</td>
<td>14</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>France</td>
<td>55</td>
<td>15</td>
<td>13</td>
<td>0</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Hungary</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Italy</td>
<td>13</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Japan</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Mexico</td>
<td>22</td>
<td>16</td>
<td>11</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Poland</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>15</td>
<td>6</td>
<td>9</td>
<td>4</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Romania</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Thailand</td>
<td>14</td>
<td>2</td>
<td>5</td>
<td>0</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Tunisia</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Turkey</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**TOTAL** 221 84 74 18 40 24 76

NB: agreements can cover a single entity, all the entities belonging to a single legal entity, or all French or European entities. An agreement could fall into more than one of the above categories. A total of 316 issues were covered in 221 agreements in 2012 (excluding French and European agreements).
SUSTAINABLE DEVELOPMENT

Valeo’s labor-related indicators

In 2012, collective bargaining agreements focused primarily on wage terms and working time.

In France, the five groupwide negotiations in 2012 concerned the 13 legal entities and their 37 sites. Agreements concerning the integration of those with disabilities and the representation of France within the European Works Council were signed unanimously by all representative trade unions. The amendment interpreting the agreement on incentive plans was signed by three representative trade unions, and that concerning profit-sharing bonuses by two unions. A comparative report on the freedom of association at the Group’s entities in France resulted in talks regarding new labor relations oversight arrangements. After a first unsuccessful outcome in 2012, the talks should result in an agreement being signed in the first six months of 2013.

In Europe, two rounds of talks were held with the European Works Council in 2012, covering 44 companies and their 67 sites. These talks concerned the revised European Works Council agreement and corporate social responsibility. The agreement on corporate social responsibility automatically applies to all Group subsidiaries in Europe and will be gradually extended to all entities outside Europe through the adhesion of the legal sites represented by their Chairman. At December 31, 2012, corporate social responsibility principles as defined in this agreement applied to 84% of Group entities. The UK, Ireland, US, Netherlands, Slovakia, Russia, South Africa, Egypt and Turkey did not sign the agreement as most do not have employee representative bodies.

Labor relations in 2012 and 2013

<table>
<thead>
<tr>
<th>Achievements in 2012</th>
<th>On the agenda for 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td></td>
</tr>
<tr>
<td>▪ Talks regarding a profit-sharing bonus: agreement signed in September 2012 for a gross bonus of €100.</td>
<td>▪ Labor relations oversight arrangements set up pursuant to agreement.</td>
</tr>
<tr>
<td>▪ Talks leading to a French agreement signed in May 2012 on employees with disabilities.</td>
<td>▪ Talks regarding the generational contract.</td>
</tr>
<tr>
<td>▪ Agreement on the nomination of French employees on the European Works Council, signed in June 2012.</td>
<td>▪ Ongoing talks on harmonizing healthcare and welfare costs.</td>
</tr>
<tr>
<td></td>
<td>▪ Talks regarding the profit-sharing bonus.</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>▪ Following talks, agreement signed in July 2012 on corporate social responsibility.</td>
<td>▪ CSR agreement monitoring arrangements.</td>
</tr>
<tr>
<td>▪ Revision of the agreement setting up the European Works Council, signed in March 2012.</td>
<td></td>
</tr>
<tr>
<td>Worldwide</td>
<td></td>
</tr>
<tr>
<td>▪ Nationwide wage negotiations.</td>
<td>▪ Roll-out of the Disability policy.</td>
</tr>
<tr>
<td>▪ Worldwide implementation of the “Well-being at work” program.</td>
<td>▪ Roll-out of the CSR agreement.</td>
</tr>
</tbody>
</table>

Labor relations oversight

Talks on setting up labor relations oversight arrangements continued in 2012 and should culminate in an agreement in the first quarter of 2013. The oversight mechanism would be designed to ensure a regular dialogue between management and trade union representatives on the economic and labor issues concerning the Group in France.

Health and welfare protection systems

Talks on harmonizing health and welfare protection systems in France across the Group were launched in the second half of 2012. Participants in these talks have been trained in this complex and technical subject. Negotiations will continue in 2013.

Promoting and respecting the core conventions of the International Labour Organization (ILO)

Valeo’s corporate social responsibility policy is part of a universal framework of international commitments designed to guarantee the dignity of individuals and fundamental social rights.

United Nations

- Universal Declaration of Human Rights (UN – 1948).

Valeo adheres to the terms of the UN Global Compact and reports each year to the United Nations on its progress in the area of corporate social responsibility. This underlines the Group’s commitment to the Ten Principles set out in the July 2000 Global Compact, which are taken up in its own Code of Ethics. Valeo also undertakes to promote these principles in its dealings with suppliers.
SUSTAINABLE DEVELOPMENT

Valeo’s labor-related indicators

International Labour Organization (ILO) Core Conventions

The Group respects the ILO’s Conventions on basic principles and rights at work:

- Discrimination (employment and occupation) (Conventions 100 and 111);
- Child labor (Conventions 138 and 182);
- Forced labor (Conventions 29 and 105);
- Freedom of association and collective bargaining (Conventions 87 and 98);
- Protection of workers’ representatives and union members (Convention 135);
- Equal rights and opportunities for workers with family responsibilities (Convention 156).


Code of Ethics

In 2005, the commitments listed above were enshrined in a Code of Ethics drawn up and distributed by Valeo worldwide. The Code of Ethics is binding on all Group employees and sets out the rules applicable in all of the Group’s legal entities and in every country without exception.

In 2011, the Group decided to launch a new ethics awareness campaign. All Group employees were asked to reaffirm their commitment to the principles set out in this Code.

The Code of Ethics covers issues such as child labor, the employment of people with disabilities, discrimination, harassment and health and safety in the workplace. It demonstrates the Group’s commitment to sustainable development issues including the environment, human resources, labor relations and freedom of expression, as well as the development of employee potential. It covers corporate citizenship commitments (professional training, new employment assistance, reindustrialization), business conduct and professional conduct. Finally, the Code states that Valeo service providers, consultants and subcontractors are obliged to act in accordance with the ethical rules outlined by the Group (see section 4.5.2, page 168).

The Group has set up a whistleblowing procedure allowing it to be informed of any unethical behavior. For each incident, an inquiry is opened, driven and coordinated by the Group and the HR network.

The Code of Ethics is an essential element of the Group’s values and a manager who does not respect it automatically receives the lowest evaluation rating during his/her annual appraisal. In such cases, an improvement plan must be implemented in order to demonstrate significant progress within a given timescale. This “manager assessment procedure” was selected as a best practice by Halde, France’s anti-discrimination and equal opportunities body.

A detailed compliance program was introduced under the aegis of the Ethics and Compliance Department, combining on-site training and e-learning. The aim of this program is to give Valeo’s employees a precise understanding of the specific rules drawn up by the Company, and help them assimilate and respect those rules.

The relevance and effectiveness of this program will be assessed on a regular basis, and the results used to define corrective measures and improvements.

Alongside the management team, the Ethics and Compliance Department works closely with the other stakeholders in the ethical field, especially the Human Resources, Legal, Sustainable Development and Internal Audit Departments.

Sustainable Development Charter

Valeo’s sustainable development policy has been in place for several years, and complies with the principles of the UN’s Global Compact signed by the Group in 2004. Covering environmental and social responsibility and corporate citizenship, the sustainable development policy seeks to respond to legitimate human, environmental and economic concerns expressed by the Group’s different stakeholders. These include employees, customers, shareholders, suppliers, local communities and public authorities.
4.4.5 Employee profit-sharing and share ownership policy

Compensation

To boost its image as an employer of choice, Valeo is intent on determining “fair” compensation levels in each country where it is based. Valeo’s compensation policy must not only respect all applicable laws, regulations and collective bargaining agreements, but also and more importantly, enhance its appeal as a leading employer in each of its businesses. The economic climate in each country and even at each site, is a major consideration in attempting to protect the competitive edge of Group entities, irrespective of their location.

Compensation policies are defined based on a broad range of reliable sources such as government forecasts, Valeo’s financial services, National Directorates or national HR Directors, the OECD and specialist compensation consulting firms. Valeo favors individually tailored compensation packages to develop motivation through individual recognition. The more senior the employee, the more tailored the package.

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll costs excluding social charges and temporary staff</td>
<td>1,460</td>
<td>1,579</td>
<td>1,764</td>
<td>12%</td>
</tr>
<tr>
<td>Social charges</td>
<td>404</td>
<td>422</td>
<td>458</td>
<td>9%</td>
</tr>
<tr>
<td>Pension costs under defined benefit plans</td>
<td>26</td>
<td>20</td>
<td>32</td>
<td>60%</td>
</tr>
<tr>
<td>Pension costs under defined contribution plans</td>
<td>71</td>
<td>64</td>
<td>70</td>
<td>9%</td>
</tr>
<tr>
<td>Loaded payroll costs</td>
<td>1,961</td>
<td>2,085</td>
<td>2,324</td>
<td>11%</td>
</tr>
<tr>
<td>Loading rate</td>
<td>32.5%</td>
<td>30.8%</td>
<td>29.93%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Change 2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loaded personnel costs (including temporary staff)</td>
<td>2,114</td>
<td>2,294</td>
<td>2,495</td>
<td>9%</td>
</tr>
<tr>
<td>% of sales</td>
<td>21.9%</td>
<td>21.1%</td>
<td>21.2%</td>
<td></td>
</tr>
</tbody>
</table>

Breakdown by geographic area in 2012

<table>
<thead>
<tr>
<th>(in millions of euros)</th>
<th>France</th>
<th>Europe (excl. France)</th>
<th>Outside Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll costs excluding social charges and temporary staff</td>
<td>602</td>
<td>508</td>
<td>654</td>
</tr>
<tr>
<td>Social charges</td>
<td>243</td>
<td>113</td>
<td>102</td>
</tr>
<tr>
<td>Loaded payroll costs (excluding pension costs)</td>
<td>845</td>
<td>621</td>
<td>756</td>
</tr>
<tr>
<td>Loading rate</td>
<td>40.4%</td>
<td>22.2%</td>
<td>15.6%</td>
</tr>
</tbody>
</table>
Financial benefits GRI LA3 GRI EC3

**Statutory profit-sharing**

All of the Group’s French companies have implemented profit-sharing agreements. No amount will be set aside to the special profit-sharing reserve for 2012.

**Incentive plans**

An incentive plan is in place at Valeo’s French subsidiaries, either pursuant to the Group agreement signed in June 2011, or pursuant to a company agreement.

Using the formulas set out by this Group agreement or the Company agreements still in force during 2012, a total of 4,672,000 euros should be paid out to employees at 11 of the Group’s 13 French entities.

**Profit-sharing bonus**

In 2012, Group management renewed its talks with trade unions and other such bodies regarding the profit-sharing bonus. Under the terms of the agreement that was signed by two representative trade unions at Group level, each of Valeo’s French companies paid a gross bonus of 100 euros per employee. This bonus was paid to employees during the fourth quarter of 2012.

**Improvement bonus in France**

For many years, all entities within the Valeo Group worldwide have offered an improvement bonus. The purpose of this arrangement is to encourage employees to play an active part in helping achieve growth targets. For French employees, this variable component of their compensation represented a total of 6.6 million euros, equating to an annual average of approximately 500 euros per employee.

**Employee savings plans**

Three different employee savings plans introduced by the collective bargaining agreement are available to Valeo’s employees in France. These plans provide for specific contributions from the Company, as follows:

- Group savings plan (Plan d’épargne Groupe – PEG): maximum gross contribution of 275 euros;
- Collective pension savings plan (Plan d’épargne pour la retraite collectif – PERCO): maximum gross contribution of 750 euros;
- Valeo share plan: maximum gross contribution of 350 euros.

At December 31, 2012, 12,205 employees in France had signed up to the Group savings plan, or 94% of the registered headcount in France, while 1,986 employees in France had signed up to the collective pension savings plan, or 15% of registered headcount in France.

**Employee share ownership in France**

Based on recommendations by Group management, on March 27, 2012 the Board of Directors of Valeo decided to grant each eligible employee three free Valeo shares. The operation took place during the second quarter of 2012 and benefited 13,294 employees in France.

4.4.6 **Promoting diversity and equal opportunities at work**

Convinced of the benefits that a broader diversity would bring in terms of leadership, talent, and markets at all levels of the Company and within every profession, Valeo created a diversity think tank in late 2011.

In 2012, it chose to make diversity one of the key priorities of its Human Resources policy.

Diversity is not only a social responsibility issue; it is also a vital means of boosting competencies, creativity and performance. A diverse workforce has a competitive edge allowing it to capture top performers across the globe.

A Diversity Committee was set up on the initiative of General Management, chaired by the Group HR Vice-President. The Committee’s work focuses on four initiatives: (i) gender, (ii) disability, (iii) generational, and (iv) cultural issues. Four employees of different nationality, gender, position and age, have been given responsibility for these initiatives and to build improvement proposals in each area concerned.

