

PRESENTATION OF THE PROPOSED RESOLUTIONS

Report of the Board of Directors

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

The presentation of the financial situation, business and performance of Valeo and its Group over the past financial year, as well as various information required by applicable legal and regulatory provisions, also appear in the report on the financial year ended December 31, 2016, which you are invited to read.

Madam, Sir, dear Shareholders,

We have convened this combined General Shareholders' Meeting (ordinary and extraordinary) of Valeo S.A. (the "**Company**") to submit for your approval twenty-one resolutions described in this report.

I. Resolutions within the powers of the Ordinary General Shareholders' Meeting

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

The General Shareholders' Meeting is first convened to approve the individual company financial statements (*first resolution*) and the consolidated financial statements (*second resolution*) of the Company for the financial year ended December 31, 2016, to allocate the profits and to set the amount of the dividend (*third resolution*) (please refer to the term "dividend" in the glossary for the tax-related information relating to the dividend for the past three financial years).

The individual company financial statements for the financial year ended December 31, 2016, show a profit of 262,248,346.56 euros. The Board of Directors of the Company proposes to pay a dividend of 1.25 euro per share for each share entitled to dividends, corresponding to an increase of 25% compared to the dividend paid for the financial year ended December 31, 2015, and, like last year, to a distribution rate of 32%.

The distributable profit of the Company (profit of the financial year ended December 31, 2016 of 262,248,346.56 euros and previous retained earnings of 1,500,995,244.21 euros) for the financial year ended December 31, 2016 amounts to 1,763,243,590.77 euros. Following the decision to pay a dividend of 1.25 euro per share for each share entitled to dividends, *i.e.* 297,377,832.50 euros, the balance of the distributable profit recorded in the "retained earnings" account amounts to 1,465,865,758.27 euros. The ex-dividend date will be May 30, 2017, the record date will be May 31, 2017 and the payment date will be as from June 1, 2017.

B. Approval of the related party agreements (fourth resolution)

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

Pursuant to the provisions of Articles L. 225-38 *et seq.* of the French Commercial Code, any new "related party" agreement, including the undertakings referred to in Article L. 225-42-1 of the same Code, are subject to the prior approval from the Board of Directors and, once concluded, gives rise to the issue of a special report of the Statutory Auditors, following which it must be approved by the Ordinary General Shareholders' Meeting.

The special report of the Company's Statutory Auditors on the agreements and undertakings governed by Articles L. 225-38 *et seq.* of the French Commercial Code describes the agreements and undertakings previously authorised by the General Shareholders' Meeting and which continued during the financial year ended December 31, 2016. It also lists the agreements and undertakings that were approved by the Board of Directors over the course of the financial year ended December 31, 2016, and that were approved by the General Shareholders' Meeting of May 26, 2016. These agreements and undertakings do not therefore require any new approval from you. You are thus invited, under the fourth resolution, to acknowledge that there are no new agreements or undertakings that were authorised and concluded over the financial year ended December 31, 2016, that have not already been approved by the General Shareholders' Meeting.

The agreements and commitments which continued are the following:

- (a) the undertaking made to Jacques Aschenbroich concerning a life insurance policy covering death, disability or any other consequence of an accident occurring during business travel (authorised by the Board of Directors on April 9, 2009, and approved by the General Shareholders' Meeting of June 3, 2010);
- (b) the non-competition payment granted to Jacques Aschenbroich pursuant to which he is prohibited from collaborating in any manner whatsoever with an automotive supplier and, more generally, any of Valeo's competitor for a period of 12 months following the end of his term of office as Valeo's Chief Executive Officer regardless of the reason. If this clause were to be implemented, Jacques Aschenbroich would receive a non-competition payment corresponding to 12 months of his annual compensation (calculated based on the average compensation (fixed and variable) paid during the three financial years preceding the financial year in which departure occurs) (authorised by the Board of Directors on February 24, 2010, February 24, 2011 (continuation without modification) and February 24, 2015, and approved by the General Shareholders' Meetings of June 3, 2010, and May 26, 2015);
- (c) the undertaking made to Jacques Aschenbroich concerning a pension plan with defined benefits (Article L. 137-11 of the French Social Security Code) applicable to the Group's senior executives as from January 1, 2010, (decision of the Board of Directors of April 9, 2009, implemented on October 20, 2009; amendment by the Board of Directors on February 21, 2012, January 23, 2014, and February 18, 2016; approved by the General Shareholders' Meeting on June 3, 2010 and May 26, 2016). The main characteristics of the plan are as follows:
 - cap due to the nature of the plan: additional pension of 1% of the reference salary per year of seniority, with a maximum limit of 20%;
 - cap on the basis determining entitlements: the supplement, under all plans combined, may not exceed 55% of the reference salary. The reference salary is the end-of-career salary, which is equal to the average last 36 months of fixed base compensation, increased by the variable part of the compensation for the periods subsequent to February 1, 2014, these components being received in respect of full time activity within the Valeo Group;
 - since February 18, 2016, the acquisition of supplementary pension rights is subject to a performance condition, which would be satisfied if the variable compensation of the Chairman and Chief Executive Officer paid in financial year N+1 with respect to financial year N were to reach 100% of the fixed compensation owed for financial year N. Failing this, the calculation of the rights allocated would be made on a pro rata basis.

Lastly, further to the appointment by the Board of Directors of Jacques Aschenbroich as Chairman of the Board of Directors on February 18, 2016, as a result of which he became both Chairman and Chief Executive Officer, Jacques Aschenbroich informed the Board of Directors of his wish to waive the right to a severance payment, the renewal of which had been approved by the General Shareholders' Meeting of May, 26, 2015, directly upon his appointment as Chairman and Chief Executive Officer. His decision to waive this right was acknowledged by the Board of Directors on February 18, 2016.

C. Renewal of members of the Board of Directors' terms of office (fifth, sixth and seventh resolutions)

The Board of Directors of a French *société anonyme* is composed of between three and eighteen members, subject to exceptions. As at the date of this report and since the General Shareholders' Meeting of May 26, 2016, the Board of Directors of the Company is composed of 14 directors. The decision to increase the number of directors from 12 to 14 made by the General Shareholders' Meeting of May 26, 2016, was motivated in particular by Valeo's efforts to comply with the new version of the AFEP-MEDEF Code dated November 2015, applicable at the time, which advised companies to take steps one year early to meet the legal obligation set out in Article L. 225-18-1 of the French Commercial Code, namely, for at least 40% of their directors to be female by the first Ordinary General Shareholders' Meeting taking place after January 1, 2017 at the latest. The

Company is fully compliant with Article L. 225-18-1 of the French Commercial Code as at the date hereof.

The terms of office of three directors – Gérard Blanc, Sophie Dutordoir and C. Maury Devine – are due to expire at the end of this General Shareholders' Meeting. Gérard Blanc and Sophie Dutordoir have informed the Board of Directors of their decision not to seek the renewal of their term of office. The Board of Directors acknowledged their decisions on February 15, 2017.

During the assessment of Board operations, which was reviewed by the Governance, Appointment and Corporate Social Responsibility Committee and the Board of Directors on February 14 and 15, 2017, respectively, the directors expressed their wish to keep the number of members of the Board to 12. On February 15, 2017, the Board of Directors subsequently decided, acting on the recommendation of the Governance, Appointment and Corporate Social Responsibility Committee, not to propose any replacements for Gérard Blanc and Sophie Dutordoir to the General Shareholders' Meeting.

In so far as Gérard Blanc and Sophie Dutordoir are not to be replaced as directors and to allow for the renewal of the members of the Board of Directors by quarter, in accordance with article 14.1 of the Company's articles of association, a new revocation order was drawn up by the Board of Directors on March 22, 2017, on the recommendation of the Governance, Appointment and Corporate Social Responsibility Committee. Accordingly, as provided for in the articles of association, the appointments of Mari-Noëlle Jégo-Laveissière and Véronique Weill will automatically lapse at the end of the General Shareholders' Meeting and a proposal for their re-appointment submitted to the General Shareholders' Meeting.

In light of the above, the Board of Directors, acting on the recommendation of the Governance, Appointment and Corporate Social Responsibility Committee, invites the Shareholders to renew the terms of office of C. Maury Devine, Mari-Noëlle Jégo-Laveissière and Véronique Weill for a period of four years, ending at the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2020 (*fifth, sixth and seventh resolutions*).

- *Biography of C. Maury Devine*

C. Maury Devine, born on January 19, 1951, (age 66), a US national, has been a director of the Company since April 23, 2015, and is a member of the Compensation Committee and the Governance, Appointment and Corporate Social Responsibility Committee. She is considered by the Company to be an independent director according to its Internal Procedures of the Board and the AFEP-MEDEF Code.

C. Maury Devine is a director of John Bean Technologies (United States). She is also a member of the independent Nominating and Governance Committee of Petroleum Geo-Services (Norway).

