

**Information relating to the components of the Chairman and Chief Executive Officer's compensation as determined by the Board of Directors on February 22, 2018**

Further to the recommendation of the Compensation Committee, the Board of Directors meeting held on February 22, 2018 reviewed Jacques Aschenbroich's compensation. As regards the components of his compensation for the financial year ended December 31, 2017, the Board of Directors determined his variable compensation for his duties as Chairman and Chief Executive Officer and acknowledged the fulfilment of his pension plan's performance condition. After a complete review of Jacques Aschenbroich's compensation, which two highly reputed firms were instructed to conduct, the Board of Directors also determined the compensation policy applicable to Jacques Aschenbroich for 2018 and the criteria that will apply to the performance shares allotted during the financial year ending December 31, 2019 on the basis of the resolution which will be submitted to the vote of Valeo General Shareholders' Meeting on May 23, 2018. The criteria for Jacques Aschenbroich's variable compensation and those for the performance shares also serve as a basis for the compensation of various Group executives.

**I. Compensation components for the financial year ended December 31, 2017**

**1. Jacques Aschenbroich's variable compensation for the financial year ended December 31, 2017**

Further to the recommendation of the Compensation Committee, the Board of Directors assessed the degree of achievement of the quantifiable and qualitative criteria for Jacques Aschenbroich's variable compensation in respect of the financial year ended December 31, 2017. The terms and conditions of this compensation component were determined by the Board of Directors on February 15, 2017, acting on the recommendation of the Compensation Committee and approved by the General Shareholders' Meeting on May 23, 2017 as part of the vote on the 2017 compensation policy applicable to the Chairman and Chief Executive Officer (tenth resolution).

The annual variable compensation owed to Jacques Aschenbroich for the financial year ended December 31, 2017 therefore amounts to 127.9% of the annual fixed compensation owed to him for this financial year, *i.e.* EUR 1,279,000, out of a maximum percentage of 170% of fixed compensation that such variable compensation can represent for this financial year.

The following table summarizes the applicable quantifiable and qualitative criteria, the entitlement, relating to each of these criteria, in terms of percentage of annual fixed compensation, the maximum variable compensation for the financial year ended December 31, 2017, and the degree of achievement of each quantifiable and qualitative criterion.

<b>Quantifiable criteria <sup>(1)</sup></b>			
<b>Nature of the criterion</b>	<b>Maximum amount of the variable part as a % of annual fixed compensation</b>	<b>Amount of the variable part obtained as a % of annual fixed compensation</b>	<b>Percentage of achievement of the criterion</b>
<b>Operating margin rate</b>	23%	17.9% <sup>(6)</sup>	77.8%
<b>Free cash flow <sup>(2)</sup></b>	23%	16.5% <sup>(7)</sup>	71.7%
<b>Net income <sup>(3)</sup></b>	23%	0% <sup>(8)</sup>	0%
<b>Rate of return on capital employed (ROCE)</b>	23%	23% <sup>(9)</sup>	100%

<b>Group order intake</b> <sup>(4)</sup>	23%	23% <sup>(10)</sup>	100%
<b>TOTAL QUANTIFIABLE CRITERIA</b>	<b>115%</b>	<b>80.4%</b>	<b>69.9%</b>
<b>Qualitative criteria</b>			
<b>Nature of the criterion</b>	<b>Maximum amount of the variable part as a % of annual fixed compensation</b>	<b>Amount of the variable part obtained as a % of annual fixed compensation</b>	
<b>Financial communication</b> <i>This criterion is measured, in particular, based on variations in Valeo's share price in comparison with the share price of several European, North American and Japanese companies operating in the same business sector as the Company.</i>	5%	2.5% <sup>(11)</sup>	
<b>Strategic vision</b> <i>This criterion is assessed in the light of:</i> - analysts' assessment; - strategic operations carried out by Valeo; - the increase in proportion of "innovative" <sup>(5)</sup> products in the order intake for the financial year; - the presentation by the management, during the strategic seminar, of a technology road map and its impact in terms of R&D and human resources.	25%	25% <sup>(12)</sup>	
<b>Risk management</b> <i>This criterion is assessed, in particular, in the light of:</i> - the continued and intensified measures to reinforce the compliance policy; - the management of risks related to ramp-up of production capacity taking into account order intake, new product launches and customer disputes; - the Group policy in terms of corporate social responsibility and management of the corresponding risks.	25%	20% <sup>(13)</sup>	
<b>TOTAL QUALITATIVE CRITERIA</b>	<b>55%</b>	<b>47,5%</b>	
<b>QUANTIFIABLE AND QUALITATIVE CRITERIA</b>	<b>Maximum amount of the variable part as a % of annual fixed compensation</b>	<b>Amount of the variable part obtained as a % of annual fixed compensation</b>	
<b>TOTAL</b>	<b>170%</b>	<b>127.9%</b>	
<p>(1) Excluding tax and regulatory impact.</p> <p>(2) Assuming that the investment budget is respected.</p> <p>(3) Assuming a 20% tax rate for the Group.</p> <p>(4) Excluding Ichikoh.</p> <p>(5) Products or technologies in series production for less than three years.</p> <p>(6) 2017 operating margin rate amounting to 8% of the 2017 sales.</p> <p>(7) Generation of free cash-flow in 2017 amounting to EUR 278 million.</p> <p>(8) 2017 net income amounting to EUR 886 million.</p> <p>(9) 2017 ROCE rate of 30%.</p> <p>(10) 2017 order intake amounting to EUR 27.6 billion.</p> <p>(11) Increase in Valeo's share price by 14% in 2017. This increase is lower than the share price of the automotive companies selected in the</p>			

