

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, 2017 which you are invited to read.

Madam, Sir, dear Shareholders,

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

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

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

The General Shareholders' Meeting is first convened to approve the parent company financial statements (*first resolution*) and the consolidated financial statements (*second resolution*) of the Company for the financial year ended December 31, 2017, to allocate the earnings and to set the dividend (*third resolution*) (please refer to the term "dividend" in the glossary for tax-related information relating to the dividend for the past three financial years).

The parent company financial statements for the financial year ended December 31, 2017 show a profit of €318,217,937.52. The Board of Directors of the Company proposes to pay a dividend of €1.25 per share for each share entitled to dividends, the same as the dividend paid for the financial year ended December 31, 2016, and corresponding to a distribution rate of 34%, a two-point increase.

The distributable profit of the Company (profit of the financial year ended December 31, 2017 of €318,217,937.52 and previous retained earnings of €1,466,675,434) for the financial year ended December 31, 2017 amounts to €1,784,893,372. Following the decision to pay a dividend of €1.25 per share for each share entitled to dividends, *i.e.* €297,405,000, the balance of the distributable profit recorded in the "retained earnings" account amounts to €1,487,488,372. The ex-dividend date will be June 4, 2018, the record date will be June 5, 2018 and the payment date will be as from June 6, 2018.

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, (i) agreements that may be directly or indirectly entered into between the Company and any other company with which it has corporate officers in common, or between the Company and its corporate officers or a shareholder holding more than 10% of the share capital of the Company and (ii) certain undertakings given to executive corporate officers.

Pursuant to the provisions of Articles L. 225-38 *et seq.* of the French Commercial Code, any new "related party" agreements, including the undertakings referred to in Article L. 225-42-1 of the same Code, are subject to the prior approval of the Board of Directors and, once entered into, gives rise to 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 remain in force during the financial year ended December 31, 2017. These agreements and undertakings do not therefore require any new approval from you. You are thus invited, under the fourth resolution, to acknowledge that no new agreement or undertaking was authorised and entered into over the financial year ended December 31, 2017 that has 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 (based on the average compensation (fixed and variable) paid during the three financial years preceding the financial year during which the departure occurs);
- (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. This plan, in effect since January 1, 2010, was closed to any new beneficiaries as from July 1, 2017. Its main characteristics 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 compensation for the periods subsequent to February 1, 2014, these compensation components being received in respect of full time activity within the Group;
 - since February 18, 2016, the acquisition of conditional 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 Y+1 with respect to financial year Y were to reach 100% of the fixed compensation owed for financial year Y. 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 his termination benefits, 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. Ratification/renewal/appointment of members of the Board of Directors (fifth, sixth, seventh and eighth resolutions)

The Board of Directors is, as of the date of this report, composed of 13 members, including a director representing employees appointed by the Group Committee on June 30, 2017.

The terms of office of three directors – Bruno Bézard (co-opted on October 24, 2017 to replace Jérôme Contamine), Daniel Camus and Noëlle Lenoir will expire at the end of this General Shareholders' Meeting.

The Board of Directors' proposals for ratifications, renewals and appointments are described below.

- Ratification of co-optation of Bruno Bézard as director (fifth resolution)

As a reminder, pursuant to the applicable laws and regulations, the Board of Directors may make temporary appointments for the remaining term of office of directors who have left the Company. These co-optations shall then be ratified by the Shareholders' General Meeting.

On October 24, 2017, the Board of Directors decided, further to the recommendation of the Governance, Appointment and Corporate Social Responsibility Committee (the "**CGNRSE**"), to co-opt Bruno Bézard to replace Jérôme Contamine. This enables the Board of Directors to benefit from Bruno Bézard's recognized expertise as described below in his biography.

Bruno Bézard is considered to be an independent director with respect to the criteria set out in the Internal Rules of the Board of Directors and in the Corporate Governance Code for Listed Companies drawn up by the AFEP and the MEDEF and published in November 2016 (the "**AFEP-MEDEF Code**"), to which the Company refers. The assessment of Bruno Bézard's independence was confirmed by the CGNRSE and the Board of Directors on the date of this report, and appears in section 3.2.1 "Composition of the Board of Directors", subsection "Independence of directors", part "Director independence review upon preparation of the Annual Report" of the Company's 2017 Reference Document, pages 99 to 100.