She served as a director of FMC Technologies (United States) until May 17, 2016 and Technip until January 17, 2017. C. Maury Devine was also Vice-Chair of Det Norske Veritas (DNV) between 2000 and 2010 and Fellow at the Belfer Center for Science and International Affairs at Harvard University between 2000 and 2003. Between 1987 and 2000, she held a number of positions at ExxonMobil Corporation, including that of Chair and Chief Executive Officer of its Norwegian subsidiary from 1996 to 2000 and that of Secretary General of Mobil Corporation between 1994 and 1996. Between 1972 and 1987, she worked for the US government in various capacities, most notably for the Department of Justice, the White House and the US Drug Enforcement Administration (DEA).

C. Maury Devine is a graduate of Middlebury College, the University of Maryland and Harvard University (Master's of Public Administration).

As at the date of this report, namely March 22, 2017, she held 1,500 shares in the Company.

- *Biography of Mari-Noëlle Jégo-Laveissière*

Mari-Noëlle Jégo-Laveissière, born on March 13, 1968, (age 49), a French national, has been a director of the Company since May 26, 2016, and is a member of the Audit and Risk Committee.

She is considered by the Company to be an independent director according to its Internal Procedures of the Board and the AFEP-MEDEF Code.

Mari-Noëlle Jégo-Laveissière is Executive Vice President of Innovation, Marketing & Technologies at Orange. She is also an independent director of Engie, Orange Romania and Bulyn S.A.

She began her career in 1996 at the Paris regional office (*Direction Régionale de Paris*) of France Télécom's commercial distribution network. Since then, she has held various leadership positions within the Orange group: head of Consumer Marketing France (*Marketing Grand Public France*), Director of Research and Development and Director of International Networks. She became a member of the Executive Committee of Orange in March 2014 in her capacity as Executive Vice-President of Innovation, Marketing & Technologies.

Mari-Noëlle Jégo-Laveissière holds a degree from *École normale supérieure* and she graduated in engineering from *Corps des Mines*. She also holds a doctorate in quantum chemistry from the Université de Paris XI – Waterloo.

As at the date of this report, namely March 22, 2017, she holds 1,500 shares in the Company.

- *Biography of Véronique Weill*

Véronique Weill, born on September 16, 1959, (age 57), a French national, has been a director of the Company since May 26, 2016, and is a member of the Strategy Committee. She is considered by the Company to be an independent director according to its Internal Procedures of the Board and the AFEP-MEDEF Code.

Véronique Weill was Chief Customer Officer for the AXA Group and Chief Executive Officer of AXA Global Asset Management until January 18, 2017. She also sits on AXA's Research Fund Scientific Board, as well as on the Board of Directors of the Gustave Roussy Foundation and the Louvre Museum. She was Chair of various AXA subsidiaries in France, Spain and Italy. After spending more than 20 years at J.P. Morgan, where she held various positions including global head of operations for the investment banking business and global head of IT and operations for the asset management and private banking business, Véronique Weill joined AXA in June 2006 as Chief Executive Officer of AXA Business Services and Director of Operational Excellence.

Véronique Weill is a graduate of *Institut d'études politiques* de Paris (IEP) and has a bachelor's degree in literature from the Sorbonne University.

As at the date of this report, namely March 22, 2017, she holds 2,390 shares in the Company.

D. Opinion on the compensation components owed or awarded to executive directors for the financial year ended December 31, 2016 (eighth and ninth resolutions)

On February 15, 2017, the Board of Directors, acting on the recommendation of the Governance, Appointment and Corporate Social Responsibility Committee and pursuant to Article 26 of the AFEP-MEDEF Code, to which the Company refers, decided to submit the compensation components owed or awarded to each executive director by Group companies for the financial year ended December 31, 2016, for the approval of the General Shareholders' Meeting.

For information purposes, the Board of Directors has submitted to the General Shareholders' Meeting a special report on the compensation components owed or awarded by all Valeo Group companies to each executive director for the financial year ended December 31, 2016 (the "**AFEP-MEDEF Special Report on Compensation**").

- ***Opinion on the compensation components owed or awarded to Pascal Colombani, Chairman of the Board of Directors until February 18, 2016, for the financial year ended December 31, 2016 (eighth resolution)***

Under the eighth resolution, we propose that you approve the sole compensation component owed or awarded to Pascal Colombani by the Company for the financial year ended December 31, 2016, for his role as Chairman of the Board of Directors, held until February 18, 2016, *i.e.*, the amount of his annual fixed compensation, as presented in the AFEP-MEDEF Special Report on Compensation.

- ***Opinion on the compensation components owed or awarded to Jacques Aschenbroich, Chief Executive Officer until February 18, 2016, and Chairman and Chief Executive Officer from that date, for the financial year ended December 31, 2016 (ninth resolution)***

Under the ninth resolution, we propose that you approve the following compensation components owed or awarded to Jacques Aschenbroich by Valeo for his role as Chief Executive Officer until February 18, 2016, and as Chairman and Chief Executive Officer from that date, for the financial year ended December 31, 2016, as presented in the AFEP-MEDEF Special Report on Compensation:

- the amount of his annual fixed compensation,
- the amount of his annual variable compensation,
- the number and accounting valuation of the performance shares allotted to him in 2016,
- the valuation of benefits in kind (company car, annual contribution to the *Garantie Sociale des Chefs et Dirigeants d'entreprise* insurance scheme and annual contribution to pension fund (*prévoyance*) granted to him, and
- the severance payment, the non-competition payment and the benefit of the pension plan granted to him, (i) it being recalled that in his capacity as Chief Executive Officer before being appointed as Chairman of the Board of Directors, Jacques Aschenbroich was entitled to a severance package, which he waived when appointed to a joint role as Chairman of the Board of Directors and Chief Executive Officer on February 18, 2016 and (ii) it being specified that no compensation in relation to those components is owed for the financial year ended December 31, 2016.

E. Approval of the policy on the compensation of the Chairman and Chief Executive Officer (tenth resolution)

Under the tenth resolution, we propose that you approve the policy on the compensation of the Chairman and Chief Executive Officer, as presented in the Board of Directors' report prepared pursuant to Article L. 225-37-2 of the French Commercial Code, on the principles and criteria for determining, allocating, and awarding the fixed, variable and exceptional components of total remuneration and benefits of all kinds that may be owed or awarded to the Chairman and Chief Executive Officer and appended hereto in Schedule 1.

F. Share buy-back program (eleventh resolution)

Possible reasons for use of the resolution

Companies whose shares are admitted to trading on a regulated market may decide to set up buy-back programs of their own shares, under the conditions provided for under the applicable laws and regulations.

During the financial year ended December 31, 2016, the Company used the authorisations granted by the General Shareholders' Meetings of May 26, 2015 and May 26, 2016, pursuant to the twelfth and eighteenth resolutions, respectively, for the purpose of proceeding with the buy-back of its own shares. These authorisations have been implemented to ensure (i) the market-making in the market of the Company's share pursuant to a liquidity contract compliant with the AFEI Code of Ethics (French Association of Investment Firms) executed with an investment services provider on April 22, 2004, and (ii) the covering of stock option and performance shares plans. Detailed

information on these transactions is provided for in Section 6.5 "Share Buyback Program" of the 2016 Registration document of the Company.

Conditions for implementation

In so far as the authorisation granted by the General Shareholders' Meeting of May 26, 2016, will expire during the 2017 financial year, the Shareholders are invited to grant the Board of Directors a new authorisation to carry out transactions in shares issued by the Company for the purpose of:

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

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

The Board of Directors would be granted full powers (with powers to sub-delegate under the conditions set out by the applicable laws).

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

Share repurchase price

The **maximum repurchase price** is set at **100 euros** per share.

Ceiling

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

The **maximum amount** of funds that the Company may allocate to this share buy-back program would be **2,391,431,300 euros**.

It is specified that, in compliance with applicable laws, **the Company may not hold more than 10% of its own share capital**.

Period of validity

The authorisation would be valid for a period of **18 months** as from this General Shareholders' Meeting and would cancel, as of the same date, the unused portion as at the date of this General Shareholders' Meeting, of the authorisation granted by the General Shareholders' Meeting of May 26, 2016, under its eighteenth resolution.

The proposed resolution is included in the summary table attached in Schedule 2 of this report.

II. Resolutions within the powers of the Extraordinary General Shareholders' Meeting

The main purpose of these financial authorisations and delegations described hereafter (and summarised in the table attached in Schedule 2) is to provide the Company with enhanced flexibility, ability and speed of market-responsiveness in order, if applicable, to resort to such markets by issuing securities and to quickly and flexibly raise funds that are necessary to finance the development of the Company.

These resolutions may be divided in two main categories: those that may result in an issue with maintenance of the shareholders' preferential subscription right ("**PSR**") and those that may result in an issue with cancellation of the PSR.

Any issue with the PSR, which is detachable and tradable under the terms set out in the law, allows each shareholder to subscribe for a number of securities in proportion of his or her shareholding, during a minimum time period set out by law as from the opening of the subscription period (for information purposes, as at the date of this report, five trading days).