comparison panel and higher than average performance of the CAC 40 values.

(12) Three major strategic transactions were carried out by Valeo in 2017: Ichikoh, FTE and Kapec. The companies acquired in 2016, in particular peiker and Spheros, have been successfully integrated. Proportion of innovations (products and technologies in series production for less than three years) in the 2017 order intake: 50%.

(13) The qualitative criterion concerning the management of the risks related to ramp-up of production capacity taking into account order intake, new product launches and customer disputes was not entirely achieved given the demanding objectives linked to this ramp-up.

Pursuant to articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the Chairman and Chief Executive Officer's variable compensation for the 2017 financial year will only be paid after the General Shareholders' Meeting held to approve the 2017 financial statements has approved the fixed, variable and exceptional components of the overall compensation and benefits of all kind paid or granted to the Chairman and Chief Executive Officer for the 2017 financial year (*ex post* vote).

## **2. Jacques Aschenbroich's pension plan**

Acting on the recommendation of the Compensation Committee, the Board of Directors decided on March 22, 2017 that the acquisition of conditional supplementary pension benefits by the Chairman and Chief Executive Officer under the pension plan in place since January 1, 2010, would be conditional upon the same performance condition as that set for the financial year ended 31 December 2016. This condition is deemed to be satisfied if the variable part of the compensation paid in year Y+1 for year Y is at least equal to 100% of the fixed compensation owed for year Y. If the variable part does not reach 100% of the fixed compensation, the rights granted would be calculated on a *pro rata* basis. The terms governing this compensation component were approved by the General Shareholders' Meeting on May 23, 2017 as part of the 2017 compensation policy applicable to the Chairman and Chief Executive Officer (tenth resolution).

For the financial year ended 31 December 2017, the Board of Directors acknowledged on February 22, 2018, acting on the recommendation of the Compensation Committee, that this condition had been entirely fulfilled.

## **II. Evolution of the compensation policy as of 2018**

### **1. Context**

The Compensation Committee conducted a full review of Jacques Aschenbroich's compensation and considered possible adjustments which may be made thereto. To this end, the Compensation Committee has met on several occasions since July 2017 and has engaged in in-depth discussions with the Board of Directors at various meetings.

As part of this review, two highly reputed consulting firms were instructed to conduct a detailed study on the Chairman and Chief Executive Officer's compensation and make recommendations. Generally speaking, the outcome of these studies shows that the level of fixed, variable and long term compensation is consistent with market practices. This level will therefore remain unchanged as compared to 2017.

At the end of this review process, the Compensation Committee nevertheless suggested to the Board of Directors certain adjustments to the criteria used for annual variable and long-term compensation compared to those of the 2017 compensation policy.

On February 22, 2018, the Board of Directors decided, acting on the recommendation of the Compensation Committee, to set the terms and conditions of the components of the Chairman and Chief Executive Officer's compensation as described below.

As part of this process, a few changes were made to the panels used in the review of the components of the Chairman and Chief Executive Officer's compensation, following the recommendations of the two instructed consulting firms. The new panels are appended to this press release.

## 2. 2018 compensation policy applicable to the Chairman and Chief Executive Officer

### 2.1 Annual fixed compensation

The Chairman and Chief Executive Officer's annual fixed compensation decided by the Board of Directors of Valeo on February 18, 2016 remains unchanged at EUR 1 million. It is not intended, at this stage, to change it until the end of the Chairman and Chief Executive Officer's current term of office.