In the last quarter of 2012, the Group also decided to launch a diversity awareness and training initiative for employees in the form of various e-learning modules.

To improve and standardize communication on these issues, Valeo has designed a Diversity logo, highlighting its four priorities: (i) gender, (ii) disability, (iii) generational, and (iv) cultural issues.
SUSTAINABLE DEVELOPMENT

Valeo’s labor-related indicators

Percentage of sites having implemented diversity initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>2011</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation in diversity promotion week</td>
<td>5%</td>
<td>70%</td>
<td>65%</td>
</tr>
<tr>
<td>Organization of “discover the Company” days for the disabled</td>
<td>11%</td>
<td>12%</td>
<td>1%</td>
</tr>
<tr>
<td>Partnerships with schools for the disabled</td>
<td>10%</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>Signing of subcontracting or services contracts with sheltered employment providers or ESATs</td>
<td>33%</td>
<td>41%</td>
<td>8%</td>
</tr>
<tr>
<td>Adaptation of premises for people with reduced mobility</td>
<td>37%</td>
<td>42%</td>
<td>5%</td>
</tr>
<tr>
<td>Adaptation of workstations for disabled workers</td>
<td>34%</td>
<td>41%</td>
<td>7%</td>
</tr>
<tr>
<td>Anti-discrimination campaigns</td>
<td>37%</td>
<td>46%</td>
<td>9%</td>
</tr>
<tr>
<td>Measures promoting of women in the workforce</td>
<td>62%</td>
<td>63%</td>
<td>1%</td>
</tr>
<tr>
<td>Retention of older workers</td>
<td>55%</td>
<td>55%</td>
<td>0%</td>
</tr>
<tr>
<td>Training in sign language</td>
<td>28%</td>
<td>28%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Women at Valeo GRI LA13

In endeavoring to be an employer of choice, Valeo seeks to attract, promote and retain the best talents in a fiercely competitive market. The Group boasts a diverse mix of cultural backgrounds. However, in spite of a commitment to enforce gender parity in comparable situations (in terms of career development, training possibilities and compensation), women are not as well represented within the Group as men.

The proportion of female engineers and managers was up by 0.5 points compared to 2011 and by 1.5 points compared to 2010. The proportion of women in the workforce across all categories was 33.1%.
Valeo’s labor-related indicators

Breakdown of women by geographic area (registered headcount)

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>28.8%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>44.6%</td>
<td>43.5%</td>
</tr>
<tr>
<td>North America</td>
<td>37.4%</td>
<td>35.5%</td>
</tr>
<tr>
<td>South America</td>
<td>23.1%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Africa</td>
<td>37.0%</td>
<td>38.4%</td>
</tr>
<tr>
<td>Asia</td>
<td>29.5%</td>
<td>31.9%</td>
</tr>
</tbody>
</table>

Proportion of women among new hires on permanent contracts over three years

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineers and managers</td>
<td>20.7%</td>
<td>24.1%</td>
<td>26.9%</td>
</tr>
<tr>
<td>Administrative staff</td>
<td>26.9%</td>
<td>29.3%</td>
<td>27.3%</td>
</tr>
<tr>
<td>Technicians and supervisors</td>
<td>27.3%</td>
<td>34.0%</td>
<td>32.1%</td>
</tr>
<tr>
<td>Operators</td>
<td>25.5%</td>
<td>38.1%</td>
<td>38.1%</td>
</tr>
<tr>
<td>All categories</td>
<td>24.1%</td>
<td>38.1%</td>
<td>32.1%</td>
</tr>
</tbody>
</table>

In 2012, a working group was tasked with formulating recommendations on how more women could be attracted, retained, and promoted in order to ensure better gender equality at all levels of the organization, including top management.

During November’s Diversity week, the Group launched its “Valeo Women Connected” initiative along with a dedicated Google website. The aim of this initiative is to organize local events in different countries in order to encourage female networking within the Group. The initiative is also the official interface between Valeo and external women’s organizations.

A specific organization has been set up to coordinate this program on a worldwide level. The main areas in which action needs to be taken have been identified, laying the foundation for further initiatives. These include improving the Group’s image as an employer of choice in order to attract more applications from women, monitoring diversity indicators, implementing measures to help improve work-life balance, improving human resources management processes, and supporting personal development through mentoring, coaching, and internal networks.

Valeo has drawn up a standard comparative gender status report for each of the Group’s French entities. This report serves as a basis for annual negotiations with labor organizations on targets for gender equality and the measures to achieve these targets.

Valeo commissioned an independent econometric report to measure the importance of 67 different variables that may account for disparities between men and women in annual salaries in France. The main reasons turned out to be training, absence, working time, proficiency in English, mobility, age, profession, variable remuneration, expatriation, and potential. The “gender” variable is significant in four of the eight professional categories: operators, level II and III administrative staff, technicians and supervisors, and level III managers. Further analysis is underway at all the sites concerned to define action plans. A decision-making tool is currently being rolled out to help Group entities identify situations where no factors exist to justify the pay gap and to simulate the consequences of reducing this gap on payroll costs. The tool will be operational in 2013.

Through partnerships with leading French business and engineering schools and associations such as Elles Bougent, which promotes engineering professions to female high-school students and undergraduates, Valeo is striving to increase the percentage of female employees in its workforce.
**SUSTAINABLE DEVELOPMENT**

**Valeo’s labor-related indicators**

*Elles Bougent* organizes conferences where participants learn about engineering professions with support from mentors from the different member companies (Valeo has around ten such mentors) as well as events designed to provide insight into industrial sectors such as the automotive industry, with site visits or competitions (e.g., designing the car of 2050).

At the Paris Motor Show in October 2012, *Elles Bougent* invited over 100 female high-school and university students to participate in a competition organized at partner stands. The students also had the chance to meet with senior executives from the automotive industry at a conference attended by Valeo’s Group HR Senior Vice-President, who spoke about the Group’s diversity policy.

At the conference, a competition was launched by the association calling on students’ creative skills and asking them to design “the car of 2050”. The winning entry should be announced at a prize-giving ceremony during the Week of Industry in March 2013.

Valeo played an active role in creating the association’s first two regional delegations in Rhône-Alpes and Normandy, allowing local initiatives to be developed as closely as possible to female high-school students and undergraduates.

On October 12, 2012 during the Paris Motor Show, Valeo adopted the *Les Elles de l’automobile* Charter, aimed at promoting women’s access into professions in the automotive industry.

**Measures promoting the employment and integration of people with disabilities**

When it revised its Code of Ethics in 2005, Valeo reaffirmed its commitment to promoting respect for human dignity and value in the workplace as well as equal rights for all workers. Accordingly, the Group participates in programs promoting the employment and integration of workers with disabilities.

On May 29, 2012, Group management and representative trade organizations at Group level signed an agreement to promote the employment and integration of people with disabilities.

This three-year agreement was approved by the Prefecture of Paris on July 25, 2012, with retroactive effect from January 1, 2012, and will expire on December 31, 2014. It is part of the Group’s continuous efforts in the field of corporate social responsibility.

Amid a tough competitive environment in France, and given fast-paced changes in manufacturing processes and products, Group companies took several different measures aimed at hiring and retaining people with disabilities and work hand-in-hand with organizations promoting protective working environments for the disabled.

The Group’s French entities have designed and rolled out a large number of practical initiatives (reorganization of work stations, flexi-time arrangements, disability training, etc.) to improve employment conditions for those with disabilities over the long term. They also forged a close relationship with sheltered employment providers and organizations that help disabled people back into work (*établissements et services d’aide par le travail* – ESAT). In 2011, there were 228 ESAT individual units (232 in 2010), however, only 181 (156 in 2010) were included in the calculation of the employment rate due to their legal cap.

Valeo intends to continue, pool and step up the different initiatives promoting employment for those with disabilities, while respecting the specific characteristics and constraints of each of its entities in France. It will also look to encourage bottom-up local initiatives.

In connection with this agreement on disability, a large-scale awareness campaign was launched to help change attitudes and bring another perspective on disability. A film was made featuring interviews of employees with disabilities, helping to embed disability issues within the Group’s corporate culture. The film is expected to be broadcast in the first half of 2013. The film sets out to highlight the competencies and know-how of those with disabilities rather than focus on the disability itself.

In order to increase the proportion of disabled employees in the workforce over the long term, the Group has set itself a number of targets:

- continue with its active policy of hiring people with disabilities;
- maintain disabled workers in employment and develop their tasks;
- improve their integration and training;
- adapt their jobs to new technologies;
- talk openly about disability and raise the awareness of all stakeholders;
- step up collaboration with the sheltered sector.

This disability policy will be rolled out to the 29 countries within its reporting scope as from 2013.
the Group took part in a host of events and educational forums, bringing it into contact with future graduates. These forums included Audencia, Collégium (ENSEA, EISTI and Supmeca), EDHEC, ESEO, ESTACA, Sup’Optique, UPMC, UTC and UTT (France), the VIE forum organized by UbiFrance and the apprenticeship forum with CEFIPA (France). It was also present at events held in 30 Chinese universities (Shanghai, Nanjing, Guangzhou, Wuhan, Chengdu, Changchun, etc.), and in Brazil, India, Mexico, Poland, and Thailand, and ten forums in Germany.

Valeo also sponsors the Engineers’ curriculum of Audencia Nantes, which allows graduate engineers to qualify at this renowned business school through a specific program.

The Group was represented at the “Top Women, Top Careers” forum in Brussels, with the objective of attracting applications from female engineers or those seeking a career in industry, and at the Handi2day forum targeting disabled people in France. Valeo also sponsors the Elles Bougent association which promotes careers in the transportation sector among female high school and university students by organizing business presentation events with the active involvement of the Valeo mentors.

Valeo took an active part in the campaign to promote automotive industry professions conducted by the FIEV (Fédération des industries des équipements pour véhicules), which produced a brochure on this topic, including contributions from Valeo.

Valeo sponsors the student association ShARE, for students from the most prestigious Asian universities, and also played a role in organizing the association’s international seminar held in Shanghai, China, in November 2012.

In December 2012 Valeo signed up to the Brazilian government’s Science without Borders scholarship program, which helps Brazilian students studying in France find work placements.

Policy towards older workers

Valeo is committed to employing older workers, and this is an important part of its career development policy. It is also central to its policy for encouraging diversity.

Hiring older workers gives access to important know-how while making it possible to anticipate changes, pass on competencies and expertise, and promote integration among all generations at Group entities.

Longer working lives need to be tied to providing genuine opportunities for personal development among employees. It is important to sustain job motivation among employees and develop each person’s employability throughout his or her career by providing them with the means to build up competencies or, if so desired, change career orientation.

### Professional integration of young people

Valeo has maintained close relations with higher education establishments, in particular by developing selective partnerships with schools and universities of international renown, and fostering diversity within its workforce. In 2012, Valeo’s labor-related indicators

#### Percentage of employees with disabilities in France (direct employment)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3.3%</td>
</tr>
<tr>
<td>2011</td>
<td>3.3%</td>
</tr>
<tr>
<td>2012</td>
<td>3.7%</td>
</tr>
<tr>
<td>2014</td>
<td>5.0%</td>
</tr>
<tr>
<td>2017</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

#### Percentage of employees with disabilities worldwide (direct employment)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1.5%</td>
</tr>
<tr>
<td>2011</td>
<td>1.4%</td>
</tr>
<tr>
<td>2012</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

The definition of disability used is that which applies in the countries where the Group is based.

#### Valeo’s policy for young and older workers

GRI LA11 GRI LA13

### Professional integration of young people

Valeo has maintained close relations with higher education establishments, in particular by developing selective partnerships with schools and universities of international renown, and fostering diversity within its workforce. In 2012,
In 2012, Valeo had 8,443 employees worldwide aged above 50 (versus 7,210 in 2011 and 6,920 in 2010), representing 13% of the registered headcount.

In France, Valeo had 2,951 employees aged above 50 (versus 2,771 in 2011 and 2,703 in 2010), or 22.8% of the French registered headcount.

An action plan applicable to all French sites was implemented in 2009, with the aim of anticipating career and job development among older workers. The plan seeks to:

- emphasize the development of competencies and qualifications together with access to training, making it possible to broaden professional expertise or grow into another role within the Group;
- encourage knowledge sharing and competency transfer by formalizing and developing mentoring;
- focus on forward planning in the area of career development.

As a result, the action plan will focus especially on:

- forward planning for career evolution;
- developing competencies and access to training;
- passing on know-how and expertise;
- developing mentoring;
- keeping workers aged 55 and over in the workforce.

In 2012, a working group was set up in France looking at generational issues as preparation for talks on the generational contract to be held in 2013.

Cultural diversity within the Group

Valeo’s operations, spanning 29 countries, strongly promote diversity.

In 2012, the Group’s workforce comprised employees of 106 different nationalities.

The ten most prevalent nationalities within the Group are French, Chinese, Mexican, Polish, Brazilian, German, Thai, Japanese, Spanish, and American.