You are invited to ratify the Board of Directors' co-optation of Bruno Bézard as a member of the Board of Directors replacing Jérôme Contamine, for the remaining term of office expiring at the end of the General Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2017.

Biography of Bruno Bézard

Bruno Bézard has experience in the most prestigious roles in the French civil service, spanning the economic, industrial and financial spheres, as well as in the private equity world. In addition, over the past few years he has gained in-depth knowledge of China, where he lived for several years and has spent a substantial amount of time in his current position. He also speaks the language.

He was Head of the French Public Finance Administration after spending two years as Minister-Advisor in Beijing, overseeing France's Greater China Regional Economic Department. He created, and then headed, the French State Shareholding Agency (APE), representing the State as a shareholder on a large number of company boards and acquiring vast experience in corporate governance and mergers & acquisitions.

For example, he has held a seat on the Boards of EDF, SNCF, Areva, La Poste, Thalès, Air France, Engie, PSA and the *Fond Stratégique d'Investissement* (FSI). He was Head of the French Treasury and President of the Paris Club before joining Cathay Capital as Managing Partner in 2016, a private equity fund that invests in startups, SMEs and middle-market companies, and supports their international development in Europe, the United States and China.

An Inspector General of Finance, Bruno Bézard is a graduate of *École polytechnique* and *École nationale d'administration* (ENA), and taught at both schools for a number of years.

He is a French citizen and speaks French, English, Chinese and Russian.

As at the date of this report (March 22, 2018), he held 1,500 Company's shares.

- Renewal of Bruno Bézard and Noëlle Lenoir's terms of office (sixth and seventh resolutions)

Further to the recommendation of the CGNRSE, the Board of Directors suggests that the General Shareholders' Meeting renew the terms of office of Bruno Bézard (*sixth resolution*) and Noëlle Lenoir (*seventh resolution*) as directors for a new period of four years which will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2021.

Information on Bruno Bézard is set out above.

As regards Noëlle Lenoir, she has been a director of the Company since June 3, 2010 and she is also a member of the Audit and Risk Committee. She is considered independent with respect to the

criteria set out in the Internal Rules of the Board of Directors and in the AFEP-MEDEF Code, to which the Company refers. The assessment of Noëlle Lenoir's independence was confirmed by the CGNRSE and the Board of Directors as at the date of this report, and appears in section 3.2.1 "Composition of the Board of Directors", subsection "Independence of directors", part "Director independence review upon preparation of the Annual Report" of the Company's 2017 Reference Document, pages 99 to 100.

The renewal of Noëlle Lenoir as a director will enable the Board of Directors to continue benefiting from her expertise as described below in her biography.

Biography of Noëlle Lenoir

A practising lawyer, Noëlle Lenoir has held several very high-level positions in the French government during her career. As well as being the first woman to be appointed as a member of the French Constitutional Council (*Conseil constitutionnel*) (1992-2001), she was Deputy Minister of European Affairs from 2002 to 2004. Apart from her extensive knowledge of the workings of the French government and European institutions, she also brings to the Board the benefit of her considerable legal experience in European regulations, competition law and compliance.

She worked as a partner in the law firms Debevoise & Plimpton LLP (2004-2009) and Jeantet et Associés before joining Kramer Levin Naftalis & Frankel LLP in 2011. She was also a member of the *Conseil d'État* (France's highest administrative court) and the French Constitutional Council (*Conseil constitutionnel*), a director of Generali France, Ethics Officer at the French National Assembly, a director of the Law Committee of the French Senate, a director of the French Data Protection Authority (*Commission Nationale de l'Informatique et des Libertés*) and Mayor of Valmondois (Val d'Oise).

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

She is a French citizen and speaks French and English.

As at the date of this report (March 22, 2018), she held 3,000 Company's shares.

- Appointment of Gilles Michel as director of the Company (eighth resolution)

Daniel Camus's term of office will expire at the end of this General Shareholders' Meeting. As a member of the Board of Directors since May 17, 2006, he will lose his independent status on May 17, 2018. In these circumstances and in accordance with Article 1.2(b)(vi) of the Internal Rules of the Board of Directors, it has been decided that his term of office as director will not be renewed. As part of the Board renewal plan, the Board of Directors and the CGNRSE have reviewed applications to the Board of Directors and suggested, based on that review, to support the application of Gilles Michel and invite the General Shareholders' Meeting to appoint him as director of the Company for a period of four years which will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2021.