### 2.2 Annual variable compensation

In reviewing the Chairman and Chief Executive Officer's compensation for the 2018 financial year, the Board of Directors decided, on the recommendation of the Compensation Committee, to make adjustments to the quantifiable and qualitative criteria previously used. These adjustments are aimed at better reflecting, in the suggested criteria, the Group's strategy and current financial, non-financial and operational performance objectives.

The Chairman and Chief Executive Officer's annual variable compensation for the 2018 financial year will therefore depend upon (i) the same quantifiable criteria as those used in 2017, with a change in their respective weighting and (ii) similar qualitative criteria as those used in 2017, subject to a few changes, including the creation of a fully-fledged "corporate social responsibility" criterion and adjustment of certain qualitative sub-criteria, with a change in the respective weighting of each qualitative criteria (see table below).

The performance criteria and the related objectives will not be modified during the financial year.

For each quantifiable criterion, the variable part varies within a range between 0% and 100% of the maximum amount of annual fixed compensation that may be obtained under this criterion.

The maximum amount of the Chairman and Chief Executive Officer's annual variable compensation, which remains in any circumstances set at 170% of the annual fixed compensation, remains unchanged.

The following table summarizes the applicable quantifiable and qualitative criteria, the entitlement, relating to each of these criteria, in terms of percentage of annual fixed compensation and the maximum amount of the variable compensation for the 2018 financial year:

Quantifiable criteria <sup>(1)</sup>	
Nature of the quantifiable criterion	Maximum amount of the variable part as a % of annual fixed compensation
Operating margin rate	25%
Free cash flow <sup>(2)</sup>	25%
Net income <sup>(3)</sup>	20%
Rate of return on capital employed (ROCE)	20%
Group order intake	25%
<b>TOTAL QUANTIFIABLE CRITERIA</b>	<b>115%</b>
Qualitative criteria	
Nature of the qualitative criterion	Maximum amount of the variable part as a % of annual fixed compensation
<b>Strategic vision</b> <i>This criterion is assessed in the light of:</i> <ul style="list-style-type: none"> <li>- financial analysts' assessment;</li> <li>- strategic operations carried out by Valeo and integration of recent acquisitions;</li> <li>- the increase in proportion of "innovative"<sup>(4)</sup> products in the order intake for the financial year;</li> <li>- the evaluation of the technology road map presented during the strategic seminar and its impact in terms of R&amp;D and human resources.</li> </ul>	20%
<b>Risk management</b>	15%

<p><i>This criterion is assessed, in particular, in the light of:</i></p> <ul style="list-style-type: none"> <li>- the continued and intensified measures to reinforce the compliance policy;</li> <li>- the management of risks related to the new product launches and customer disputes;</li> <li>- the transformation of the company (industrial, human resources) to adapt to the evolution of products and technology.</li> </ul>	
<p><b>Corporate social responsibility</b></p> <p><i>Valeo's progress, in particular through the following indicators:</i></p> <ul style="list-style-type: none"> <li>- number of employees at work with disabilities;</li> <li>- diversity (gender and age).</li> </ul> <p><i>Overall assessment of safety performance, in particular through the following indicators:</i></p> <ul style="list-style-type: none"> <li>- number of accidents that resulted in sick leave;</li> <li>- reduction in the number of category 1 (death, amputation, severe trauma, disability/incapacity) and 2 (major material damage and quasi-major accident) accidents.</li> </ul> <p><i>Evolution of Valeo original equipment sales resulting from products that reduce CO<sub>2</sub> emissions.</i></p>	20%
<b>TOTAL QUALITATIVE CRITERIA</b>	<b>55%</b>
<b>TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA</b>	<b>170%</b>
<p>(1) Excluding tax and regulatory impact.</p> <p>(2) Assuming that the investment budget is respected.</p> <p>(3) Assuming a 20% tax rate for the Group.</p> <p>(4) Products or technologies in series production for less than three years.</p>	

### 2.3 Other compensation components

With the exception of the annual variable compensation described in section 2.2 above, the other components of the Chairman and Chief Executive Officer's compensation described in the 2017 compensation policy remain unchanged for 2018, subject to further details regarding the long-term variable compensation described below.