For certain resolutions, you are asked to grant the Board of Directors the option of cancelling this PSR. Indeed, depending on market conditions, on the type of investors targeted by the issue and on the type of securities issued, it may be preferable or even necessary to cancel the PSR in order to make a placement of securities on the best possible terms, in particular, when speed is an essential condition for its success or when such issues are carried out on foreign financial markets. Such cancellation may lead to raise more funds due to better issue terms.

These authorisations and delegations would of course be subject to limits. First, each of these authorisations and delegations would be granted only for a limited period. In addition, the Board of Directors would only be able to issue securities (capital and debt) up to strictly defined ceilings above which the Board of Directors would not be able to issue securities without convening a new General Shareholders' Meeting. These ceilings are presented hereafter and summarised in the table attached in Schedule 2.

If the Board of Directors carries out a transaction pursuant to a delegation of authority granted by the General Shareholders' Meeting, it will, if applicable and in compliance with the applicable laws and regulations, at the time of its decision, issue an additional report on the definitive terms of the transaction as well as its impact on the situation of the existing holders of equity securities or securities giving access to the share capital, and in particular with respect of their share of equity. This report, as well as, if applicable, the Statutory Auditors' report, would be made available to the holders of equity securities or securities giving access to the share capital and then brought to their attention at the next General Shareholders' Meeting.

Please note that, as a result of the order of July 31, 2014, issues of securities that do not result in dilution (securities that are debt securities entitling the holder to receive debt securities or giving access to existing equity securities) fall under the authority of the Board of Directors.

Lastly, please also note that, **without prior consent from the General Shareholders' Meeting, the Board of Directors may not use any of the authorisations and delegations granted for the issue of securities following the submission by a third party of a proposed public tender offer for the securities of the Company** and until the end of the offer period.

A. Issue of shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allocation of debt securities, with maintenance of the PSR (twelfth resolution)

Possible reasons for use of the resolution

As stated in the introduction, this resolution enables the Company to raise, if necessary with speed and flexibility, funds on the markets by funding from all its shareholders so as to finance its development as well as the development of its Group.

Conditions for implementation

This resolution would enable the Board of Directors to issue:

- shares;
- securities that are equity securities giving access to the share capital of the Company or a Subsidiary and/or granting entitlement to the allocation of debt securities;
- securities that are debt securities giving access to the share capital of the Company or a Subsidiary to be issued.

The shareholders would have, a in proportion to the amount of their shares and subject to the legal conditions, a **tradable PSR under the terms set out in the law to be exercised** in respect of the shares and securities to be issued (a PSR on a non-reducible basis) within a minimum time period set out by law as from the opening of the subscription period (for information purposes, as at the date of this report, five trading days).

The Board of Directors may also decide to create for the shareholders a **subscription right on a reducible basis**. If created and if the non-reducible subscriptions collected (*i.e.*, by exercise of the PSR referred to above) would not be sufficient to cover all of the new securities, the remaining securities would be allocated between the shareholders who subscribed on a reducible basis **in proportion to their subscription rights and in any event not more than they requested**. Should these subscriptions not cover all of the securities issued, the Board of Directors could decide: (i) to distribute all or part of the unsubscribed securities and/or (ii) to offer to the public all or part of the unsubscribed securities and/or (iii) to limit the issue to the amount of subscriptions received provided that said amount is equivalent to at least three quarters of the amount of the planned issue.

The Board of Directors would be granted full powers required to implement this delegation of authority (with powers to sub-delegate under the conditions set out by the applicable laws).

Price

The **price** which would be set by the Board of Directors must be **at least equal to the nominal value**.

Ceiling

The **maximum nominal amount of the share capital increases** would be set at **70 million euros, i.e., 29.27% of the share capital** (excluding the additional amount that might be issued in order to preserve the rights of holders of securities giving access to the share capital), it being specified that it would count toward the **Global Ceiling (Equity) amounting to 131 million euros**.

The **maximum nominal amount of securities that represent debt securities** would be set at **1.5 billion euros**, it being specified that it would count toward the **Global Ceiling (Debt) amounting to 1.5 billion euros**.

Period of validity

This delegation would be valid for a period of **26 months** as from this General Shareholders' Meeting and would cancel, as of the same date, the unused portion as at the date of this General Shareholders' Meeting, of the delegation granted by the General Shareholders' Meeting of May 26, 2015, under its thirteenth resolution.

B. Issue of shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allocation of debt securities, with cancellation of the PSR (thirteenth to fourteenth resolutions)

Possible reasons for use of the resolutions

As stated in the introduction, these issues carried out with **cancellation of the PSR**, either by the means of an **offer to the public** (*thirteenth resolution*) or a **private placement** (*fourteenth resolution*), may be used to place securities in the most efficient ways, in particular when speed is an essential condition for their success or when the issues are carried out on foreign financial markets. Such cancellation may enable the Company to raise more funds due to better issue terms.

In addition, the thirteenth resolution enables the Company, in the event it were to decide to launch a public exchange offer, in France or abroad, on a target company whose shares are admitted to trading on one of the regulated market referred to in Article L. 225-148 of the French Commercial Code), to **deliver securities of the Company in exchange for the securities of the target it receives**.

Conditions for implementation

This resolution would enable the Board of Directors to issue:

- shares,
- securities that are equity securities giving access to the share capital of the Company or a Subsidiary and/or granting entitlement to the allocation of debt securities, or
- securities that are debt securities giving access to the share capital of the Company or a Subsidiary to be issued.

In addition, the issues referred to above may be used following the issue, by a Subsidiary, of securities giving access to the Company's share capital to be issued.

These issues would be carried out **with cancellation of the PSR** (i) by the means of an **offer to the public** (*thirteenth resolution*) which may, pursuant to the Board of Directors' decision, include a priority subscription period for the shareholders or (ii) by **private placement** *i.e.*, an offer addressed solely (x) to persons providing portfolio management services on behalf of third parties, (y) qualified investors or a restricted circle of investors, providing that such investors are acting on their own behalf (*fourteenth resolution*). These issues would **also be used as consideration for securities contributed to a public exchange offer launched by the Company** (*thirteenth resolution*).

If, within the context of an offer to the public (*thirteenth resolution*), subscriptions do not absorb the entire issue, the Board of Directors may decide to freely distribute all or part of the unsubscribed securities and/or to limit the issue to the amount of subscriptions received provided that said amount of subscription is equivalent to at least three quarters of the amount of the decided issue. This last option also applies to the fourteenth resolution.

The Board of Directors would be granted full powers required to implement these delegations of authority (with powers to sub-delegate under the conditions set out by the applicable laws).

Price

The issue price of these shares issued directly will be at least equal to the minimum amount set by the applicable laws and regulations on the issue date after any adjustment, as the case may be, of this amount to take into account the difference of date upon which the shares will bear dividend rights (for information purposes, as at the date of this General Shareholders' Meeting, a price at least equal to the weighted average share price of the last three trading sessions on the regulated market of Euronext Paris preceding the determination of the subscription price of the share capital increase, minus 5%).

Regarding shares issued by virtue of securities, the total amount that will be received by the Company as consideration for such securities will be at least equal to the **minimum price per**

share provided for by the applicable laws and regulations (as at the day of the issue of these securities).

It is specified that the rules relating to the determination of the price described above would not be applicable to securities issued as consideration for securities contributed to a public exchange offer launched by the Company.

Ceiling

The maximum nominal amount of the share capital increases would be set at 23 million euros, *i.e.*, 9.62% of the share capital (excluding the additional amount that might be issued in order to preserve the rights of holders of securities giving access to the Company's share capital), it being specified that this limit of 23 million euros would be jointly applicable to these two resolutions and the seventeenth resolution (remuneration for contributions in kind granted to the Company) and that it would also count toward the **Global Ceiling (Equity) amounting to 131 million euros**.

Please note, for information, that pursuant to the law, the share capital increases carried out by private placement are capped at 20% of the share capital per year. The limit set by the fourteenth resolution is therefore much lower than this legal limit.

The maximum nominal amount of securities that represent debt securities would be set at 1.5 billion euros per resolution, it being specified that it would count toward the **Global Ceiling (Debt) amounting to 1.5 billion euros**.

Period of validity

These delegations would be valid for a period of 26 months as from this General Shareholders' Meeting and would cancel the delegations granted by the General Shareholders' Meeting of May 26, 2015, under its fourteenth and fifteenth resolutions.

C. Increase in the number of securities to be issued with maintenance or cancellation of the PSR under an over-allotment option in the event that demand exceeds the number of securities offered (fifteenth resolution)

Possible reasons for use of the resolution

This resolution prevents the reduction of subscriptions in the event of high demand by allowing the Board of Directors, within certain limits, to increase the number of securities initially issued by reopening the relevant issue (greenshoe clause).