This appointment will enable the Board of Directors to benefit from Gilles Michel's expertise as described in below in his biography.

Gilles Michel would be considered as an independent director with respect to the criteria set out in the Internal Rules of the Board of Directors and in the AFEP-MEDEF Code, to which the Company refers.

Biography of Gilles Michel

Currently Chairman and Chief Executive Officer of Imerys, Gilles Michel also has considerable experience in the automotive sector, having spent several years in managerial positions at PSA Peugeot Citroën where he was, in particular, Head of the Citroën brand and a member of the Peugeot S.A. Management Board.

Gilles Michel began his career at ENSAE, then the World Bank in Washington D.C. before joining the Saint-Gobain group in 1986 where he held various executive positions, in the US in particular, for sixteen years, before being appointed as President of the Ceramics & Plastics division in 2000. He then joined PSA Peugeot-Citroën in 2001 as Head of Platforms, Techniques and Purchasing, then as Head of the Citroën brand and member of the Peugeot S.A. Management Board. On December 1, 2008, Gilles Michel took over executive management of the Strategic Investment Fund (FSI), which is responsible for acquiring stakes in the share capital of companies of strategic importance to the growth and competitive status of the French economy. He has been Chairman and Chief Executive Officer of Imerys since April 28, 2011, after having served as a director and Deputy Chief Executive Officer since November 3, 2010.

Gilles Michel has degrees from *École polytechnique*, *École nationale de la statistique et de l'administration économique*, and from *Institut d'études politiques (IEP) de Paris*.

A French national, Gilles Michel (age 62) speaks French and English.

He will have to hold 1,500 shares within the statutory time frame.

D. Approval of the compensation components paid or awarded to the Chairman and Chief Executive Officer for the financial year ended December 31, 2017 – ex post vote (ninth resolution)

Pursuant to Article L. 225-100 of the French Commercial Code, when the General Shareholders' Meeting votes on the compensation policy over the course of the previous financial year (*ex ante* vote), it is called to approve, over the course of the following financial year, the fixed, variable, and exceptional components of total compensation and benefits of all kinds paid or awarded to the Chairman and Chief Executive Officer for the previous financial year (*ex post* vote). It is therefore noted that the payment of variable compensation components is subject to the approval of the General Shareholders' Meeting of the compensation components as part of the *ex post* vote.

The compensation components paid or awarded to the Chairman and Chief Executive Officer for the financial year ended December 31, 2017 pursuant to the 2017 compensation policy approved by the General Shareholders' Meeting on 23 May 2017 under its tenth resolution (the "**2017 Compensation Policy**"), are set out in section 3.3.1 "Compensation of the Chairman and Chief Executive Officer", subsection "Compensation of Jacques Aschenbroich, Chairman and Chief Executive Officer, for the year ended December 31, 2017 and prior years", part "Compensation in respect of the year ended December 31, 2017" of the Company's 2017 Reference Document, pages 149 to 153, and also reproduced in Appendix 1 hereto. Moreover, in accordance with AFEP proposals, a table summarising the components paid or awarded to Jacques Aschenbroich for the financial year ended December 31, 2017 pursuant to the 2017 Compensation Policy, drawn up on the basis of the table appearing in the AFEP-MEDEF Code implementation guide, is appended hereto as Appendix 1.

Under the ninth resolution, we propose that you approve the following compensation components paid or awarded by Valeo to Jacques Aschenbroich for the financial year ended December 31, 2017, pursuant to the 2017 Compensation Policy, for his role as Chairman and Chief Executive Officer covering:

- the amount of his annual fixed compensation: €1,000,000;
- the amount of his annual variable compensation: €1,279,000 representing 127.9% of his fixed annual compensation (out of a maximum amount of 170%), based on demanding criteria and despite Valeo's excellent results for 2017 (12% growth in turnover, 11% growth in operating margin and 8% growth in net income (excluding a non-recurring expense of €117M tied to the decline in the value of deferred tax assets proportional to the lower tax rate on companies in the United States));
- the number and accounting valuation of the performance shares allocated to him in 2017: 51,030 performance shares valued in accordance with IFRS at €2,699,997, it being specified that the final allocation of these shares is subject to the demanding performance conditions described in Appendix 1;

- 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: €24,539;
- the non-competition payment and the benefit of the pension plan granted to him, (i) it being recalled that Jacques Aschenbroich is not entitled to any termination benefits and (ii) it being specified that no compensation or annuity in relation to these compensation components was awarded or paid for the financial year ended December 31, 2017.