Entitlement to performance shares is lost in the event of (i) departure due to gross negligence or wilful misconduct or (ii) forced departure for reasons attributable to the performance of the Chairman and Chief Executive Officer, before the expiry of the vesting period. The Board of Directors' choice to maintain, apart from the above-mentioned cases, the benefit of the performance shares allotments to the Chairman and Chief Executive Officer before the expiry of the vesting period will result from an in-depth, detailed and justified analysis of the conditions under which the departure occurred. In any case, the definitive acquisition of the shares remains subject to the achievement of performance criteria. By way of exception to the foregoing, in the event of termination of corporate office in connection with the liquidation of mandatory and supplementary pension plans and death or disability, entitlement to performance shares will be maintained and the performance criteria will apply to retirement but not to death or disability.

Pursuant to the provisions of articles L. 225-37-2 and L. 225-100 of the French Commercial Code, at the coming General Shareholders' Meeting, the shareholders will be asked to vote on the principles and criteria determining, allocating, and awarding the fixed, variable and exceptional components of the overall compensation and benefits of all kinds payable to the Chairman and Chief Executive Officer for the financial year ending December 31, 2018, constituting the compensation policy applicable to him (*ex ante* vote). Pursuant to the above provisions, the Chairman and Chief Executive Officer's variable compensation for the financial year ending December 31, 2018 will only be paid after the General Shareholders' Meeting held to approve the financial statements for the year ending December 31, 2018 has approved the fixed, variable and exceptional components of the overall compensation and benefits of all kind paid or granted to the Chairman and Chief Executive Officer for the financial year ending December 31, 2018 (*ex post* vote).

### 3. Long-term variable compensation - performance shares allotted to the Chairman and Chief Executive Officer as of the financial year 2019

Further to the recommendation of the Compensation Committee, the Board of Directors decided that the performance shares allotted to the Chairman and Chief Executive Officer as of the 2019 financial year (on the basis of the resolution which will be submitted to the vote of the General Shareholders' Meeting on May 23, 2018) will be conditional upon achieving performance measured on the basis of two previously used internal performance criteria, *i.e.* the operational margin rate and the pre-tax rate of return on assets (ROA), and an external performance criterion, the Total Shareholder Return (TSR), which replaced the internal performance criterion relating to the ROCE rate already present in the short term variable compensation. Valeo's TSR will be measured against the CAC 40 index and a panel of companies in the European automotive sector.

Internal performance criteria will represent a maximum of 80% of allotted shares (40% for each criterion), while the external performance criterion will represent no more than 20% of the allotment. The internal performance criteria used for the 2017 allotment have been maintained and a new performance measurement has been introduced for the TSR, as described in the table below.

The other conditions and criteria for allotting performance shares to the Chairman and Chief Executive Officer in 2017 - as adjusted in the 2018 compensation policy - remain unchanged.

The following table summarizes the criteria and conditions for assessing performance shares for the financial year ending December 31, 2019.

2019 financial year	
Criterion	Weight / Assessment
Internal performance criterion: ROA rate	Performance, measured over financial years Y, Y + 1 and Y + 2, achieved by each of the criteria (operating margin rate and ROA rate) such that the arithmetic average over the reference period of three financial years, of the ratio between the rate effectively achieved and the target rate set by the Board of Directors at the beginning of each reference financial year, which must be at least equal to the guidance for the relevant financial year, is greater than or equal to one, it being specified that the target rates set by the Board of Directors for the financial year in question cannot be modified at a later date. <ul style="list-style-type: none"> <li>- If two internal performance criteria are met over the reference period: 80%.</li> <li>- If only one internal performance criterion is met over the reference period: 40%.</li> <li>- If none of the internal performance criteria is met over the reference period: 0%.</li> </ul>
Internal performance criterion: operating margin rate	
External performance criterion: TSR	TSR recorded over a period of three years from January 1 of the allotment year to December 31 of the year prior to delivery. <ul style="list-style-type: none"> <li>- If Valeo's TSR recorded over the reference period is greater than the CAC 40 index's TSR recorded over the reference period: 10% (0% if equal or lower).</li> <li>- If Valeo's TSR recorded over the reference period is greater than the median of the TSRs of the companies of the Panel Automotive Europe (Panel no. 2 in annex) over the reference period: 10% (0% if equal or lower).</li> </ul>

**ANNEX**  
**PANELS**

**Panel 1: CAC 40.**

**Panel 2: Automotive – Europe**

Autoliv, BMW, Continental, Daimler, Faurecia, Fiat, GKN, Leoni, Michelin, Plastic Omnium, PSA, Renault, and Rheinmetall.

**Panel 3: Parts suppliers – Worldwide**

Adient, Autoliv, Borg Warner, Continental, Delphi, Faurecia, GKN, Goodyear, Lear, Leoni, Michelin, Plastic Omnium, Rheinmetall, and TE Connectivity.