The countries where Valeo has the largest number of different nationalities are France (72 nationalities), Germany (49), Ireland (30), the US (23), and the Czech Republic (22).

Nationalities by Business Group

<table>
<thead>
<tr>
<th>Powertrain Systems</th>
<th>Thermal Systems</th>
<th>Comfort and Driving Assistance Systems</th>
<th>Visibility Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>58</td>
<td>63</td>
<td>69</td>
<td>48</td>
</tr>
</tbody>
</table>

4.4.7 Development of competencies for all Group employees

Developing internal mobility

To offer attractive career prospects to the 15,929 engineers and managers employed by Valeo, the Group’s policy requires that at least three out of four vacant positions are filled internally.

A succession and development plan is drawn up each year, in order to identify the next stages in the career path of each engineer and manager. This plan is implemented by each Group entity via a committee responsible for making decisions on the internal candidates for open positions. The process was strengthened in 2011, when succession plans were drawn up in the main countries where the Group operates to promote the development and mobility of local talent.

In order to prepare employees for success in the next career step, Valeo has a standard “individual development plan” which compares the competencies acquired with those required in the next position. This allows very detailed individual action plans to be drawn up. The plan is based on the “3 E” approach (Education, Exposure, Experience), which favors structured experience and first-hand knowledge in addition to more traditional training and education. The Group has also developed career appraisal meetings to help identify potential career developments for each engineer and manager, based on an analysis of their personal and professional interests.

Using these tools, nearly 2,545 engineers and managers benefited from career opportunities in 2012.

To encourage the transfer of working cultures, technologies and methods, and to offer international career opportunities, the Group must be able to send almost 100 experienced managers abroad every year. In order to be effective, Valeo’s
international mobility policy must be both competitive on the employment market and contribute to cutting costs. With this in mind, the Group has set up a shared services center for managing international mobility, which ensures high-level support for these moves.

Training [GRI LA10] [GRI LA11]

In 2012, the Group spent 23,310,018 euros on training, an increase of 9.7% compared to 2011. Expenditure on training represented 1.32% of payroll costs, excluding social charges (1.34% in 2011).

In absolute terms, the number of training hours and trainees rose by 8.7% and 28.6%, respectively, year-on-year.

In 2012, the Group continued to extend its training policy to a larger number of employees. In all, 87.6% of employees took part in at least one training session during the year (compared with 79.4% in 2011). There was a 13.8% rise in engineer and manager attendance, with 97.5% of this employee category attending training. The training participation rate for operators and for administrative staff, technicians and supervisors was up by 6.9% and 4%, respectively.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of training hours provided</td>
<td>944,671</td>
<td>1,029,768</td>
<td>1,119,584</td>
</tr>
<tr>
<td>Training expense</td>
<td>€25,231,511</td>
<td>€21,251,589</td>
<td>€23,310,018</td>
</tr>
<tr>
<td>Number of employees trained</td>
<td>41,317</td>
<td>44,298</td>
<td>56,954</td>
</tr>
<tr>
<td>% of employees trained</td>
<td>81.4%</td>
<td>79.4%</td>
<td>87.6%</td>
</tr>
<tr>
<td>Engineers and managers</td>
<td>88.4%</td>
<td>83.7%</td>
<td>97.5%</td>
</tr>
<tr>
<td>Administrative staff, technicians and supervisors</td>
<td>93.9%</td>
<td>80.3%</td>
<td>84.3%</td>
</tr>
<tr>
<td>Operators</td>
<td>75.9%</td>
<td>77.5%</td>
<td>84.4%</td>
</tr>
</tbody>
</table>

The average number of training hours per employee was down slightly across all categories (23 hours in 2010 and 2011 versus 20 hours in 2012).

New-entrant and job-instruction training fell, from 66% in 2011 to 63% in 2012, as the Group’s organization stabilized. Training initiatives dedicated to the development of transversal competencies for internal mobility purposes or for an evolution within one of the Group’s professions rose 37% in 2012.

Average number of training hours per socio-professional category

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineers and managers</td>
<td>37</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>Administrative staff, technicians and supervisors</td>
<td>28</td>
<td>28</td>
<td>26</td>
</tr>
<tr>
<td>Operators</td>
<td>16</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>23</td>
<td>23</td>
<td>20</td>
</tr>
</tbody>
</table>
Training needs are analyzed on the basis of competency assessments for given jobs, evolution within one of the Group’s professions or internal mobility. \textit{Individual Career Development Plans} are drafted to support talent development in three stages: (i) theory, (ii) practical application and experience-sharing, and (iii) mentoring and practice-sharing.

To support the Group’s innovation and technological development policy, programs relating to materials, products and production systems and processes continued to rank the highest in terms of the number of training hours given, accounting for 23% of the total in 2012. These programs, led by Group technical Experts or independent specialists, are constantly evolving under the guidance of the R&D and Industrial departments and the Valeo Technical Institutes.

As in previous years, safety training initiatives continued apace, and safety training now accounts for 15% of total training hours. In 2012, 65% of Group employees attended a training session on safety, compared to 60% in 2010. The increase in the number of employees trained reflects the deployment of the “Play Safe” module in France, Spain and Egypt as well as the continued roll-out by the “5 Axes” school in Asia of the “Safety First” module created in China in 2011. This module is now available in English and will gradually be adapted and rolled out to other regions.

The Group’s training policy is based on several pedagogical means in order to accommodate varying requirements in terms of time and geographical mobility and provide resources suited to the subjects addressed, the methods used and the individual pace of learning.

In this respect, alongside classroom training or distance learning (virtual classroom, visioconference or telephone courses) conducted by external instructors or Valeo’s Experts, field training initiatives have also been developed involving local management in order to increase operator polyvalence and multi-skilling. Training is also given by the “5 Axes” schools to enhance expertise in Valeo’s specific working methods and tools.

The Group designs its training sessions drawing on the complementary nature of these training methods to provide effective instruction while also helping to support international growth and meeting cross-cultural challenges.

The new-look “5 Axes” training path (training hours up 45% in absolute terms, representing 7% of total training hours), along with integration programs for new hires (representing 10% of training hours, a rise of 35%) characterizes this multi-modal training policy. The new “5 Axes” path combines distance learning (e-learning, virtual classrooms), in-class training (a mix of traditional learning with practical experience and games) and projects mentored by managers, providing trainees with the competencies and knowledge required for their work at Valeo.

The “Compliance” program rolled out in 2012 also uses a combination of e-learning modules (one on anti-corruption and three on anti-trust practices). It provides attendees with theoretical knowledge and face-to-face training based on practical cases and allows them to discuss these issues with legal experts. The Compliance program represents one of the Group’s most important training initiatives in 2012, with 5,004 employees attending in-class sessions and 8,319 employees successfully completing the four e-learning modules (requiring 100% of correct answers at the end of the session).

All training offered to managers at Valeo includes an e-learning activity (either upstream and/or post-training) and an in-class session, allowing trainees to experience real-life situations and improve personal development. Management training accounts for 8% of total training hours (up 22% in terms of the number of training hours) and includes modules designed to enhance managerial competencies, as well as leadership development programs in Europe, Asia and the Americas operated in association with CEDEP (European Centre for Executive Development).

The popularity of both tutored and untutored e-learning modules continued to grow in 2012, particularly those relating to the Group’s corporate culture (including Compliance modules). 2012 was the tenth anniversary of Valeo’s online training platform, Valeo C@mpus. This platform offers more than 150 lessons in 22 languages, and has allowed employees to complete over 570,000 training hours, with 1,500,000 log-ons since it was created. The anniversary was celebrated by five specific training campaigns, with 8,648 modules completed by 3,226 employees across the globe.
The Group’s international scale and the growth of its business outside France underline the importance of language and intercultural training (8% of training hours in 2012, up 6% in terms of training hours completed). This international drive can also be seen in the popularity of training sessions attended on Valeo Ci@mpus in China, where 3,176 people participated in 9,766 e-learning programs (containing several modules), compared to 4,041 people completing 9,131 programs in France.

**Percentage of sites having implemented training initiatives**

<table>
<thead>
<tr>
<th>Training Initiative</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentoring of new employees</td>
<td>43%</td>
<td>44%</td>
</tr>
<tr>
<td>Apprenticeships, professional training contracts, internships or CIFRE(1)</td>
<td>81%</td>
<td>85%</td>
</tr>
<tr>
<td>Assistance in mature learning and job retraining</td>
<td>59%</td>
<td>54%</td>
</tr>
<tr>
<td>Foreign language training</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Fire training</td>
<td>92%</td>
<td>90%</td>
</tr>
<tr>
<td>Training for the development of technical and managerial skills</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>First aid training</td>
<td>85%</td>
<td>91%</td>
</tr>
</tbody>
</table>

(1) Industrial agreements for training through research (CIFRE).

**4.4.8 Plants’ Initiatives**

To keep track of the CSR initiatives run by Valeo’s various sites, the Group’s Human Resources and Sustainable Development Departments put in place an annual reporting tool in 2008. The extensive involvement by its sites shows Valeo’s commitment to labor, corporate citizenship and environmental issues.

<table>
<thead>
<tr>
<th>Social Initiatives at Sites</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of sites that implemented at least one new social initiative in 2012 and continued with initiatives implemented in 2011.</td>
<td>76%</td>
<td>4%</td>
</tr>
<tr>
<td>Percentage of sites that did not implement any new social initiatives in 2012 but continued with initiatives implemented in 2011.</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Percentage of sites that implemented one or more social initiatives for the first time in 2012.</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Percentage of sites that did not implement any social initiatives in 2012.</td>
<td>96%</td>
<td>96%</td>
</tr>
</tbody>
</table>

In 2012, 96% of sites implemented at least one social initiative; of this number, 8% implemented one or more social initiatives for the first time.

Social initiatives implemented by Group plants are classified by subject and presented on the following pages:

- Leisure and culture (page 150);
- Transportation (page 150);
- Well-being at work (page 149);
- Health and safety (page 145);
- Diversity (page 156);
- Training (page 163).
4.5 Valeo’s commitment to corporate citizenship

The Group operates in 29 countries worldwide and is active in a variety of businesses. Through its industrial and commercial operations, its presence on the markets and its relationships with suppliers, the Group has an influence on society and its stakeholders.

Valeo is aware of the driving role it plays in certain local communities. Due to its industrial activities, the Group represents an important entity in the local communities in which it operates and, in some cases, whole towns or areas can work for or with Valeo.

As part of its strategy, Valeo is developing its international presence. Each year the Group’s footprint evolves, as new sites are created, companies are acquired together with their own plants, and existing businesses are sold.

When Valeo moves into a new region it has the intention of remaining there long term. It therefore has a positive impact on local communities, workers and local authorities by creating jobs and boosting the local economy. As a major player in the automotive industry supply chain, Valeo often calls on services and assistance from a whole range of local companies.

In 2011 Valeo engaged in dialog with the World Bank Group. With its plants and ambitious investment programs that benefit the populations of peripheral and emerging countries, Valeo is regarded by the World Bank as a company that contributes to better land planning and to a reduction in social and professional inequality.

According to various international bodies, such as the International Organization of Motor Vehicle Manufacturers (OICA, based in Paris), the European Automobile Manufacturers’ Association (ACEA, based in Brussels) and sector analysts at Natixis, a direct job in the automotive sector generates, on average, between three and five indirect jobs in the regions and communities concerned. On that basis, with 72,600 employees, Valeo estimates its impact on employment at between 217,000 (at the low end) and 363,000 (at the high end) people. With 125 sites worldwide, the average number of employees working at each site exceeds 500. This therefore implies that on average Valeo has an indirect impact of between 1,500 and 2,000 people per industrial site.

By way of example, in 2005 Valeo set up an R&D center in Cairo, Egypt, with a view to developing its own software. Having started off with around 50 employees in 2005, the number of people working at the site exceeded 500 in 2012. These employees are all university educated and 95% of them graduated from local engineering schools. With women representing almost 30% of its workforce, Valeo contributes towards the integration of women in highly qualified roles. Further examples, particularly relating to employment in China, can be found in the section on Labor-related data in this chapter, section 4.4.7.

Through its actions in Egypt, Valeo has demonstrated that it knows how to be a major local player that supports local talent.

The Group’s policy is to maintain serious relations with local representatives and to retain their trust. For example, when Valeo opens a site in a new region, the site director and the Head of Human Resources are encouraged by the Group’s Labor Relations Department to establish contact with local stakeholders (through meetings with local enterprises, information sessions and contact with city halls or prefectures). This includes other companies operating in the area, local authorities, suppliers, public service providers, and even residents’ associations. These measures are taken with the aim of establishing the best conditions possible while respecting the activities and boundaries of other economic players and local regulations.
4.5.1 Application of corporate social responsibility principles in purchasing processes

Monitoring CSR with respect to suppliers and subcontractors [GRI EC6 GRI HR2]

As a tier-one automotive supplier, Valeo lies at the heart of the automotive industry supply chain. While representing an order-giver to tier-two, three or four suppliers, the Group is at the same time a supplier of components, technologies and systems to the automakers. Valeo is therefore a key player within this sector, positioned right in the middle of the supply chain.