Conditions for implementation

This delegation of authority would allow the Board of Directors to decide, under the conditions set out by the applicable laws and regulations and in the event of **excess demand for an issue of securities with maintenance or cancellation of the PSR** (issues of securities with maintenance of the PSR under the twelfth resolution and issues of securities by means of offers to the public or private placement, with cancellation of the PSR under the thirteenth and fourteenth resolutions), **to increase the number of securities to be issued**.

The resolution would need to be implemented within the time periods set out by the applicable laws, *i.e.*, as at the date hereof, within 30 days from the closing of the subscription period.

Price

The issue would be carried out **at the same price as that decided for the initial issue**.

Ceiling

This resolution allows the Company to serve an excess demand up to the limit set out by law, *i.e.*, **15% of the initial issue** as at the date hereof.

The **maximum nominal amount of the share capital increases** will count towards the **ceiling set in the resolution under which the issue is decided** (issues of securities with maintenance of the PSR under the twelfth resolution, and issues by means of an offer to the public or a private placement with cancellation of the PSR under the thirteenth and fourteenth resolutions) and towards the **Global Ceiling (Equity)**. **The same rules apply to ceilings in relation to any issue of securities representing debt securities.**

Period of validity

This delegation would be valid for a period of **26 months** as from this General Shareholders' Meeting and would cancel, as of the same date, the unused portion as at the date of this General Shareholders' Meeting, of the delegation granted by the General Shareholders' Meeting of May 26, 2015, under its seventeenth resolution.

D. Issue by capitalisation of premiums, reserves, profits or other amounts that may be capitalised (sixteenth resolution)

Possible reasons for use of the resolution

This resolution allows to increase the share capital by successive or simultaneous capitalisations of reserves, profits, premiums and other amounts that may be capitalised, without contribution of fresh money being necessary. The shareholders' rights would not be affected by such transaction, since it would involve the issue of new securities allocated free of charge or the increase of the nominal value of existing securities.

Conditions for implementation

As stated above, these share capital increases would be followed by the issue of new securities allocated free of charge or the increase of the nominal value of the existing shares or by a combination of the two procedures.

The Board of Directors would be granted full powers to implement this delegation of authority (with powers to sub-delegate under the conditions set out by the applicable laws).

Ceiling

The **maximum nominal amount of the share capital increases** that may be carried out under this resolution would be set at **30 million euros** (excluding the additional amount that might be issued in order to preserve the rights of holders of securities giving access to the Company's share capital), it being specified that this ceiling would count toward the **Global Ceiling (Equity) amounting to 131 million euros.**

Period of validity

This delegation would be valid for a period of **26 months** as from this General Shareholders' Meeting and would cancel, as of the same date, the unused portion as at the date of this General Shareholders' Meeting, of the delegation granted by the General Shareholders' Meeting of May 26, 2015, under its sixteenth resolution.

E. Issue of securities to be used as remuneration for contributions in kind granted to the Company (seventeenth resolution)

Possible reasons for use of the resolution

This delegation allows the Board of Directors to carry out external growth transactions in France or abroad or to repurchase minority stakes within the Group without any impact on the Company's cash.

This delegation cannot be used if the Company decides to issue securities to be used as remuneration for securities contributed to the Company within the context of a public exchange offer (such transaction being included in the thirteenth resolution described above).

Conditions for implementation

This resolution would allow the Board of Directors to issue:

- shares,
- securities that are equity securities giving access to the share capital of the Company and/or granting entitlement to the allocation of debt securities, or
- securities that are debt securities giving access to the share capital of the Company to be issued.

These issues will be carried out to the benefit of contributors.

The Board of Directors would be granted full powers (with powers to sub-delegate under the conditions set out by the applicable laws) to implement this delegation of powers.

Ceiling

The maximum nominal amount of the share capital increases would be set at **23 million euros, i.e., 9.62% of the share capital** (excluding the additional amount that might be issued in order to preserve the rights of holders of securities giving access to the Company's share capital), it being specified that **this limit would be jointly applicable with the thirteenth and fourteenth resolutions** (issues by way of an offer to the public and by private placement, with cancellation of the PSR) and would count towards the **Global Ceiling (Equity) amounting to 131 million euros**.

Please note, for information, that pursuant to the law, the share capital increases carried out under this resolution are capped at 10% of the share capital. The limit set by this resolution is therefore lower than this legal limit.

The maximum nominal amount of the securities that represent debt securities would be set at **1.5 billion euros**, it being specified that it would count toward the **Global Ceiling (Debt) amounting to 1.5 billion euros**.

Period of validity

This delegation would be valid for a period of **26 months** as from this General Shareholders' Meeting and would cancel, as from the same date, any unused portions of the delegation granted by the General Shareholders' Meeting of May 26, 2015, under its eighteenth resolution.

F. Incentive schemes for the Company's employees or corporate officers: issue of securities to be subscribed for by members of savings plans, with cancellation of the PSR (eighteenth resolution)

Possible reasons for use of the resolution

This resolution enables to provide the Valeo Group's employees, in France and abroad, with the opportunity to subscribe for Company's securities so as to involve them more closely in the Company's expansion and success on its historical markets and on emerging markets that are essential for the Group's future growth.

It also aims at meeting requirements of applicable laws providing that the General Shareholders' Meetings shall decide upon a draft resolution on a share capital increase reserved for employees members of a savings plan where the agenda of such General Shareholders' Meeting includes the adoption of resolutions pursuant to which a share capital increase through a cash contribution is

decided immediately or through delegation, unless the share capital increase results from a prior issue of securities giving access to the Company's share capital.

Lastly, it also aims at meeting requirements of applicable laws which require that, when an issuer's employees hold less than 3% of its share capital, it must propose to the General Shareholders' Meeting a draft resolution allowing the completion of a share capital increase reserved for employee members of a savings plan, at regular intervals set out by the applicable laws.

Implementation modalities

This resolution would enable the Board of Directors to issue:

- ordinary shares,
- securities that are equity securities giving access to the Company's share capital, or
- securities that are debt securities giving access to the Company's share capital to be issued.

These issues would be carried out **with cancellation of the PSR**.

The Board of Directors will be granted full powers (with powers to sub-delegate under the conditions set out by the applicable laws) to implement this delegation of authority.

Price

The issue price of the securities will be determined pursuant to the conditions set out by law and will be **at least equal to 80% of the Reference Price or 70% of the Reference Price where the lock-up period is greater than or equal to 10 years**. The term "Reference Price" means the weighted average share price of the Company on the regulated market of Euronext Paris from the last twenty trading sessions preceding the date of the decision defining the opening date of the subscription period.

The Board of Directors would also be granted authority **to reduce or eliminate this discount** within the limits set out by the applicable laws and regulations, in order to take into account any local legal, accounting, financial or social security-related rules as may be applicable. The Board of Directors could also decide to allocate additional securities in lieu of all or part of the discount on the Reference Price and/or employer's contribution, it being specified that the benefit resulting from any such allocation may not exceed the legal or regulatory limits.

Ceiling

The **maximum nominal amount of the share capital increases** would set at **5 million euros** (excluding the additional amount that might be issued in order to preserve the rights of holders of securities giving access to the Company's share capital), it being specified that it would **count towards the Global Ceiling (Equity) amounting to 131 million euros**.

The **maximum nominal amount of the securities that represent debt securities** would be set at **1.5 billion euros**, it being specified that this ceiling would **count towards the Global Ceiling (Debt) amounting to 1.5 billion euros**.

Period of validity

This delegation would be valid for a period of **26 months** as from this General Shareholders' Meeting and would cancel, as of the same date, the unused portion as at the date of this General Shareholders' Meeting, of the delegation granted by the General Shareholders' Meeting of May 26, 2015, under its twentieth resolution.

G. Share capital decrease by cancellation of treasury shares (nineteenth resolution)

Possible reasons for use of the resolution

The cancellation of the Company's treasury shares that were in general acquired within the framework of a share buy-back program authorised by the General Shareholders' Meeting may

have various financial purposes such as active capital management, balance sheet optimisation or the offsetting of the dilution resulting from share capital increases.

Conditions for implementation

The Board of Directors would have the authority to cancel all or part of the shares that it may purchase under a share buy-back program.

The Board of Directors would be granted full powers (with powers to sub-delegate under the conditions set out by the applicable laws) to implement this authorisation.

Ceiling

Pursuant to the applicable laws, cancellation of treasury shares would be limited to **10% of the share capital per 24-month period**.

Period of validity

This authorisation would be valid for a period of **26 months** as from this General Shareholders' Meeting and would cancel, as of the same date, the unused portion as at the date of this General Shareholders' meeting of the delegation granted by the General Shareholders' meeting of May 26, 2015 under its nineteenth resolution.