This role gives the Group an important responsibility towards the stakeholders that are involved with, or impacted by, its activities. Among these stakeholders, suppliers occupy a unique position. The relationship Valeo has with its suppliers is strategic for its business. The Group must be able to do business with suppliers that can meet its requirements in terms of quality, quantity and delivery times. Since 2010 the Group has reduced the overall number of suppliers it uses with a view to establishing long-term relations and working methods and reinforcing cooperation, a move which has produced positive results.

Management of the supplier list

Adopting a centralized purchasing system organized by Product Family (commodities and segments) provides the Group with a global view of its purchasing needs and how they evolve. It also allows the Group to identify opportunities to develop the supplier list and to adapt supplier relationships to its targets and needs.

At the same time, this organization also gives suppliers a better understanding of their own growth potential, of the sorts of technologies needed and the priority areas for development, which in turn allows them to point their development strategies in the right direction.

The selection and award process takes place during selection and/or approval meetings which are chaired by the global buyers. All proposals are subject to an objective and rigorous analysis based on the various award criteria.

In addition to the standard economic criteria, the Group also sets criteria relating to financial risks, and logistical, environmental and labor risks, including, for example, criteria relating to respect for human rights, environmental protection, employee health and safety, sustainable development, quality and corporate governance.

Before any supply agreement is awarded, suppliers must qualify for Valeo’s supplier list, based on the following process:

Each supplier is required to complete a detailed questionnaire to enable Valeo to identify potential risks and to determine the overall level of risk. Based on these evaluations, Valeo checks the main requirements, detects potential weaknesses and decides whether it needs to examine certain issues further during a visit to the supplier’s plant. If so, a team of auditors, consisting of buyers, quality specialists and engineers, is selected and sent to the site to verify the supplier's statements. Following the site visit, the team decides whether or not the supplier can be included on the supplier list, potentially once an improvement plan, jointly agreed with the supplier, has been implemented.

In order to be included on the list, all suppliers must sign and respect the “Supplier Sustainable Development Commitments”, which follows all the principles of the UN Global Compact, the Valeo Code of Ethics and the principles of fundamental human rights. Any supplier that fails to respect these rules of conduct faces possible sanctions, ranging from temporary suspension of business with Valeo to definitive exclusion from the supplier list.

The Sustainable Development and Purchasing Departments work together to identify suppliers that pose CSR risks. If any shortfalls or irregularities are identified, the two departments jointly decide on the appropriate response. Valeo thus transmits its CSR experience to its suppliers by communicating quality and responsibility requirements which are important aspects in risk management. By talking with its suppliers and setting a good example, Valeo shares its knowledge and seeks to help improve practices.

With this system, Valeo aims to secure control of its supply chain while building trusting relationships with its suppliers through cooperation on remedial action or improvement programs that are aimed at preventing or limiting operating risks.

(1) The tier corresponds to the automotive supplier’s position relative to the automakers, thus a tier-one supplier delivers directly to the automaker and a tier-two supplier delivers to the tier-one automotive supplier.
SUSTAINABLE DEVELOPMENT

Valeo’s commitment to corporate citizenship

Key figures
- 1,176 suppliers account for 95% of the amount attributable to direct purchases
- 560 suppliers are French
- 142 suppliers account for 50% of the amount attributable to indirect purchases

Breakdown of direct purchases by geographic area

Amount of 2012 purchases by area of origin (location of suppliers)

- 37% Asia-Pacific
- 48% Europe
- 3% South America
- 12% North America

Breakdown of 2012 purchases by geographic area of consumption

- 53% Europe
- 27% Asia-Pacific
- 4% South America
- 16% North America

Increasingly, the strategy to reduce risks relating to currency effects and logistical complexity is leading Valeo to favor local suppliers that comply with its supplier selection criteria.

Accordingly, due to its historical presence in Europe, Valeo consumes 53% of its purchases in this region, where 48% of its suppliers are located. Asia now represents the second largest region, both in terms of consumption and number of suppliers. This reflects the Group’s purchasing strategy of establishing a local supplier base in high growth regions.

China, France and Germany account for more than 40% of Valeo’s suppliers, but are also its three largest markets in terms of production units. This correlation reflects the Group’s preference for suppliers that are located close to its plants in order to reduce both transfer times and transportation-related CO₂ emissions.

Key figures by commodity in 2012

- Steel and transformation: 18%
- Electronic systems and components: 17%
- Plastics and transformation: 21%
- Electromechanics: 18%
- Other segments: 10%

The Group’s manufacturing purchases can be divided into seven large categories of components. Strategic decisions relating to the five largest component categories (steel and transformation, non-ferrous metals and transformation, resins and transformation, electromechanic components, components and electronic systems) are centralized at the Group level, where they are each managed by a designated Commodity Manager.

The importance of subcontracting

Valeo engages subcontractors to perform specific services at its many sites. As a result, the Group ensures that its subsidiaries comply with principles of national labor law and fundamental international agreements from the International Labour Organization in their dealings with subcontractors and, in particular, that subcontractors respect the provisions of the Valeo Code of Ethics concerning fundamental human rights. All subcontractors are required to sign the Supplier Sustainable Development Commitments before entering into any form of commercial relationship with the Group.

Subcontracting expenditure currently amounts to 300 million euros per year, making it a significant cost item. The expenditure relates to maintenance, security, cleaning and catering services, waste treatment, reception staff and IT and technical support staff. Specific attention is paid to the companies selected for outsourcing to make sure they comply with the Group’s principles described above.
Appointment of an internal mediator on the initiative of the French finance ministry

Respecting suppliers is not only an internal issue for Valeo. Following the initiative of the French Ministry of Economy and Finance which sought to improve relations between large order-givers and their suppliers (micro enterprises and SMEs), Valeo signed the “Charter of Intercompany Relations” on January 10, 2012.

In January 2013, 342 companies had signed the charter, representing nearly 400 billion euros of purchases. The aim is to construct balanced long-term relationships between the large corporations and their suppliers, with each party acknowledging and respecting the rights and obligations of the other.

The charter requires that each signatory appoints a supplier representative to act as an internal mediator to facilitate the settlement of any disputes with suppliers and to help develop healthy long-term relationships.

A mediator was appointed on March 13, 2012.

Dialog with suppliers

In 2012, Valeo set up purchasing policies in various regions: France, North America, South America, India and China. These policies provide Valeo with an opportunity to gather together all its suppliers and to present its Group strategy. Emphasis is also put on respect for ethical policies and compliance as well as on the CSR criteria set by Valeo.

Sustainability commitment within the automotive industry

Aside from maintaining relations with its own partners, Valeo plays an important role within the automotive industry, notably as a sector leader, representing the automotive supplies sector in dealings with the automakers. By virtue of its size and scale, the Group is able to influence decisions taken by the automotive industry players.

Commitment to the Automotive Industry Platform (Plateforme de la Filière Automobile – PFA)

Following the automotive industry round-table organized by the French Ministry of Economy, Finance and Industry at the beginning of 2009, a code of performance and best practices for customer-supplier relations in the automotive industry was signed by the French automakers’ association (Comité des constructeurs français d’automobiles – CCFA) and the French Liaison Committee for Automotive Suppliers (Comité de liaison des industries fournisseurs de l’automobile – CLIFA).

This code, which establishes a number of rules to guide customer-supplier relations, recommends that the cooperation efforts between the automakers and the suppliers should be made permanent through the creation of a platform for liaison and dialog between automakers and suppliers, to prepare for the successful transformation of the automotive industry.

A number of working groups were set up to address various challenges: “promote the industry in order to attract talent”, “facilitate the sharing of resources”, “communicate the strategic vision of the industry among all the players”, “identify areas for improving competitiveness and innovation and encourage their implementation”.

In June 2010 all members of the PFA signed a common charter on corporate and social responsibility within the automotive industry. This put forward the industry’s view on subjects such as fundamental human rights, forced and child labor, freedom of association, non-discrimination, working hours, environmental issues, the fight against corruption and respect for the rule of law.

The PFA members also signed up to a code of performance and best practices. This is available on the Group’s intranet site so that to buyers can consult the code and convey its messages to suppliers.

Valeo is convinced that adopting a common global approach to CSR issues within the automotive industry is the best way to achieve customer-supplier relationships built on trust and respect.

CCFA/FIEV working group on corporate social responsibility (France)

In 2012 the French automotive sector set up a CSR working group. The participants include France’s two major automakers and the tier-one(1) automotive suppliers, including Valeo. The principle objective is take stock of the CSR practices currently being implemented by each member company and then to harmonize them in order to make them easier to apply throughout the industry. A major part of the work focuses on responsible purchasing policies – the procedures and methods employed by the members to monitor and support suppliers – with a view to standardizing practices and developing a set of industry guidelines.

By participating in this working group, Valeo is striving alongside the main industry players to create a common set of CSR criteria with a view to standardizing best practices, facilitating cooperation in these areas and ultimately improving industry standards.

(1) The tier corresponds to the automotive supplier’s position relative to the automakers, thus a tier-one supplier delivers directly to the automaker and a tier-two supplier delivers to the tier-one automotive supplier.
Commitment through the Automotive Suppliers’ Modernization Fund – FMEA (2)\(^{(1)}\)

In response to the 2009 economic and automotive industry crisis, the French government, through the Strategic Investment Fund (SIF), made moves to support the entire automotive industry, where production had been hit hard.

It asked the country’s two major automakers, Renault and Peugeot SA, to contribute 200 million euros to the fund. The SIF invested an identical sum, bringing the fund’s total balance to 600 million euros. The fund was set up to take non-controlling interests or quasi-equity interests in automotive companies engaging in industrial projects creating value and fostering market competitiveness.

In February 2010, a second fund named the FMEA (2) was set up to support tier-two or lower-tier\(^{(1)}\) automotive suppliers, deemed to be strategic for the automotive industry and with potential to contribute to the consolidation of the sector as a whole.

Subscribers were tier-one\(^{(1)}\) automotive suppliers, including Valeo, Bosch, Faurecia, Hutchinson and Plastic Omnium, together with the SIF and the FMEA.

The main aim of FMEA (2) was to provide financial support to automotive subcontractors encountering funding or cash-flow problems by acquiring some of their equity. In this way, the fund gives these companies medium- and long-term visibility and avoids defaults on payments or even redundancies or closures of these small- and mid-sized companies, which depend heavily on orders from automakers and tier-one automotive suppliers\(^{(1)}\).

The FMEA (2) does not have plans to retain ownership stakes in these companies over the long term. Once finances and cash flow have been restored to health, the FMEA will withdraw. This initiative has helped limit fractures in the industry supply chain in France.

The fund’s assets stand at 50 million euros, contributed in equal measures by automotive suppliers, following on from the initial budget granted by the FMEA. Valeo has so far contributed 2.1 million euros. In 2012 the fund continued to focus on buying equity interests in SMEs operating in the plastics and metal/plastic composites segments.

This represents an efficient way of supporting these companies, thanks to the leverage provided by the Caisse des dépôts et consignations (owner of the fund) and the automotive subscribers. Valeo’s contribution, both in financial terms and in determining the suitability of the suppliers selected, is a sign of recognition and trust on the part of a major government finance institution. By acting responsibly towards small- and medium-sized manufacturers in a particularly tough environment Valeo is also demonstrating its commitment to the industry in France.

4.5.2 Fair practice and due diligence with regard to compliance

At the request of the Chairman of the Board of Directors and the Chief Executive Officer, Valeo created an Ethics and Compliance Department in 2011.

With operations spanning 29 countries and workforce of 72,600, Valeo decided to reinforce the efficiency and scope of its ethics policy by setting up a dedicated department and compliance programs.

Valeo has developed a full and formal compliance policy, based on the original Code of Ethics drawn up in 1997, which was subsequently revised in 2005. Since 2011, the Code has been resubmitted to all Group employees for signature (refer to Chapter 1, section 1.3.4, page 25 and Chapter 4, section 4.4.4, page 153).

Devoted initially to the fight against corruption and anti-competitive practices, this policy affects the Group’s various stakeholders in the broader sense:

- **all members of staff**, above all from whom Valeo expects irreproachable behavior and the utmost integrity;
- **Valeo’s suppliers**, who need to demonstrate the greatest respect, not only for the anti-corruption rules, but for all the applicable rules, in accordance with the principles of the United Nations Global Compact to which Valeo has been a signatory since 2004;
- **other partners**, who may represent Valeo either directly, or while performing their own services, and who must adopt the strictest standards with regards to the fight against corruption and money laundering.

\(^{(1)}\) The tier corresponds to the automotive supplier’s position relative to the automakers, thus a tier-one supplier delivers directly to the automaker and a tier-two supplier delivers to the tier-one automotive supplier.
To take into account the diversity of the risks, Valeo has set out rules and general principles applicable to different countries, types of risks and stakeholders in the form of specific measures and targeted procedures.

The Code of Ethics is not only declarative. It draws partly on whistleblowing which is also encouraged by the rules and procedures. Formal whistleblowing procedures are in the process of being rolled out worldwide. This process requires time due to the large number of countries in which Valeo is present and therefore the different sets of regulations to which it must comply.

**Creation of an intranet portal**

In 2012 Valeo created an Ethics and Compliance intranet site to enable its employees to consult the procedures put in place and to access the available tools, for example manuals, definitions, examples and guides, at any time. Employees can also use the portal to find instructions or recommendations specific to the country in which they work, follow training courses in their own language and to access the list of people to contact if necessary.

**The results for 2012**

The Group has educated more than 5,000 employees on the fight against corruption and anti-competitive practices, through live training sessions, conducted in 23 countries and 15 languages. Valeo has also trained more than 10,000 managers thanks to its e-learning modules which are available in 13 different languages. Among these employees, over 8,300 have completed four e-learning modules covering all topics relating to the fight against corruption and anti-competitive practices. This represents a real step forward for the Group and these training programs are to be accentuated and expanded over the course of 2013.

In line with its principles and general policy and with a view to setting a good example, Valeo does not finance any political party, or take part in any public action or lobbying. Nevertheless, when government supervisory authorities or other public or international bodies consult Valeo with regards to the automotive industry, the Group makes itself available to assist these parties in its capacity as a tier-one automotive supplier and central player in the industry.

In the past year, the Group has set up a framework to address risks relating to corruption and anti-competitive practices by giving itself the means to limit these risks to a minimum. The Group has thus implemented the basis of the program and in 2013 it will extend these rules to all its stakeholders.

### 4.5.3 Consumer health and safety GRI PR1

As mentioned in the environmental performance chapter, Valeo has made reducing CO₂ emissions one of the principle pillars of its growth strategy. It offers automakers a large number of innovations that help reduce the amount of pollutants released into the atmosphere. The Group has also made driver safety a focus for development. The increasing use of cameras and ultrasonic sensors mean vehicles are getting better and better at anticipating dangerous situations with the help of “intelligent” systems that enable drivers to make better decisions in terms of safety. Valeo also developed the first passenger compartment air conditioning filter with anti-allergenic properties in Europe. The filter serves to limit the level of allergens in the vehicle, along with dust, harmful gases and smells.

Valeo designs innovative solutions that assist drivers, improve vehicle safety, and reduce CO₂ emissions in accordance with current and future regulations.
Guidelines on Valeo’s voluntary commitment

Valeo has a policy of encouraging its sites to take responsibility and to support local initiatives around the world. Thus, each site organizes plant initiatives which reflect locally identified needs. With the assistance of the site Human Resources Departments, the site managers decide on actions that can be carried out to help the local population. The Group suggests possible areas for study by sending out internal questionnaires and examples of best practice, but the final decision is down to the local management team.

Each year Valeo takes stock of the actions undertaken at its sites. The most effective and useful initiatives are showcased via internal and external communication channels to encourage other sites to support the same sort of actions.

The most inspiring site initiatives are often highlighted in the Group’s newsletters which are transmitted to all employees by email. These sites are also acknowledged in official documents, such as the management report, which presents these achievements alongside the Group’s targets and results. The Group’s website is also used to highlight these initiatives by showing personal accounts and illustrations.

A year after the tsunami in Japan and the floods in Thailand, the money raised by Valeo employees helped to rehouse certain staff members and renovate a school and gymnasium in Japan.

Since 2012 was less marked by natural disasters in the regions in which Valeo operates, there were no fund-raising initiatives launched at the Group level. In 2012, numerous local schemes were initiated by the sites.

Local initiatives [GRI LA8 GRI S01]

Proportion of sites that have implemented a health plan

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
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<tbody>
<tr>
<td>Financial donations to healthcare bodies</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Blood donation</td>
<td>34%</td>
<td>34%</td>
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With the exception of a decline in the amount raised for natural disasters and a slight drop, in the amount but not volume of donations, of IT equipment, all categories of local initiative saw progress in 2012, as described below.

- The Châtellerault site in France donated funds to Amnesty International and Fondation Abbé Pierre, two initiatives started by the Works Council.
- The Sablé-sur-Sarthe site in France joined forces with CPAM (the national health insurance organization) to set up a health check campaign on the site. Around 40 volunteers benefited from free health checks.
- The Mioveni site in Romania created the “2% campaign”, which allowed staff volunteers to donate 2% of their tax to non-governmental organizations (associations, hospitals, centers for people with disabilities) in order to help people in difficulty.
- The Foshan site in China launched an internal initiative to raise funds to pay for a brain tumor operation for one of the site’s employees.
Valeo’s commitment to corporate citizenship

Proportion of sites that have implemented an education plan

- Financial support for schools: 23% in 2012, 20% in 2011
- Partnerships with schools: 54% in 2012, 50% in 2011
- Donations of books: 10% in 2012, 9% in 2011
- Donations of furniture to schools: 11% in 2012, 10% in 2011
- Donations of computer equipment to schools: 16% in 2012, 20% in 2011

The Issoire site in France launched the “A scientist in the class” initiative which sent a research employee to a high school to give lessons to students for a project based on the theme of innovation and to explain the various career possibilities in engineering.

The Ben Arous site in Tunisia started an initiative to assist the pupils of two local schools located in the north of the country (Ain Drahem) by donating computer equipment and food.

Proportion of sites that have implemented a solidarity plan

- Donations of toys: 21% in 2012, 14% in 2011
- Partnerships with NGOs to help the disadvantaged: 11% in 2012, 14% in 2011
- Organization of clothing drives: 24% in 2012, 30% in 2011
- Organization of food drives: 23% in 2012, 24% in 2011
- Provision of rooms to local associations and the municipality: 7% in 2012, 9% in 2011
- Sponsorship of sports teams: 23% in 2012, 20% in 2011
- Support for associations: 22% in 2012, 27% in 2011
- Donations for natural disasters: 21% in 2012, 32% in 2011

The Chonburi site in Thailand donated 117,000 Thai baht, or around 3,000 euros, to a local school to help finance the construction of the playground.

The Cordoba site in Argentina set up collection points for clothes, shoes, food and toys to help disadvantaged people.

The Amiens site in France held a Croix Rouge (French Red Cross) collection week to collect clothes and toys in June.

The São Paulo site in Brazil took part in the Formare program developed by the Lochpe Foundation. The program enabled 20 young people from disadvantaged backgrounds living close to the plant to attend classes. Overall, 800 hours of training were provided at the São Paulo site by staff volunteers.

The Pianezza site in Italy set up a collection for the victims of the earthquake in Emilia Romagna.
Valeo’s commitment to corporate citizenship

Proportion of sites that have implemented a communication and information plan

<table>
<thead>
<tr>
<th>Activity</th>
<th>2012</th>
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</thead>
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<tr>
<td>Organization of open days</td>
<td>25%</td>
<td>17%</td>
</tr>
<tr>
<td>Road safety campaign</td>
<td>35%</td>
<td>28%</td>
</tr>
</tbody>
</table>

The site in Suze-sur-Sarthe in France opened its doors to employees’ families and relatives to celebrate the 65th anniversary of the site. Guests were able to visit the R&D center, take part in events and test vehicles equipped with products developed by Valeo.

The Créteil site in France organized a program to raise awareness about eco-driving among its employees and gave them the opportunity to test-drive electric vehicles, such as the Renault Twizzy and the Ion.

Valeo partners the Fondation Garches (Garches Foundation), a recognized public-interest organization, which aims to improve the lives of people with motor disabilities

As a founding member of the Institut Garches, Valeo assists with development at the foundation’s wheelchair selection and test center. This organization, which was founded in 1988 and became a foundation in May 2005, works to encourage the independence and professional and personal integration of people with motor disabilities. The foundation has put together a considerable network of expertise, including doctors, heads of motor disability associations and heads of partner enterprises. In addition to financial sponsorship, in 2007 Valeo set up a skills sponsorship program to develop the technological link between the automobile and the wheelchair. The Group’s R&D department thus launched a technological innovation program to build an obstacle detection system to fit into wheelchairs.

Valeo is working alongside other stakeholders to try to find better solutions to assist disabled people and facilitate their integration in society, thus reinforcing the beneficial relationship between medical research and automotive research.
4.6 Methodology and international guidelines

4.6.1 Sustainable development reporting methodology

Environmental reporting methodology

In view of the lack of public guidelines applicable to the automotive supplier business, environmental indicators were reported in compliance with internal procedures developed by the Group. The main methodology rules used to prepare the indicators published in this Registration Document are described below.

Scope and consolidation

Scope

Published environmental data concern all plants and distribution platforms in which Valeo’s interest equals or exceeds 50%, covering all countries and Business Groups, including Valeo Service.

In order to publish data within the required time frame, Valeo considers that the reporting year begins on December 1 of the prior year and ends on November 30 of the reporting year.

In line with its commitment to ongoing improvement, Valeo is progressively rounding out its reporting scope by integrating new types of sites. Accordingly, some R&D sites will be included in the published data as of 2013.

ISO 14001 and OHSAS 18001 certification indicators do not include the assembly plants for vehicle front-end modules located at or nearby the manufacturer in their calculation. Accordingly, ISO 14001 and OHSAS 18001 certification is applicable to 121 sites.

Changes in scope

Data for sites newly consolidated in a given year (i.e., new acquisitions or sites in which the Group increases its interest and gains control) are only consolidated as of the following year.

Sites that have been sold or shut down during a given year are excluded entirely from that year’s data. However, data for previous years are retained.

Consolidation rules

The environmental impacts generated by sites which are up to 50% held or controlled by Valeo are included on the basis of a 50% share. The impacts of sites that are controlled or held at over 50% are included on the basis of a 100% share.

Most indicators are expressed in absolute value (total quantity) as well as a ratio to sales. The ratio per million euros is calculated by dividing total quantity by sales for the relevant sites.

Source of data

Environmental data are collected by a centralized online application (VRI\(^1\)), except for environmental indicators relating to the consumption of raw materials, ISO 14001 and OHSAS 18001 certification and indirect greenhouse gas emissions relating to logistics and inputs. Other above-mentioned data are collected and consolidated by the Risk Insurance Environment Department from the relevant internal department.

Financial data (sales) are sent directly by the Finance Department.

Controls and external verification

Consistency checks on data for each site in the scope are performed by the Business Groups’ HSE managers, the Risk Insurance Environment Department and an external service provider. These controls include reviews of year-on-year changes, comparisons between sites in the same Business Group, and an analysis of major events during the year. Furthermore, VRI applies automatic upstream controls designed to prevent data entry errors and allow sites to provide reporting information with regard to material differences versus previous years.

Certain environmental data are also subject to external verification by the statutory auditors.

Ernst & Young, an independent audit firm, performed an engagement to verify the environmental data which resulted in a report including a statement of completeness and an opinion as to the accuracy of the information contained therein.

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\(^1\) Section 4.3.3, “Centralized environmental reporting”, page 121.
Methodological limits
Methodologies relating to certain environmental indicators may be limited due to:
- the lack of harmonized definitions and national or international legislation, especially concerning hazardous substances and waste;
- estimates used where measurements are not possible, for example for atmospheric VOC emissions;
- the limited availability of external data required in particular for calculating indirect greenhouse gas emissions (logistics and transportation).
Certain plants located on manufacturers’ sites cannot always report their waste quantities or water and electricity consumption.
Precise definitions of indicators included in VRI and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. These definitions and user guides are regularly updated and distributed to all contributors.

Reporting methodology for labor-related indicators
The labor-related indicators were prepared using the obligations and recommendations of Articles L.225-102-1 and R.225-105-1 of the French Commercial Code resulting from the “Grenelle 2” Decree of April 24, 2012.

Scope and consolidation
Scope
The Group has opted to include its entire worldwide scope of consolidation, consisting of 125 plants, 21 research centers, 40 development centers and 12 distribution platforms, located in the 29 countries where Valeo operates. This covers all countries and Business Groups, including Valeo Service. However, only workforce data are included for the joint ventures listed below:
- Minda Valeo Security Systems Private Limited in India;
- Nitto Manufacturing Co. Ltd;
- Fuzhou Niles Electronics Co. Ltd in China;
- Niles CTR Electronic Co. Ltd in Taiwan;
- Huada Automotive Air Conditionner (Hunan) Co. Ltd in China.
Valeo reports its labor-related indicators for the calendar year, i.e., January 1 to December 31 of the year in question.

Changes in scope
Data for companies newly consolidated during the current year and presented at December 31 are included where such data are available. By default, only workforce data are reported.
Sites that have been sold or shut down during the reporting year are excluded entirely from that year’s data. However, their data for previous years are retained.

Consolidation rules
All data for companies that are 100% consolidated by Valeo are reported in their entirety. Data for joint ventures are included based on the Group’s percentage of interest.

Source of data
Labor-related indicators are collected by the Business Groups’ Human Resources Departments and are consolidated in an Excel application by the Group’s Human Resources Department.
Financial data are sent directly by the Group Finance Department.