H. Amendments to the articles of association

- **Amendment of the articles of association to set the conditions for appointing directors representing employees (*twentieth resolution*) – law No. 2015-994 of August 17, 2015, on social dialogue and employment**

The Board of Directors proposes that the General Shareholders' Meeting amends the provisions of the articles of association concerning the composition of the Board of Directors (*article 13*) and the directors' term of office – Age Limit – Conditions – Compensation (*article 14*) to set the conditions for appointing directors representing employees, in accordance with law No. 2015-994 of August 17, 2015, on social dialogue and employment, set out in Article L. 225-27-1 of the French Commercial Code. The Board of Directors recalls that the Company meets the criteria set forth in Article L. 225-27-1 of the French Commercial Code in so far as its registered office is located in France and it employs more than five thousand people worldwide (as at December 31, 2016, the Group had 91,721 employees). The General Shareholders' Meeting has therefore an obligation to set the conditions for the appointment of directors representing employees.

The law requires companies with more than 12 directors to have at least two representing employees and companies with 12 or fewer directors to have one representing the employees. The number of directors is assessed on the date of appointment of the director(s) representing employees. In so far as the Board of Directors of the Company will have 12 members at the close of this General Shareholders' Meeting, only one director representing employees would be appointed and would take office no later than six months after this General Shareholders' Meeting. Although there is no legal requirement to do so given the number of directors at the close of this General Shareholders' Meeting (12 members), to avoid making multiple amendments to the articles of association on this point, it is suggested to include conditions for the appointment of a second director representing employees in the articles of association.

As required by law, it shall therefore be provided that the first director representing employees would be appointed by the Group Committee and the second by the European Works Council, given the international profile of the Group. The Group Committee, which was consulted in accordance with the law, issued on December 7, 2016 a neutral opinion on the contemplated appointment conditions.

Please note that should the General Shareholders' Meeting decide not to adopt this resolution, the director representing employees will be appointed by way of an election held within the Group companies located in France.

I. Powers to complete formalities (twenty-first resolution)

We propose that you grant full powers to complete all filings and formalities required by law as a result of this General Shareholders' Meeting.

III. Information relating to ongoing business since the beginning of financial year 2017

Based on the assumption that the worldwide automotive production shall increase by 1.5% to 2% and that raw material prices and exchange rates will remain at their current levels, the Group's objectives for the coming year are to increase its revenue by 5 points more than the market and slightly increase its operating margin (expressed in terms of percentage of revenue and before taking into account any acquisitions).

The beginning of financial year 2017 was marked by the following events:

- On January 11, 2017, placement of a bond issue of 500 million euros for a period of 6 years bearing interest at a fixed rate of 0.625%;
- On January 12, 2017, closing of a public tender offer on the Ichikoh securities which enabled Valeo to acquire control over the Japanese leader in the automotive lighting industry;
- On February 2, 2017, execution of an agreement with the Pyeong Hwa group for the creation of a joint venture company in the transmission field which will bear the name Valeo-Kapec, subject in particular to the approval of certain competition authorities;
- On February 15, 2017, Valeo acquired 33% of the share capital of Kuantic, whose technology will be used to extract essential driving data for the provisions of tailored services;
- On March 6, 2017, execution of an agreement with an investment services provider for the purchase of Valeo shares to be allocated to the implementation of any stock options plan, allotment of shares to employees for their participation in the profits of the company growth and the implementation of any company savings plan;
- On March 8, 2017, decision of the European Commission regarding the breach of European competition rules by a certain number of manufacturers of air conditioning and compressor components, between 2004 and 2009, pursuant to an investigation launched in July 2011. The fine accepted by Valeo amounts to 26.7 million euros;
- On March 13, 2017, acquisition of 100% of the share capital of gestigon, a German start-up specialised in 3D interior image processing software.

Schedule 1

THE BOARD OF DIRECTORS' REPORT TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 23, 2017 ON THE PRINCIPLES AND CRITERIA FOR DETERMINING, DISTRIBUTING AND GRANTING THE FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS OF TOTAL COMPENSATION AND OTHER BENEFITS PAYABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR HIS DUTIES IN RESPECT OF THE YEAR ENDING DECEMBER 31, 2017

French Law no. 2016-1691 on transparency, anti-corruption and economic modernization of December 9, 2016 (known as the "Sapin II law"), provides for a binding shareholder vote on the principles and criteria for determining, distributing and granting the fixed, variable and exceptional components of total compensation and other benefits payable to the Chairman and Chief Executive Officer for his duties in respect of the year ending December 31, 2017, constituting the compensation policy for the Chairman and Chief Executive Officer.

The purpose of this report provided for in Article L.225-37-2 of the French Commercial Code (*Code de commerce*) is to present the principles and criteria adopted by the Board of Directors, acting on the recommendation of the Compensation Committee¹ (committee set up following the division of the Appointments, Compensation & Governance Committee on January 26, 2017). In accordance with Article L.225-100 of the French Commercial Code, the amounts resulting from these principles and criteria will be subject to shareholder approval at the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2017.

We recommend approving the principles and criteria as presented in this report.

If the resolution is not approved by the shareholders at the Ordinary and Extraordinary Shareholders' Meeting of May 23, 2017, the compensation for the Chairman and Chief Executive Officer will be determined in accordance with that granted in respect of the preceding fiscal year.

The compensation package of the Chairman and Chief Executive Officer of Valeo is determined by the Board of Directors acting on the recommendation of the Compensation Committee and in compliance with the AFEP-MEDEF Corporate Governance Code as amended in November 2016 (the "**AFEP-MEDEF Code**").

Accordingly, for the preparation and determination of the compensation policy, Valeo takes into account the Company's general interest, the shareholders' interest, market practices and the performance of the Chairman and Chief Executive Officer, as well as the other stakeholders in the Company.

Valeo assesses compensation as a whole, taking into account each component due or granted to the Chairman and Chief Executive Officer. The compensation components are complementary and meet various objectives. A balanced allocation between the various components is also sought. The structure, allocation of the various components of compensation and related amounts are subject to comparative studies based on panels comprising companies belonging to the CAC 40 index and comparable European industrial companies. Such comparison enables Valeo to track and align its compensation policy with market practices.

The compensation policy and criteria for each component of the Chairman and Chief Executive Officer's compensation are set out below.

1. Fixed compensation of the Chairman and Chief Executive Officer

The fixed annual compensation notably remunerates for responsibilities associated with the duties of Chairman and Chief Executive Officer. In accordance with the AFEP-MEDEF Code, fixed compensation is reviewed at relatively long intervals. At its meeting of June 8, 2011, the Board of Directors, acting on the recommendation of the Appointments, Compensation & Governance Committee, set the fixed annual compensation of the Chairman of the Board of Directors and of the Chief Executive Officer. It took effect on June 1, 2011 and remained unchanged until February 18, 2016.

In light of the combination of the positions of Chairman of the Board of Directors and Chief Executive Officer, and the continued growth of the Valeo Group's scope since 2011, and after noting that the fixed annual

¹ The Compensation Committee has six members, all of whom are independent within the meaning of the AFEP-MEDEF Code, as amended in November 2016 and updated in the Board of Directors' Internal Procedures.

compensation of the Chairman and Chief Executive Officer was lower than the average fixed compensation reported in various comparative studies on the compensation of Chief Executive Officers and Chairmen and Chief Executive Officers of companies belonging to the CAC 40 index and comparable European industrial companies, at its meeting on February 18, 2016, the Board of Directors, acting on the recommendation of the Appointments, Compensation & Governance Committee, decided to increase the fixed annual compensation previously paid to the Chief Executive Officer who is now the Chairman and Chief Executive Officer, from 900,000 euros to 1,000,000 euros. This compensation has remained unchanged since that date. There are currently no plans to amend it until the end of the Chairman and Chief Executive Officer's current term of office.

2. Variable compensation of the Chairman and Chief Executive Officer

Each year, the Board of Directors analyzes the annual variable compensation of the Chairman and Chief Executive Officer, on the recommendation of the Compensation Committee.

The variable portion of the compensation should be in line with the Chairman and Chief Executive Officer's performance, as well as the Company's strategy and progress. It is therefore determined partly according to quantifiable criteria with strict and ambitious objectives based on the Group's operating and financial performance, and partly on a qualitative basis. The quantifiable and qualitative objectives to be reached are set according to specific, demanding and predetermined objectives.

In the interests of stability with respect to the criteria for assessing and continuously measuring the Chairman and Chief Executive Officer's performance, the following criteria for the Chairman and Chief Executive Officer's variable compensation, considered as particularly representative of the Company's performance, were applied in previous years and renewed by the Board of Directors at its meeting of February 14, 2017, acting on the recommendation of the Compensation Committee:

- **five quantifiable criteria:** (i) operating margin, (ii) free cash flow², (iii) net income, (iv) return on capital employed (ROCE), and (v) the Group's order intake. The objectives of the quantifiable criteria are demanding and their level of achievement adjusted from one year to the next to ensure that the executive corporate officer's interests are in line with the shareholders' interests and geared towards value creation. The same criteria and objectives are also used to set the variable compensation of the members of Valeo's Operations Committee and Liaison Committee. The maximum amount of the Chairman and Chief Executive Officer's annual variable compensation is granted subject to the achievement of ambitious objectives (significantly higher than the budget) set by the Board of Directors, acting on the recommendation of the Compensation Committee.
- **three qualitative criteria:** (i) financial communications, (ii) strategic vision, and (iii) risk management. The level of achievement of each of these objectives is measured differently, and sub-criteria are regularly added to strengthen the stringency and the degree of achievement of the objectives.