Controls and external verification
Consistency checks on data for each site in the scope are performed by the site and the Business Group Human Resources Departments. Furthermore, the Excel application applies automatic upstream controls designed to prevent data entry and consolidation errors and also to check for consistency.
All labor-related indicators have been audited by Ernst & Young and are also subject to external verification by the Statutory Auditors.
Precise definitions of indicators included in the Excel application and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. These definitions and user guides are regularly updated and distributed to all contributors.

Reporting methodology for social indicators
The social indicators were prepared using the obligations and recommendations of Articles L.225-102-1 and R.225-105-1 of the French Commercial Code resulting from the “Grenelle 2” Decree of April 24, 2012 as well as the Global Reporting Initiative (GRI).

Scope and consolidation
The Group takes into account the entire worldwide scope of consolidation, consisting of 125 plants, 21 research centers, 40 development centers and 12 distribution platforms, located in the 29 countries where it operates.
Valeo reports its social indicators for the calendar year, i.e., January 1 to December 31 of the year in question.

**Source of data**

Social data are collected as follows:

- Data on “Plants’ Initiatives” are reported through an internal questionnaire system which allows the Group to monitor initiatives aimed at local populations and communities. As all sites responded to this questionnaire, the published data covers the Group’s entire scope of consolidation;
- Data concerning Valeo’s purchases and suppliers were collected and analyzed with the Purchasing Department;
- Data concerning fair practices and compliance were prepared with the Ethics and Compliance Department. Quantified data on training on risks related to corruption and unfair competition practices were collected by the Human Resources network which regularly records and analyzes training data.

**Specifications**

- As a tier-one automotive supplier with a major business-to-business activity, the Group’s role is not to regularly participate in sponsorship activities and/or lobbying with interest groups. Valeo focuses solely on its direct stakeholders (customers, suppliers, universities, trade unions).
- Concerning the impact of Valeo’s activities on local communities, over recent years Valeo has initiated a dialog with teams at the World Bank in order to determine the regions in the world where new investments would be beneficial to local populations. Accordingly, Valeo has been able to define the impact in terms of jobs of its industrial activities, particularly the automotive sector, on indirect jobs near Group sites. As a result of the collaboration with a renowned international organization and based on other analyses, a Valeo job was calculated as indirectly generating between three and five jobs for the local economy.

  - “Megatrend” studies quoted in section 4.1 refer to forecasts on future passenger behavior. These surveys are carried out by the Marketing Department with stakeholders (consumers, associations, automakers) in order to improve forecasts of social trends among users. The Group’s R&D teams use these results to develop technology in line with market expectations.
  - Valeo sells its products primarily to automakers and to a lesser extent, through Valeo Service, to end consumers through the aftermarket distribution network. The Group only rarely engages in advertising or promotional campaigns for the general public.

**Controls and external verification**

- All social indicators in the report have been audited by Ernst & Young in the form of a statement of completeness and a limited assurance report, and are also subject to external verification by the Statutory Auditors.
## 4.6.2 Cross-reference with national and international guidelines

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### Organizational profile

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<td>Boundary of the report</td>
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<td>3.7</td>
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<td>State any specific limitations on the scope or boundary of the report</td>
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<td>3.8</td>
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<td>Basis for reporting on subsidiaries, joint ventures and other entities that can significantly affect comparability from period to period and/or between organizations</td>
<td>-</td>
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<td>Data measurement techniques and the bases of calculations</td>
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<td>Reporting</td>
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<td>Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement</td>
<td>-</td>
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Legend:

- √: full indicator
- ✓: partial indicator

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<td>Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report</td>
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<td>Policy and current practice with regard to seeking external assurance for the report</td>
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<td><strong>Governance, commitments and engagement</strong></td>
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<td>4.2</td>
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<td>Independence of the Chairman of the Board of Directors</td>
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<td>299</td>
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<td>4.3</td>
<td>✓</td>
<td>Number of Independent Directors</td>
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<td>3.1.2, 6.1.1</td>
<td>72-87, 299</td>
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<td>4.4</td>
<td>✓</td>
<td>Mechanisms for shareholders and employees to provide recommendations to highest governing body</td>
<td>-</td>
<td>8.1.10</td>
<td>344</td>
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<tr>
<td>4.5</td>
<td>✓</td>
<td>Linkage between compensation for members of highest governing body and corporate officers and the organization’s performance (including social and environmental performance)</td>
<td>-</td>
<td>3.2</td>
<td>88-101</td>
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<td>4.6</td>
<td>✓</td>
<td>Processes in place for the highest governing body to ensure conflicts of interest are avoided</td>
<td>-</td>
<td>3.1.2, 6.1.1</td>
<td>87, 298-299</td>
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<td>✓</td>
<td>Process for determining the composition of the highest governing body and its Specialized Committees, and the qualifications and expertise of its members</td>
<td>-</td>
<td>3.1.2, 6.1.1 and 6.1.2</td>
<td>72-87, 298-299, 300-306</td>
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<td>4.8</td>
<td>✓</td>
<td>Internally developed codes of conduct and principles relevant to the organization’s economic, social and environmental performance</td>
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<td>1.3.4, 6.1.2 and 6.1.10</td>
<td>25, 300-306, 311-313</td>
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<td>4.9</td>
<td>✓</td>
<td>Procedures defined by the highest governing body for overseeing the organization's identification and management of economic, environmental and social performance</td>
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<td>6.1.2</td>
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<td>✓</td>
<td>Processes for evaluating the highest governing body’s own performance</td>
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<td>6.1.2</td>
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<td>4.12</td>
<td>✓</td>
<td>Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses</td>
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<td>6.1.6</td>
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<td>4.13</td>
<td>✓</td>
<td>Memberships in associations and/or national/international advocacy organizations</td>
<td>-</td>
<td>4.2.2 and 4.5.1</td>
<td>107-110, 165-168</td>
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<td>4.14</td>
<td>✓</td>
<td>List of stakeholder groups engaged by the organization</td>
<td>-</td>
<td>1.3.4 and 1.3.5</td>
<td>25, 26-34</td>
</tr>
<tr>
<td>4.15</td>
<td>✓</td>
<td>Basis for identification and selection of stakeholders with whom to engage</td>
<td>-</td>
<td>1.3.4 and 1.3.5</td>
<td>25, 26-34</td>
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</tbody>
</table>

Legend:
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√: partial indicator
The basic indicators are in bold.
## Sustainable Development

Methodology and international guidelines

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<tr>
<td>4.16</td>
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<td>Engagement with different stakeholder groups</td>
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<td>1.3.4, 1.3.5 and 4.4.4</td>
<td>25, 26-34, 150-153</td>
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<tr>
<td>4.17</td>
<td>✓</td>
<td>Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns</td>
<td>-</td>
<td>1.3.4, 1.3.5 and 4.4.4</td>
<td>25, 26-34, 150-153</td>
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</table>

### Economic

| EC1      | ✓                      | Direct economic value generated and distributed by Valeo                      | -                                             | 1.1             | 6-11        |
| EC3      | ✓                      | Coverage of the organization’s defined benefit plan obligations              | -                                             | 4.4.5           | 154         |
| EC4      | ✓                      | Significant financial assistance received from government                    | -                                             | 5.2.3 and 5.2.6 (Note 4.3) | 200, 223    |
| EC6      | ✓                      | Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation | Art. R. 225-105-1-I-1°-a), c)                 | 4.5.1           | 165         |
| EC7      | ✓                      | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation | Art. R. 225-105-1-I-1°-a)                    | 4.4.2           | 137         |
| EC8      | ✓                      | Impact of infrastructure investments and services                            | Art. R. 225-105-1-I-1°-a)                    | 5.1.4           | 194-197     |
| EC9      | ✓                      | Indirect economic impacts                                                    | Art. R. 225-105-1-I-1°-a)                    | 4.5             | 164         |

### Environmental

| EN1      | ✓                      | Materials used by weight or volume                                           | Art. R. 225-105-1-I-1°-a)                    | 4.3.5           | 127         |
| EN2      | ✓                      | Percentage of materials used that are recycled input materials                | Art. R. 225-105-1-I-1°-a)                    | 4.3.5           | 128         |
| EN3      | ✓                      | Direct energy consumption by primary energy source                           | Art. R. 225-105-1-I-1°-a)                    | 4.3.5           | 129         |
| EN4      | ✓                      | Indirect energy consumption by primary source                               | Art. R. 225-105-1-I-1°-a)                    | 4.3.5           | 129         |
| EN5      | ✓                      | Energy saved due to conservation and efficiency improvements                 | Art. R. 225-105-1-I-1°-a)                    | 4.3.5           | 129         |
| EN6      | ✓                      | Initiatives to provide energy-efficient or renewable energy-based products and services | Art. R. 225-105-1-I-1°-a)                    | 4.2.3           | 111-114, 130 |
| EN8      | ✓                      | Total water withdrawal by source                                            | Art. R. 225-105-1-I-1°-a)                    | 4.3.5           | 126         |
| EN9      | ✓                      | Water sources significantly affected by withdrawal of water                   | Art. R. 225-105-1-I-1°-a)                    | 4.3.5           | 126         |
| EN10     | ✓                      | Percentage and total volume of water recycled and reused                     | Art. R. 225-105-1-I-1°-a)                    | 4.3.5           | 126         |

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<tr>
<td>EN11</td>
<td>✓</td>
<td>Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td>
<td>Art. R. 225-105-1-I-2°-e)</td>
<td>4.3.7</td>
<td>134</td>
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<tr>
<td>EN12</td>
<td>✓</td>
<td>Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas</td>
<td>Art. R. 225-105-1-I-2°-e)</td>
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<tr>
<td>EN14</td>
<td>✓</td>
<td>Strategies, current actions and future plans for managing impacts on biodiversity</td>
<td>Art. R. 225-105-1-I-2°-e)</td>
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<tr>
<td>EN16</td>
<td>✓</td>
<td>Total direct and indirect greenhouse gas emissions by weight</td>
<td>Art. R. 225-105-1-I-2°-d)</td>
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<td>EN17</td>
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<td>Other relevant indirect greenhouse gas emissions by weight</td>
<td>Art. R. 225-105-1-I-2°-d)</td>
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<tr>
<td>EN18</td>
<td>✓</td>
<td>Initiatives to reduce greenhouse gas emissions and reductions achieved</td>
<td>Art. R. 225-105-1-I-2°-d)</td>
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<tr>
<td>EN19</td>
<td>✓</td>
<td>Emissions of ozone-depleting substances by weight</td>
<td>Art. R. 225-105-1-I-2°-b)</td>
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<td>EN20</td>
<td>✓</td>
<td>NOx, SOx, and other significant air emissions by type and weight</td>
<td>Art. R. 225-105-1-I-2°-b)</td>
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<tr>
<td>EN21</td>
<td>✓</td>
<td>Total water discharge, by quality and destination</td>
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<tr>
<td>EN22</td>
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<td>Total weight of waste, by type and disposal method</td>
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<tr>
<td>EN23</td>
<td>✓</td>
<td>Total number and volume of significant spills</td>
<td>Art. R. 225-105-1-I-2°-b)</td>
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<tr>
<td>EN24</td>
<td>✓</td>
<td>Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention</td>
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<td>EN26</td>
<td>✓</td>
<td>Initiatives to mitigate environmental impacts of products and services</td>
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<td>EN27</td>
<td>✓</td>
<td>Percentage of products sold and their packaging materials that are reclaimed by category</td>
<td>Art. R. 225-105-1-I-2°-c)</td>
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<td>EN28</td>
<td>✓</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</td>
<td>Art. R. 225-105-1-I-2°-a)</td>
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<td>EN29</td>
<td>✓</td>
<td>Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce</td>
<td>Art. R. 225-105-1-I-2°-d)</td>
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<td>EN30</td>
<td>✓</td>
<td>Total environmental protection expenditures and investments</td>
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<td>LA1</td>
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<td>Total workforce by employment type, employment contract and region, broken down by gender</td>
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<tr>
<td>LA2</td>
<td>✓</td>
<td>Total number and rate of new employee hires and employee turnover</td>
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<td>LA3</td>
<td>✓</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>Art. R. 225-105-1-I-1°-a)</td>
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<tr>
<td>LA4</td>
<td>✓</td>
<td>Percentage of employees covered by collective bargaining agreements</td>
<td>Art. R. 225-105-1-I-1°-c)</td>
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<td>LA7</td>
<td>✓</td>
<td>Rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities by gender</td>
<td>Art. R. 225-105-1-I-1°-b), c)</td>
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<td>143, 146</td>
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<td>LA8</td>
<td>✓</td>
<td>Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases</td>
<td>Art. R. 225-105-1-I-1°-d)</td>
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<td>LA9</td>
<td>✓</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
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<td>143, 150-151</td>
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<td>LA10</td>
<td>✓</td>
<td>Average hours of training per year per employee by gender</td>
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<td>LA11</td>
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<td>Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</td>
<td>Art. R. 225-105-1-I-1°-e)</td>
<td>4.4.6, 4.4.7</td>
<td>159-161</td>
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<td>LA13</td>
<td>✓</td>
<td>Composition of governance bodies and breakdown of employees per employee category according to gender, age group and other indicators</td>
<td>Art. R. 225-105-1-I-1°-f)</td>
<td>4.4.6</td>
<td>156, 159-160</td>
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<tr>
<td>HR2</td>
<td>✓</td>
<td>Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening</td>
<td>Art. R. 225-105-1-I-3°-b), c)</td>
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<td>HR3</td>
<td>✓</td>
<td>Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained</td>
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<td>HR5</td>
<td>✓</td>
<td>Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights</td>
<td>Art. R. 225-105-1-I-1°-f</td>
<td>4.4.4</td>
<td>150</td>
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<tr>
<td>HR6</td>
<td>✓</td>
<td>Prohibition of child labor</td>
<td>Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor</td>
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<td>1.3.4</td>
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<tr>
<td>HR7</td>
<td>✓</td>
<td>Abolition of forced and compulsory labor</td>
<td>Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor</td>
<td>-</td>
<td>1.3.4</td>
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</table>

**Society**

| SO1      | ✓                      | Percentage of operations with implemented local community engagement, impact assessments, and development programs | Art. R. 225-105-1-I-3°-a | 4.5 – Introduction, 4.5.4 | 164, 170 |
| SO2      | ✓                      | Percentage and total number of business units analyzed for risks related to corruption | Art. R. 225-105-1-I-3°-d | 4.5.2 | 168   |
| SO3      | ✓                      | Percentage of employees trained in organization’s anti-corruption policies and procedures | Art. R. 225-105-1-I-3°-d | 4.5.2 | 168-169 |
| SO4      | ✓                      | Actions taken in response to incidents of corruption | Art. R. 225-105-1-I-3°-d | 4.5.2 | 168-169 |
| SO5      | ✓                      | Public policy positions and participation in public policy development and lobbying | Art. R. 225-105-1-I-3°-b | 4.5.2 | 169   |
| SO6      | ✓                      | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | Art. R. 225-105-1-I-3°-b | 4.5.2 | 169   |

**Product responsibility**

| PR1      | ✓                      | Life cycle stages in which health and safety impacts of products and services are assessed for improvement | 4.2.2, 4.5.3 | 107, 169 |

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### 4.6.3 Sustainable Development Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>CDP</td>
<td>Carbon Disclosure Project: an independent, non-profit organization working to drive greenhouse gas emissions reductions for companies and cities. <a href="http://www.cdproject.net">www.cdproject.net</a></td>
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<tr>
<td>VOC</td>
<td>Volatile organic compound: VOCs are composed of carbon, oxygen and hydrogen and are readily found as atmospheric gases.</td>
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<tr>
<td>GHG</td>
<td>Greenhouse gas: gases which absorb infrared rays emitted by the Earth’s surface and contributing to the greenhouse effect.</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative: a non-profit organization which develops internationally-applicable directives on sustainable development. <a href="http://www.globalreporting.org">www.globalreporting.org</a></td>
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<tr>
<td>ISO 14001</td>
<td>International standard on environmental management systems</td>
</tr>
<tr>
<td>Natura 2000</td>
<td>All European natural sites, whether land- or water-based, identified for the rarity or fragility of their wildlife or plant species and their habitat. <a href="http://ec.europa.eu/environment/nature/natura2000/">http://ec.europa.eu/environment/nature/natura2000/</a></td>
</tr>
<tr>
<td>OHSAS 18001</td>
<td>International standard on occupational health and safety information</td>
</tr>
<tr>
<td>CMR product</td>
<td>A carcinogen, mutagen or substance toxic for reproduction</td>
</tr>
<tr>
<td>QRQC</td>
<td>Quick Response Quality Control: Four step problem resolution method: Detection, Communication, Analysis and Verification</td>
</tr>
<tr>
<td>REACH regulation</td>
<td>European regulation no. 1907/2006 of December 18, 2006 (Registration, Evaluation and Authorization of Chemicals)</td>
</tr>
<tr>
<td>SAM</td>
<td>Sustainable Asset Management: an international investment company focused on sustainable investments. The company jointly manages with Standards and Poors’ the Dow Jones Sustainability Indexes, that track the sustainability performance of 2,500 of the largest companies listed on the Dow Jones Global Total Stock Market Index. <a href="http://www.sustainability-index.com/">http://www.sustainability-index.com/</a></td>
</tr>
<tr>
<td>Seveso</td>
<td>The Seveso European Directive requires European Union member states to identify industrial sites which present risks of major accidents. Companies can be Seveso-classified based on the quantities and types of hazardous products on site.</td>
</tr>
<tr>
<td>ZNIEFF</td>
<td>French natural zone of interest for ecology, flora and fauna (Zone naturelle d’intérêt écologique, faunistique et floristique): an inventory program aiming at collecting exhaustive and up-to-date information on the natural environment, whether land- or water-based, whose interest lies either in the balance or richness of the ecosystem, or in the presence of rare or endangered plant or animal species. <a href="http://www.centre.developpement-durable.gouv.fr/zone-naturelle-d-interet-r95.html">http://www.centre.developpement-durable.gouv.fr/zone-naturelle-d-interet-r95.html</a> (French only)</td>
</tr>
</tbody>
</table>
## 4.7 Summary of Valeo’s CSR performance

### 4.7.1 Summary of environmental performance

The indicators are presented in the order that they appear in section 4.3.

<table>
<thead>
<tr>
<th>Environmental indicator</th>
<th>Unit</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales across all sites in reporting scope, €m</td>
<td>€m</td>
<td>7,448</td>
<td>9,482</td>
<td>10,704</td>
<td>11,626</td>
</tr>
<tr>
<td>Number of sites in reporting scope</td>
<td></td>
<td>118</td>
<td>115</td>
<td>117</td>
<td>126</td>
</tr>
<tr>
<td><strong>General policy on environmental issues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of sites able to obtain ISO 14001 and OHSAS 18001 certification(1)</td>
<td>-</td>
<td>115</td>
<td>115</td>
<td>108</td>
<td>121</td>
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<tr>
<td>ISO 14001-certified sites</td>
<td>%</td>
<td>90</td>
<td>98</td>
<td>98</td>
<td>96</td>
</tr>
<tr>
<td>OHSAS 18001-certified sites</td>
<td>%</td>
<td>82</td>
<td>89</td>
<td>93</td>
<td>88</td>
</tr>
<tr>
<td>Functional expenditure allocated to environment, €k</td>
<td>€k</td>
<td>11,740</td>
<td>11,123</td>
<td>12,454</td>
<td>13,911</td>
</tr>
<tr>
<td>Capital expenditure allocated to environment, excluding cleanup costs, €k</td>
<td>€k</td>
<td>2,080</td>
<td>1,796</td>
<td>5,260</td>
<td>1,884</td>
</tr>
<tr>
<td>Cleanup costs, sites in operation, €k</td>
<td>€k</td>
<td>1,358</td>
<td>710</td>
<td>704</td>
<td>447</td>
</tr>
<tr>
<td>Total provisions allocated to environmental risks, €k</td>
<td>€k</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>Number of fines and compensation awards</td>
<td></td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Amount of fines and compensation awards</td>
<td>€k</td>
<td>113</td>
<td>8</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td><strong>Prevention of pollution and management of waste</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atmospheric NOx emissions</td>
<td>metric tons</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>134</td>
</tr>
<tr>
<td>Atmospheric NOx emissions/Sales, kg/€m</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11.5</td>
</tr>
<tr>
<td>Atmospheric VOC emissions(1)</td>
<td>metric tons</td>
<td>1,001</td>
<td>926</td>
<td>1,023</td>
<td>1,360</td>
</tr>
<tr>
<td>Atmospheric VOC emissions/Sales, kg/€m</td>
<td></td>
<td>134</td>
<td>98</td>
<td>96</td>
<td>119</td>
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<tr>
<td>Atmospheric TCE emissions</td>
<td>metric tons</td>
<td>42</td>
<td>19</td>
<td>34</td>
<td>249</td>
</tr>
<tr>
<td>Atmospheric TCE emissions/Sales, kg/€m</td>
<td></td>
<td>5.6</td>
<td>2.0</td>
<td>3.2</td>
<td>21.5</td>
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<tr>
<td>Atmospheric lead emissions</td>
<td>kg</td>
<td>11</td>
<td>1</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Atmospheric lead emissions/Sales, g/€m</td>
<td></td>
<td>1.5</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Emissions of ozone-depleting substances</td>
<td>kg eq. CFC-11, thousands of cu.m</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>478</td>
</tr>
<tr>
<td>Volume of industrial effluents treated</td>
<td></td>
<td>642</td>
<td>684</td>
<td>580</td>
<td>604</td>
</tr>
<tr>
<td>Heavy metal content in these effluents</td>
<td>kg</td>
<td>278</td>
<td>563</td>
<td>155</td>
<td>65</td>
</tr>
<tr>
<td>Number of significant spills</td>
<td></td>
<td>-</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total waste generated</td>
<td>metric tons</td>
<td>113.1</td>
<td>151.0</td>
<td>181.8</td>
<td>197.3</td>
</tr>
<tr>
<td>Of which hazardous waste</td>
<td>%</td>
<td>14</td>
<td>13</td>
<td>12</td>
<td>12</td>
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<tr>
<td>Of which non-hazardous waste</td>
<td>%</td>
<td>86</td>
<td>87</td>
<td>88</td>
<td>88</td>
</tr>
<tr>
<td>Total waste generated/Sales</td>
<td>metric t/€m</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>17</td>
</tr>
</tbody>
</table>

### Summary of Valeo’s CSR performance

#### Environmental indicator

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste recovery rate</td>
<td>%</td>
<td>82</td>
<td>83</td>
<td>83</td>
<td>79</td>
</tr>
<tr>
<td>Total waste exported</td>
<td>metric tons</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>302</td>
</tr>
<tr>
<td>Ratio of total waste exported/Total waste generated</td>
<td>%</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>Number of environmental complaints</td>
<td></td>
<td>-</td>
<td>-</td>
<td>14</td>
<td>5</td>
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</tbody>
</table>

#### Sustainable use of resources

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water consumption</td>
<td>cu.m</td>
<td>2,343</td>
<td>2,402</td>
<td>2,300</td>
<td>2,502</td>
</tr>
<tr>
<td>Total water consumption/Sales</td>
<td>cu.m/€M</td>
<td>315</td>
<td>253</td>
<td>215</td>
<td>215</td>
</tr>
<tr>
<td>Packaging materials consumption</td>
<td>metric tons</td>
<td>47.2</td>
<td>60.1</td>
<td>64.7</td>
<td>71.4</td>
</tr>
<tr>
<td>Proportion of plastic packaging</td>
<td>%</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Proportion of cardboard packaging</td>
<td>%</td>
<td>63</td>
<td>63</td>
<td>62</td>
<td>63</td>
</tr>
<tr>
<td>Proportion of wood packaging</td>
<td>%</td>
<td>30</td>
<td>28</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td>Proportion of other types of packaging</td>
<td>%</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Consumption of raw materials – metals</td>
<td>metric tons</td>
<td>760</td>
<td>723</td>
<td>817</td>
<td>877</td>
</tr>
<tr>
<td>Consumption of raw materials – plastics and resins</td>
<td>metric tons</td>
<td>125</td>
<td>161</td>
<td>182</td>
<td>195</td>
</tr>
<tr>
<td>Packaging materials consumption/Sales</td>
<td>metric t/€m</td>
<td>6.3</td>
<td>6.3</td>
<td>6.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Consumption of heavy metals</td>
<td>metric tons</td>
<td>37</td>
<td>25</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td>Consumption of heavy metals/Sales</td>
<td>kg/€M</td>
<td>5.0</td>
<td>2.7</td>
<td>2.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Consumption of chlorinated solvents</td>
<td>metric tons</td>
<td>220</td>
<td>114</td>
<td>6</td>
<td>273</td>
</tr>
<tr>
<td>Consumption of chlorinated solvents/Sales</td>
<td>kg/€M</td>
<td>29.5</td>
<td>12.0</td>
<td>0.5</td>
<td>23.5</td>
</tr>
<tr>
<td>Consumption of CMR substances</td>
<td>metric tons</td>
<td>188</td>
<td>134</td>
<td>110</td>
<td>279</td>
</tr>
<tr>
<td>Consumption of CMR substances/Sales</td>
<td>kg/€M</td>
<td>25.0</td>
<td>14.1</td>
<td>10.5</td>
<td>24.0</td>
</tr>
<tr>
<td>Consumption of recycled plastics</td>
<td>metric tons</td>
<td>7.5</td>
<td>10.3</td>
<td>10.7</td>
<td>11.7</td>
</tr>
<tr>
<td>Total energy consumption</td>
<td>GWh</td>
<td>1,433</td>
<td>1,716</td>
<td>1,764</td>
<td>1,841</td>
</tr>
<tr>
<td>Proportion of electricity</td>
<td>%</td>
<td>67</td>
<td>67</td>
<td>69</td>
<td>70</td>
</tr>
<tr>
<td>Proportion of natural gas</td>
<td>%</td>
<td>30</td>
<td>30</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Proportion of fuel oil</td>
<td>%</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Proportion of other energy sources</td>
<td>%</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total energy consumption/Sales</td>
<td>MWh/€M</td>
<td>192</td>
<td>181</td>
<td>165</td>
<td>158</td>
</tr>
<tr>
<td>Direct energy consumption/Sales</td>
<td>MWh/€M</td>
<td>62</td>
<td>58</td>
<td>50</td>
<td>46</td>
</tr>
<tr>
<td>Indirect energy consumption/Sales</td>
<td>MWh/€M</td>
<td>130</td>
<td>123</td>
<td>115</td>
<td>112</td>
</tr>
<tr>
<td>Energy efficiency: expected gain</td>
<td>MWh</td>
<td>-</td>
<td>-</td>
<td>39,693</td>
<td>23,582</td>
</tr>
</tbody>
</table>