In accordance with the provisions of the AFEP-MEDEF Code, the total amount of the variable portion is expressed as a percentage of the fixed annual compensation, each criterion granting entitlement to a percentage of the fixed annual compensation (see table below).

The Chairman and Chief Executive Officer's variable portion is capped at 170% of his fixed annual compensation. At its meeting on July 24, 2015, when reviewing the variable compensation of the executive corporate officer, the Board of Directors, acting on the recommendation of the Appointments, Compensation & Governance Committee, decided to cap the amount of the variable compensation at 170% of the fixed annual compensation, in view of the Company's strong operating performance and after noting that the variable compensation of the executive corporate officer was misaligned with the median variable compensation reported in various comparative studies on the compensation of Chief Executive Officers and Chairmen and Chief Executive Officers of companies belonging to the CAC 40 index and comparable European industrial companies.

² The quantifiable criterion pertaining to operating cash has been clarified compared to previous years. Reference is now made to "free cash flow".

The following table summarizes the quantifiable and qualitative criteria, the entitlement relating to each of these criteria in terms of percentage of annual fixed compensation, as well as the maximum variable compensation of the Chairman and Chief Executive Officer for 2017:

Quantifiable criteria⁽¹⁾	
Nature of the criterion	Maximum amount of the variable portion as a % of fixed annual compensation
Operating margin	23%
Free cash flow ⁽²⁾	23%
Net income ⁽³⁾	23%
Return on capital employed (ROCE)	23%
Consolidated order intake ⁽⁴⁾	23%
TOTAL QUANTIFIABLE CRITERIA	115%
Qualitative criteria	
Nature of the criterion	Maximum amount of the variable portion as a % of fixed annual compensation
Financial communications This criterion is measured, in particular, based on variations in Valeo's share price in comparison with the share prices of several European, North American and Japanese companies operating in the same sector as the Company	5%
Strategic vision This criterion is measured based on: assessment of the analysts; strategic operations carried out by Valeo; the increase in the proportion of innovative products ⁽⁵⁾ in the order intake for the year; the presentation by Management at a strategy seminar of a technology roadmap and its impact on R&D and human resources.	25%
Risk management This criterion is measured, in particular, based on: continued and intensified measures to reinforce the compliance policy; the management of risks related to the ramp-up in production taking account of order intake, new product launches and customer complaints; the Valeo Group's policy on corporate social responsibility and management of the corresponding risks.	25%
TOTAL QUALITATIVE CRITERIA	55%
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	170%
<p>(1) Excluding tax and regulatory impact. (2) Assuming that the investment budget is respected. (3) Assuming a 20% tax rate for the Group. (4) Excluding Ichikoh. (5) Products and technologies in series production for less than three years.</p>	

3. Long-term compensation policy applicable to the Chairman and Chief Executive Officer – allotment of performance shares

The aim of allotting performance shares is not only to encourage the Chairman and Chief Executive Officer to take a long-term approach to his duties, but also to retain him and align his interests with those of Valeo and

its shareholders. Under the performance share plans, performance criteria must be met over a period of three consecutive years. Valeo applies strict and ambitious financial and operating performance criteria considered as particularly representative of the Company's performance. The criteria, which have been adopted and renewed by the Board of Directors, acting on the recommendation of the Appointments, Compensation & Governance Committee over recent years, and applied for 2017, are as follows: (i) pre-tax return on assets (ROA) (excluding acquisitions), (ii) operating margin, and (iii) return on capital employed (ROCE). The aforementioned criteria would be met if, for each of them, the arithmetic average over the three years of the reference period, of the ratio between the actual return achieved and the target return that will be set by the Board of Directors at the beginning of each reference year, and that will be at least equal to the guidance for the year under review, is equal to or greater than one, it being specified that the target return set by the Board of Directors may not be modified subsequently. The guidance will change in line with the Group's ambitious objectives as announced at the Investor Day on February 28, 2017.

In addition, a presence condition must also be met at the time of each allotment. The performance shares allotted to the Chairman and Chief Executive Officer will vest only if his term of office has not expired on the vesting date (however, this presence condition may be waived by the Board of Directors unless his departure is attributable to gross negligence or misconduct) or he claimed his retirement benefits.

Each time that it decides to allot performance shares, the Board of Directors ensures that allotments for the Chairman and Chief Executive Officer do not represent an excessive proportion of the total number of performance shares allotted and that they have a limited impact in terms of dilution (195,000 shares under the twentieth resolution of the Shareholders' Meeting of May 26, 2016). In accordance with applicable laws and Company practices, the Group's executive managers and employees are also entitled to performance shares.

In accordance with the recommendations of the AFEP-MEDEF Code and the Code of Conduct, the Chairman and Chief Executive Officer must not use hedging transactions to reduce his risk. At the end of the holding period set by the Board of Directors, he must also hold a significant number of vested performance shares in the form of registered shares until the end of his term of office. This holding obligation corresponds to 50% of the vested performance shares.

The amount of performance shares allotted to the Chairman and Chief Executive Officer valued under IFRS must not exceed 270% of the Chairman and Chief Executive Officer's fixed annual compensation (100% of the maximum annual fixed and variable compensation). At its meeting on July 24, 2015, the Board of Directors, acting on the recommendation of the Appointments, Compensation & Governance Committee decided to cap the amount of performance shares at 270% of the fixed annual compensation when reviewing the variable compensation of the executive corporate officer, in view of the Company's strong operating performance and after noting that the variable compensation of the executive corporate officer was misaligned with the average variable compensation reported in various comparative studies on the compensation of Chief Executive Officers and Chairmen and Chief Executive Officers of companies belonging to the CAC 40 index and comparable European industrial companies.

4. Commitment pursuant to Article L.225-42-1 of the French Commercial Code – Defined benefit pension plan

With a view to retaining and motivating the executive corporate officer with regard to the Company's objectives, general interest and market practices, at its meeting of April 9, 2009, when determining the executive corporate officer's overall compensation, the Board of Directors decided to register him with the supplementary defined benefit pension plan for the Group's senior executives and referred to in Article L.237-11 of the French Social Security Code (*Code de la sécurité sociale*). This decision was implemented on October 20, 2009. In view of the executive corporate officer's age and the fact that he was not covered by any other supplementary pension plan, the decision was made to credit him with five years of service at the start of his tenure.

The pension plan, which is not closed, has been in force since January 1, 2010. It was adopted as a regulated commitment pursuant to Article L.225-38 of the French Commercial Code by the Shareholders' Meeting on June 3, 2010 in its twelfth resolution, and as a regulated commitment pursuant to Article L.225-42-1 of the French Commercial Code by the shareholders at the Shareholders' Meeting of May 26, 2016 in its fifth resolution.

There is a cap on the amount of the pension plan (entitlement corresponding to 1% of the reference salary per year of service, capped at 20%) and on the basis for determining entitlements (additional pension benefits, all plans combined, are capped at 55% of the reference salary³).

In order to comply with the provisions of French law no. 2015-990 for growth, activity and equality of opportunities of August 6, 2015 (known as the "Macron law"), it was decided that the acquisition of conditional supplementary pension benefits would be subject to a performance condition deemed achieved if the variable portion of the compensation of the Chairman and Chief Executive Officer paid in year Y+1 for year Y corresponds to 100% of the fixed compensation payable for year Y. In the event that the variable portion amounted to less than 100% of the fixed portion, rights would accrue on a prorata basis.

5. Commitment pursuant to Article L.225-42-1 of the French Commercial Code – Non-competition payment

In order to protect the Company's interests, a non-competition clause binding the executive corporate officer was put in place by the Board of Directors. This non-competition clause has been in force since February 24, 2010. To comply with the AFEP-MEDEF Code as amended in June 2013, at its meeting on February 24, 2015, the Board of Directors, acting on the recommendation of the Appointments, Compensation & Governance Committee, amended the non-competition clause, which was approved by the shareholders at the Shareholders' Meeting of May 26, 2015 in its fifth resolution pursuant to Article L.225-42-1 of the French Commercial Code.

If the Company triggers the non-competition clause, the executive corporate officer will 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, the executive corporate officer will receive a non-competition payment equal to 12 months of compensation (calculated by taking the average compensation [fixed and variable] paid for the three fiscal years preceding the year of departure). The payment will be made in equal monthly installments over the entire period to which the non-competition clause applies.

The Board of Directors will have to decide whether or not the non-competition agreement will be applied at the time the Chief Executive Officer leaves, particularly if he leaves Valeo to claim or after claiming retirement benefits. The Company reserves the right not to implement this agreement and to waive the non-competition clause, in which case no payment will be owed.

6. Other benefits

The Chairman and Chief Executive Officer is also entitled to benefits in kind which were set by the Board of Directors, at its meeting of April 9, 2009, when determining the executive corporate officer's overall compensation. He is therefore entitled to coverage under the unemployment insurance fund for Company managers, 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. Valeo also provides him with a company car.

7. Other components of compensation

The Chairman and Chief Executive Officer is not entitled to multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation or termination benefits. In this respect, it should be noted that the Chairman and Chief Executive Officer was entitled to termination benefits as Chief Executive Officer before his appointment as Chairman of the Board of Directors, which he waived following the combination of the positions of Chairman of the Board of Directors and Chief Executive Officer on February 18, 2016.

The Chairman and Chief Executive Officer does not receive attendance fees. He is not entitled to any compensation or other benefits as a result of agreements entered into with the Company⁴ or any Group company.

³ The reference salary is the end-of-career salary, which is the average of the last 36 months of basic fixed compensation plus, for periods subsequent to February 1, 2014, variable compensation received for working full time within the Group.

No stock purchase or subscription options or other long-term compensation component will be granted to the executive corporate officer in 2017.

We draw your attention to the fact that according to Article L.225-37-2 and Article L.225-100 of the French Commercial Code, the variable compensation components for the Chairman and Chief Executive Officer in respect of 2017 will be paid only after the approval of the fixed, variable and exceptional components of overall compensation and other benefits paid or granted to the Chairman and Chief Executive Officer for 2017 by the shareholders at an Ordinary Shareholders' Meeting.

⁴ Except for the non-competition and pension commitments referred to in points 4 and 5 of this report.

Schedule 2

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

No.	Description	Period of validity	Possible reasons for use of the authorisation or delegation	Ceilings	Price (or method for determining the price)	Conditions for the implementation of the authorisation
11	Authorisation to carry out transactions in shares issued by the Company.	18 months.	<p><u>Possible purposes for such share buy-back program:</u></p> <ul style="list-style-type: none"> ▪ The implementation of any Company stock option plan or any similar plan, enabling the acquisition of Company shares, in particular, by any employee or corporate officer. ▪ The allotment of free shares, in particular, to employees and corporate officers. ▪ The allotment or sale of shares to employees as part of their involvement in the performance and growth of the Company or for the implementation of any employee savings plans (or similar plan) under the conditions set out by the laws or of any similar plan. ▪ As a general matter, to comply with obligations in respect of stock option plans or other allocations of shares to employees or corporate officers. ▪ The delivery of shares upon exercise of the rights attached to securities giving access to the share capital. ▪ Retaining and subsequently delivering securities in the context of an external growth transaction, a merger, a spin-off or a contribution. ▪ The cancellation of all or part of the repurchased shares. ▪ Ensuring the market-making in the 	<ul style="list-style-type: none"> ▪ 10% of the share capital (at any time). ▪ 5% in the event of external growth transaction, merger, spin-off or contribution. ▪ Global amount allocated to the share buy-back program: 2,391,431,300 euros. 	Maximum purchase price: 100 euros per share.	May not be used during a public offer.

No.	Description	Period of validity	Possible reasons for use of the authorisation or delegation	Ceilings	Price (or method for determining the price)	Conditions for the implementation of the authorisation
			<p>secondary market or the liquidity of the Company share through an investment services provider pursuant to a liquidity contract compliant with the ethical code recognised by the French Financial Markets Authority.</p> <ul style="list-style-type: none"> ▪ Carrying out any market practice that is or may become authorised by the market authorities. ▪ Carry out any transaction on its shares for any other purpose that is or may become authorised by the applicable laws or regulations. 			
12	Issue of shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allocation of debt securities, with maintenance of the PSR.	26 months.	May be used by the Board of Directors in order to raise, with speed and flexibility, the financial means required to finance the growth and development of the Company and its Group, with maintenance of the PSR.	<ul style="list-style-type: none"> ▪ Maximum nominal amount for share capital increases: 70 million euros (<i>i.e.</i> 29.27% of the share capital), included in the Global Ceiling (Equity). ▪ Maximum nominal amount for securities representing debt securities: 1.5 billion euros, included in the Global Ceiling (Debt). 	Minimum price: nominal value.	<ul style="list-style-type: none"> ▪ Issue of shares and hybrid securities (including securities that are equity securities giving access to the share capital of a Subsidiary). ▪ Possibility to grant subscription right on a reducible basis. ▪ May not be used during a public offer.
13	Issue of shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allocation of debt securities, with cancellation of the PSR.	26 months.	<ul style="list-style-type: none"> ▪ May be used by the Board of Directors in order to raise, with speed and flexibility, the financial means required to finance the growth and development of the Company and its Group, with cancellation of the PSR. ▪ May be used to issue shares or securities giving access to the Company's share capital as compensation for the securities of a company meeting the conditions set out in Article L. 225-148 of the French Commercial Code within the framework of a public exchange offer launched by the Company. 	<ul style="list-style-type: none"> ▪ Maximum nominal amount for share capital increases: 23 million euros (<i>i.e.</i> 9.62% of the share capital), limit jointly applicable with the 14th and 17th resolutions, included in the Global Ceiling (Equity). ▪ Maximum nominal amount for securities representing debt securities: 1.5 billion euros, included in the Global Ceiling (Debt). 	<u>Shares</u> : the price will be at least equal to the minimum price per share set by the laws and regulations applicable on the issue date (as at the date hereof, the weighted average share price of the last three trading sessions on the regulated market of Euronext Paris preceding the determination of the subscription price, minus	<ul style="list-style-type: none"> ▪ Issue of shares and hybrid securities (including securities that are equity securities giving access to the share capital of a Subsidiary) with the possibility to issue hybrid securities or shares following the issue by a Subsidiary of securities giving access to the Company's share capital to be issued. ▪ Option to establish a non-

No.	Description	Period of validity	Possible reasons for use of the authorisation or delegation	Ceilings	Price (or method for determining the price)	Conditions for the implementation of the authorisation
					<p>5%).</p> <p><u>Securities:</u> regarding any share issued as a result of the issue of securities giving access to the share capital, the total amount received by the Company for such securities will be at least equal to the minimum issue price per share set out by the applicable laws and regulations (as at the date of the issue of those securities giving access to the share capital).</p> <p>Rules not applicable in the event of remuneration for securities within the framework of a public exchange offer launched by the Company.</p>	<p>tradable priority right, on a reducible basis as the case may be, to be exercised in accordance with the terms set out by the Board of Directors.</p> <ul style="list-style-type: none"> ▪ May not be used during a public offer.
14	Issue of shares and/or securities giving access to the Company's share capital and/or granting entitlement to the allocation of debt securities by private placement, with cancellation of the PSR.	26 months.	May be used by the Board of Directors in order to raise, with speed and flexibility, the financial means required to finance the growth and development of the Company and its Group, with cancellation of the PSR.	<ul style="list-style-type: none"> ▪ Maximum nominal amount for share capital increases: 23 million euros (<i>i.e.</i> 9.62% of the share capital, limit much lower than the legal limit of 20% of the share capital per year), limit jointly applicable with the 13th and 17th resolutions, included in the Global Ceiling (Equity). ▪ Maximum nominal amount for securities representing debt securities: 1.5 billion euros, included in the Global Ceiling (Debt). 	<p><u>Shares:</u> the price will be at least equal to the minimum price per share set out by the laws and regulations applicable on the issue date (as at the date hereof, the weighted average share price of the last three trading sessions on the regulated market of Euronext Paris preceding the determination of the subscription price, minus 5%).</p>	<ul style="list-style-type: none"> ▪ Issue of shares and hybrid securities (including securities that are equity securities giving access to the share capital of a Subsidiary) with possibility to issue hybrid securities or shares following the issue by a Subsidiary of securities giving access to the Company's share capital to be issued. ▪ May not be used during a public offer.