#### Fight against climate change

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct greenhouse gas emissions (GHG)</td>
<td>CO₂ eq</td>
<td>108.1</td>
<td>129.1</td>
<td>131.5</td>
<td>153.2</td>
</tr>
<tr>
<td>Indirect GHG emissions</td>
<td>CO₂ eq</td>
<td>336.1</td>
<td>410.5</td>
<td>457.7</td>
<td>506.4</td>
</tr>
<tr>
<td>Other relevant indirect GHG emissions</td>
<td>CO₂ eq</td>
<td>3,049.9</td>
<td>3,887.4</td>
<td>4,515.7</td>
<td>4,738.3</td>
</tr>
</tbody>
</table>

### 4.7.2 Summary of labor-related indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valeo Group headcount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineers and managers</td>
<td>10,834</td>
<td>11,375</td>
<td>13,611</td>
<td>15,929</td>
</tr>
<tr>
<td>Administrative staff, technicians and supervisors</td>
<td>7,433</td>
<td>7,637</td>
<td>10,910</td>
<td>9,333</td>
</tr>
<tr>
<td>Operators</td>
<td>28,789</td>
<td>31,767</td>
<td>35,268</td>
<td>39,748</td>
</tr>
<tr>
<td><strong>Registered headcount</strong></td>
<td>47,056</td>
<td>50,779</td>
<td>59,789</td>
<td>65,010</td>
</tr>
<tr>
<td>Temporary staff</td>
<td>5,054</td>
<td>7,151</td>
<td>8,211</td>
<td>7,590</td>
</tr>
<tr>
<td><strong>Total headcount</strong></td>
<td>52,110</td>
<td>57,930</td>
<td>68,000</td>
<td>72,600</td>
</tr>
<tr>
<td>Permanent staff</td>
<td>44,705</td>
<td>47,146</td>
<td>54,897</td>
<td>60,708</td>
</tr>
<tr>
<td>Non-permanent staff</td>
<td>7,405</td>
<td>10,784</td>
<td>13,111</td>
<td>11,882</td>
</tr>
<tr>
<td><strong>Total headcount outside France</strong></td>
<td>36,492</td>
<td>43,490</td>
<td>53,133</td>
<td>58,232</td>
</tr>
<tr>
<td>Number of new hires on permanent contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineers and managers</td>
<td>713</td>
<td>1,470</td>
<td>3,631</td>
<td>3,301</td>
</tr>
<tr>
<td>Administrative staff, technicians and supervisors</td>
<td>194</td>
<td>432</td>
<td>2,415</td>
<td>967</td>
</tr>
<tr>
<td>Operators</td>
<td>1,729</td>
<td>3,712</td>
<td>6,545</td>
<td>6,723</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,636</td>
<td>5,614</td>
<td>12,591</td>
<td>10,991</td>
</tr>
<tr>
<td>Number of new hires on fixed-term contracts</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineers and managers</td>
<td>73</td>
<td>123</td>
<td>220</td>
<td>175</td>
</tr>
<tr>
<td>Administrative staff, technicians and supervisors</td>
<td>65</td>
<td>68</td>
<td>609</td>
<td>132</td>
</tr>
<tr>
<td>Operators</td>
<td>3,746</td>
<td>4,871</td>
<td>5,376</td>
<td>5,262</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>3,884</td>
<td>5,062</td>
<td>6,205</td>
<td>5,569</td>
</tr>
<tr>
<td><strong>Departures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract terminations</td>
<td>3,806</td>
<td>2,058</td>
<td>2,010</td>
<td>2,234</td>
</tr>
<tr>
<td>o/w layoffs</td>
<td>2,619</td>
<td>733</td>
<td>196</td>
<td>211</td>
</tr>
<tr>
<td>Resignations</td>
<td>2,038</td>
<td>2,141</td>
<td>3,855</td>
<td>4,260</td>
</tr>
<tr>
<td>Early retirement</td>
<td>225</td>
<td>115</td>
<td>111</td>
<td>90</td>
</tr>
<tr>
<td>Retirement</td>
<td>285</td>
<td>247</td>
<td>288</td>
<td>415</td>
</tr>
<tr>
<td><strong>Overtime (hours)</strong></td>
<td>4,393,339</td>
<td>5,463,551</td>
<td>7,647,515</td>
<td>12,265,653</td>
</tr>
<tr>
<td>Number of part-time employees</td>
<td>1,036</td>
<td>1,072</td>
<td>1,120</td>
<td>1,070</td>
</tr>
<tr>
<td>Rate of absenteeism</td>
<td>2.55%</td>
<td>2.35%</td>
<td>2.28%</td>
<td>2.25%</td>
</tr>
<tr>
<td><strong>Breakdown of women by occupational category (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineers and managers</td>
<td>18.50%</td>
<td>19%</td>
<td>19.90%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Administrative staff, technicians and supervisors</td>
<td>24.60%</td>
<td>24.30%</td>
<td>26.00%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Operators</td>
<td>38.10%</td>
<td>37.10%</td>
<td>38.30%</td>
<td>40.4%</td>
</tr>
<tr>
<td><strong>Diversity (number of nationalities in Valeo Group’s workforce)</strong></td>
<td>91</td>
<td>96</td>
<td>96</td>
<td>106</td>
</tr>
<tr>
<td>Number of collective bargaining agreements signed</td>
<td>315</td>
<td>269</td>
<td>211</td>
<td>221</td>
</tr>
<tr>
<td>Number of lost-time occupational accidents per million hours worked, Group (FR1)</td>
<td>4.08</td>
<td>3.96</td>
<td>2.83</td>
<td>2.64</td>
</tr>
</tbody>
</table>
### Summary of Valeo’s CSR performance

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of occupational accidents, with or without lost time, per million hours worked, Group (FR2)</td>
<td>22.57</td>
<td>16.64</td>
<td>15.38</td>
<td>13.27</td>
</tr>
<tr>
<td>Number of days lost owing to an occupational accident per thousand hours worked, Group (severity rate)</td>
<td>0.1</td>
<td>0.08</td>
<td>0.07</td>
<td>0.06</td>
</tr>
<tr>
<td>% of training hours devoted to safety</td>
<td>18.40%</td>
<td>16.40%</td>
<td>18.80%</td>
<td>15%</td>
</tr>
<tr>
<td>% of employees attending at least one training session devoted to safety</td>
<td>51.50%</td>
<td>59.60%</td>
<td>58.60%</td>
<td>65%</td>
</tr>
<tr>
<td>Number of training hours provided</td>
<td>780,413</td>
<td>944,671</td>
<td>1,029,768</td>
<td>1,119,584</td>
</tr>
<tr>
<td>Expenditure on training (in euros)</td>
<td>20,180,632</td>
<td>25,231,511</td>
<td>21,251,589</td>
<td>23,310,018</td>
</tr>
<tr>
<td>Number of employees trained</td>
<td>36,285</td>
<td>41,317</td>
<td>44,298</td>
<td>56,954</td>
</tr>
<tr>
<td>Number of disabled employees</td>
<td>716</td>
<td>768</td>
<td>824</td>
<td>956</td>
</tr>
<tr>
<td>Number of interns</td>
<td>1,281</td>
<td>2,593</td>
<td>1,216</td>
<td>1,611</td>
</tr>
<tr>
<td>Number of apprentices</td>
<td>743</td>
<td>713</td>
<td>770</td>
<td>882</td>
</tr>
<tr>
<td>Number of international corporate volunteers</td>
<td>183</td>
<td>150</td>
<td>137</td>
<td>129</td>
</tr>
</tbody>
</table>
4.8 Independent verifier’s statement of completeness and limited assurance report on social, environmental and societal information

Year ended December 31, 2012
To the Chief Executive Officer,

Pursuant to your request and in our capacity as independent verifier of Valeo, we hereby report to you on the consolidated social, environmental and societal information presented in the management report issued for the year ended December 31, 2012 in accordance with the requirements of Article L.225-102-1 of the French Commercial Code (Code de commerce).

Management’s Responsibility
The Board of Directors is responsible for the preparation of the management report including the consolidated social, environmental and societal information (the “Information”) in accordance with the requirements of Article R.225-105-1 of the French Commercial Code, presented as required by the entity’s internal reporting standards (the “Guidelines”) and available at the entity’s premises.

Our Independence and Quality Control
Our independence is defined by regulatory requirements, the Code of Ethics of our profession (Code de déontologie) and Article L.822-11 of the French Commercial Code. In addition, we maintain a comprehensive system of quality control including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent verifier’s responsibility
It is our role, on the basis of our work:

- to attest whether the required Information is presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R.225-105 of the French Commercial Code and Decree no. 2012-557 dated April 24, 2012 (statement of completeness);
- to provide limited assurance on whether the Information is fairly presented, in all material respects, in accordance with the Guidelines (limited assurance).

1. Statement of completeness

Our engagement was performed in accordance with professional standards applicable in France:

- we compared the Information presented in the management report with the list as provided for in Article R.225-105-1 of the French Commercial Code;
- we verified that the Information covers the consolidated scope, namely the entity and its subsidiaries within the meaning of Article L.233-1 and the controlled entities within the meaning of Article L.233-3 of the French Commercial Code;
- in the event of the omission of certain consolidated Information, we verified that an appropriate explanation was given in accordance with Decree no. 2012-557 dated April 24, 2012.

On the basis of our work, we attest that the required Information is presented in the management report.

2. Limited assurance report

Nature and scope of the work
We conducted our engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements) and French professional guidance. We performed the following procedures to obtain limited assurance that nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines. A higher level of assurance would have required more extensive work.

Our work consisted in the following:

- we assessed the appropriateness of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability taking into consideration, where applicable, the good practices in the sector;
- we verified that the Group had set up a process for the collection, compilation, processing and control of the Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the Information. We conducted interviews with those responsible for social and environmental reporting;
Independent verifier’s statement

we selected the consolidated Information to be tested and determined the nature and scope of the tests, taking into consideration their importance with respect to the social and environmental consequences related to the Group’s business and characteristics, as well as its societal commitments.

• Concerning the quantitative consolidated information that we deemed to be the most important:
  – at the level of the consolidating entity and the controlled entities, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this information,
  – at the level of the sites that we selected (1) based on their business their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews and we performed tests of detail based on sampling to verify that the procedures were correctly applied.

  The sample thus selected represents on average 4.5% of the workforce and between 3% and 15% of the quantitative environmental information tested.

• Concerning the qualitative consolidated information that we deemed to be the most important, we conducted interviews and reviewed the related documentary sources in order to corroborate this information and assess its fairness. On the subject of fair practices, interviews were conducted only at the consolidated entity’s level.

• As regards the other consolidated information published, we assessed its fairness and consistency in relation to our knowledge of the Company and, where applicable, through interviews or the consultation of documentary sources.

Comments on the Guidelines
We wish to make the following comments on the Social Guidelines:

Concerning the average number of training hours per person, the Guidelines do not sufficiently detail the different criteria to be considered to decide whether training hours should be taken into account or not.

Comments on the Information
We wish to make the following comments on the Environmental Information:

- Valeo should standardize its practices related to updating annual figures for the indicator on total consumption of packaging materials;
- regarding the waste recovery rate, Valeo should improve the collection of supporting documentation for recovered waste;
- regarding greenhouse gas emissions, the sources taken into account exclude certain secondary sources such as fuel for test benches or methanol.

Conclusion
Regarding Volatile Organic Compounds (VOC) emissions, we were not able to confirm the completeness of the reported information given that some of the potentially concerned sites did not report data.

Based on our work described in this report, except for the effects of the matter described above, nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines.

(1) Amiens (Powertrain Systems, France), Etaples-sur-Mer (Powertrain Systems, France), Issoire (Visibility Systems, France), and Zaragoza (Thermal Systems, Spain).
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