No.	Description	Period of validity	Possible reasons for use of the authorisation or delegation	Ceilings	Price (or method for determining the price)	Conditions for the implementation of the authorisation
					Securities: regarding any share issued as a result of the issue of securities giving access to the share capital, the total amount received by the Company for such securities will be at least equal to the minimum issue price per share set out by the applicable laws and regulations (as at the date of the issue of those securities giving access to the share capital).	
15	Increase of the number of securities to be issued in the event of an issue with maintenance or cancellation of the PSR as part of the over-allotment options applicable if the demand exceeds the number of securities offered.	26 months.	May be used to re-open an issue in the event of over-allotment (greenshoe clause).	<ul style="list-style-type: none"> ▪ 15% of the initial issue. ▪ Ceilings of the resolution under which the issue is decided, included in the Global Ceilings (Equity and Debt). 	Price identical to that applicable to the initial issue.	<ul style="list-style-type: none"> ▪ May be used in the event of excess demand for issues carried out under the 12th, 13th or 14th resolutions. ▪ May not be used during a public offer.
16	Share capital increase by capitalisation of premiums, reserves, profits or other amounts that	26 months.	May be used to increase the share capital by capitalisation of reserves, profits, premiums and other amounts that may be capitalised without any contribution of "fresh money" being necessary. The shareholders' rights would not be affected by such transaction, since it would involve the issue of new securities allocated free	Maximum nominal amount for share capital increases: 30 million euros, included in the Global Ceiling (Equity).	Amount of the sums to be capitalised determined by the Board of Directors.	<ul style="list-style-type: none"> ▪ Share capital increase carried out by way of an allocation of securities allocated free of charge or by an increase in the nominal value of the existing equity securities

No.	Description	Period of validity	Possible reasons for use of the authorisation or delegation	Ceilings	Price (or method for determining the price)	Conditions for the implementation of the authorisation
	may be capitalised.		of charge or the increase of the nominal value of existing securities.			<p>or by a combination of the two procedures.</p> <ul style="list-style-type: none"> May not be used during a public offer.
17	Issue of securities to be used as remuneration for contributions in kind granted to the Company.	26 months.	May be used to carry out external growth transactions or to repurchase minority stakes within the Group without any impact on the Company's cash.	<ul style="list-style-type: none"> Maximum nominal amount for capital increase: 23 million euros (i.e. 9.62% of the share capital, limit lower than the legal limit of 10%), limit jointly applicable with the 13th and 14th resolutions, included in the Global Ceiling (Equity). Maximum nominal amount for securities representing debt securities: 1.5 billion euros, included in the Global Ceiling (Debt). 	Appraisal of the contributions, of the type of securities to be issued and of the amount of the potential cash adjustments to be paid, to be determined by the Board of Directors.	<ul style="list-style-type: none"> Issue of shares and hybrid securities. This resolution cannot be used in the event of issue of securities as consideration for securities contributed to a public exchange offer (13th resolution). Issues carried out to the benefit of contributors. May not be used during a public offer.
18	Issue of shares or securities giving access to the share capital reserved for members of a savings plan, with cancellation of the PSR.	26 months.	<ul style="list-style-type: none"> May be used by the Board of Directors to offer Valeo Group employees in France and abroad the option of subscribing for shares or securities giving access to the Company's share capital, to involve them more closely in the growth of the Company. Meets statutory requirements (obligation to propose a draft resolution concerning a share capital increase reserved for employee members of a company savings plan: (i) when a proposal for a share capital increase via contributions in cash is made to the shareholders, save where the increase results from a prior issue of securities giving access to the share capital and (ii) whenever the employees hold less than 3% of the share capital (at regular intervals defined by law)). 	<ul style="list-style-type: none"> Maximum nominal amount for capital increase: 5 million euros, included in the Global Ceiling (Capital). Maximum nominal amount for securities representing debt securities: 1.5 billion euros, included in the Global Ceiling (Debt). 	<ul style="list-style-type: none"> 80% of the Reference Price. 70% of the Reference Price where the lock-up period provided for in the plan is ten years or longer. Option to reduce or cancel discounts, within statutory and regulatory limits. 	<ul style="list-style-type: none"> Issue of shares and hybrid securities. May not be used during a public offer.
19	Share capital decrease by	26 months.	May be used to reduce the Company's share capital for various financial purposes such as	<ul style="list-style-type: none"> 10% of the share capital per 	-	-

No.	Description	Period of validity	Possible reasons for use of the authorisation or delegation	Ceilings	Price (or method for determining the price)	Conditions for the implementation of the authorisation
	cancellation of treasury shares		active capital management, balance sheet optimisation or offsetting of the dilution resulting from share capital increases.	24-month period.		

GLOSSARY

Dividend

Amount of dividends distributed over the last three financial years:

- financial year 2015: 236.4 million euros;
- financial year 2014: 172.1 million euros;
- financial year 2013: 132.4 million euros.

All of these amounts were eligible for the 40% tax allowance for natural persons having their tax residence in France, as provided for in article 158,3-2° of the French Tax Code.

Preferential subscription right or "PSR"

For a description of the shareholders' preferential subscription right (or "PSR") and a summary of the underlying reasons that would justify the cancellation of such rights, please refer to Section II.

Priority right

In consideration for the cancellation of the PSR, the Board of Directors could introduce a priority right to subscribe for shares, which may be on a reducible basis (*i.e.*, the shareholder would not necessarily be entitled to receive the full allotment of shares requested). This right – like the PSR – would enable the shareholders to subscribe for the proposed issue in proportion to the number of existing shares they own. However, unlike the PSR, priority rights are exercisable within a priority subscription period, currently a minimum of three trading days, which timeframe is shorter than the period allowed for the PSR, and are not tradable. This priority period is not necessarily offered for every issue: as with the PSR, it may be preferable or even necessary not to offer it in order in order to make a placement of securities on the best possible terms, in particular, when speed is an essential condition for its success or when such issues are carried out on foreign financial markets.

Subsidiaries

Companies in which the Company directly or indirectly owns more than 50% of the share capital.

Global Ceiling (Equity)

General maximum limit for share capital increases made under the twelfth to eighteenth resolutions submitted to this General Shareholders' Meeting and equal to 131 million euros, or any other global ceiling as may be defined in a similar resolution which could supersede the twelfth resolution of this General Shareholders' Meeting.

Global Ceiling (Debt)

General maximum limit for issues of securities representing debt securities made under the twelfth to fifteenth and seventeenth to eighteenth resolutions submitted to this General Shareholders' Meeting and equal to 1.5 billion euros, or any other global ceiling as may be defined in a similar resolution which could supersede the twelfth resolution of this Shareholders' Meeting.

Reference Price

Minimum issue price required by law and equal to the weighted average of the price of the Company's shares traded on the regulated market of Euronext Paris during the last twenty trading sessions preceding the date of the Board of Directors' decision defining the opening date of the subscription period for members of a company or group savings plan (or similar plan).

Reducible (...subscription right)

For further information regarding subscription rights on a reducible basis, please refer to Section II A.

Securities that (i) are equity securities giving access to other equity securities or (ii) represent debt securities giving access to equity securities to be issued

Characteristics of these securities

The twelfth to fifteenth and seventeenth to eighteenth resolutions submitted to this General Shareholders' Meeting would allow the Board of Directors to decide the issue of securities giving access to the share capital of the Company, either by issuing new shares (such as shares with subscription warrants attached or bonds convertible into or redeemable for shares to be issued) or by delivering existing shares when the initial security is an equity security; these securities may take the form either of debt security (as in the example of convertible bonds provided that they give access to equity securities to be issued), or of equity security (as, for example, shares with share warrants attached). However, the issue of equity securities that are convertible or which may be transformed into debt security is prohibited by law.

Securities giving access to the share capital which take the form of debt securities (such as bonds convertible into or redeemable for shares, or bonds with share warrants attached) may give access to their holders, at any time, or during specified periods, or on specified dates, to shares to be issued. This allotment of shares may be effected by conversion (such as bonds convertible into shares), redemption (such as bonds redeemable for shares), exchange (such as bonds exchangeable for shares), or presentation of a warrant (such as bonds with share warrants attached) or by any other means during the term of the debt security, whether or not shareholders' preferential subscription rights are maintained in respect of the securities thereby issued.

Pursuant to applicable law, the delegations made by this General Shareholders' Meeting in connection with the issue of securities incorporate an express waiver by the shareholders of their preferential subscription right for the equity securities issued in connection with these securities. Therefore, if the General Shareholders' Meeting were to approve these resolutions, you would by operation of law waive your preferential subscription rights to any shares that the Company might issue in connection with a potential redemption of bonds redeemable for shares to be issued.

Securities granting entitlement to the allocation of debt securities

Characteristics of securities granting entitlement to debt securities and dates when this right may be exercised

The twelfth to fifteenth and seventeenth resolutions submitted to this General Shareholders' Meeting would allow the Board of Directors to decide the issue of securities representing equities granting entitlement to debt securities. Please note that, as from the order No. 2014-863 dated July 31, 2014, the Board of Directors has the sole authority to issue securities that are debt securities granting entitlement to the allocation of other debt securities or giving access to existing equity securities, which do not imply any dilution and such issue is therefore excluded from the scope of these resolutions.

These securities could be combined with warrants granting entitlement to the allotment, purchase or subscription of bonds or any other securities representing debt securities. In the event of the adoption of these resolutions, the Board of Directors may determine the nature and the characteristics of the securities granting entitlement to debt securities to be issued, in particular their interest rates, their term and the option to reduce or increase the nominal value of the securities. If needed, the Board of Directors could provide at the time of the issue or during the life-span of the securities in question:

- that these securities will be combined with warrants granting entitlement to, during specified periods or on specified dates, the allotment, purchase or subscription of bonds or any other securities representing debt securities; or
- that the securities may be subject to early redemption, including by delivery of assets of the Company or amortisation; or
- that the securities may be bought back on the market or be subject to a purchase or exchange offer by the Company.