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

Under the tenth resolution, we propose that you approve the compensation policy applicable to the Chairman and Chief Executive Officer and 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 compensation and benefits of all kinds that may be awarded to the Chairman and Chief Executive Officer as presented in the 2017 Reference Document including the report provided for in Articles L. 225-37 and L. 225-37-2 of the French Commercial Code, section 3.3.1 "Compensation of the Chairman and Chief Executive Officer", subsection "Compensation policy for the Chairman and Chief Executive Officer", part "Compensation policy for the Chairman and Chief Executive Officer for the year ending December 31, 2018" of the Company's 2017 Reference Document, pages 145 to 149 (the "**DDR 2018 Compensation Policy Section**") and reproduced in Appendix 2 to this report (the "**2018 Compensation Policy**").

You will notice when reading the 2018 Compensation Policy that the fixed annual compensation amount, the maximum annual variable compensation amount, and long-term compensation (performance shares) are unchanged from those in the 2017 Compensation Policy approved by the General Shareholders' Meeting of May 23, 2017 under its tenth resolution. In addition, certain adjustments have been made to the variable compensation as described in the DDR 2018 Compensation Policy Section and in Appendix 2. In particular, the annual variable compensation will now depend upon (i) the same quantifiable criteria as those used in the 2017 Compensation Policy, with a change in their respective weighting and (ii) similar qualitative criteria as those used in the 2017 Compensation Policy, 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 criterion.

F. Share buyback 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 buyback programs of their own shares, under the conditions provided for under the applicable laws and regulations.

During the financial year ended December 31, 2017, the Company used the authorisations granted by the General Shareholders' Meetings of May 26, 2016 and May 23, 2017, pursuant to the eighteenth and eleventh resolutions, respectively, for the purpose of proceeding with the buyback of its own shares. These authorisations have been implemented to ensure (i) the market-making in the Company's share pursuant to a liquidity contract compliant with the AMAFI Code of Ethics (French Financial Markets Association, formerly known as *Association Française des Entreprises d'Investissement*) executed with an investment services provider on April 22, 2004, and (ii) the coverage of the implementation of any stock option plan, performance shares plan, awards of shares to employees, and the implementation of any company savings plans. Detailed information on these transactions is provided for in Section 6.5 "Share buyback program" of the Company's 2017 Reference Document, pages 425 to 427. It should also be noted that the Company announced on March 8, 2018 that it has entered into a contract with an investment services

provider for the 2018 financial year, as part of its share buyback program, to cover the implementation of any stock option plan, performance shares plan, award of shares to employees, and the implementation of any company savings plan.

Conditions for implementation

In so far as the authorisation granted by the General Shareholders' Meeting of May 23, 2017, will expire during the 2018 financial year, Shareholders are invited to renew the Board of Directors' authorisation to carry out transactions in shares issued by the Company for the purpose of:

- implementing any stock option plan enabling the acquisition of Company's shares, in particular by any employee or corporate officer;
- allocating free shares, in particular, to employees and corporate officers;
- allocating or selling shares to employees as part of their involvement in the performance and growth of the Company or the implementation of any employee savings plan (or similar plan) under the conditions set out by the laws;
- generally, complying with obligations in respect of stock option plans or other allocations of shares to employees or corporate officers;
- delivering 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 external growth transactions, mergers, spin-offs or contributions;
- cancelling all or part of the repurchased shares;
- ensuring the market-making in the secondary market or the liquidity of the Company's 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*).

This program is also intended to allow the Company to carry out any market practice that may become authorised by market authorities, and generally, the completion of any other transaction in accordance with laws and regulations that are or may become applicable. In this case, the Company will inform its shareholders by way of a press release.

The transactions would be carried out by any means which is or may be authorised by the applicable laws and regulations.

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

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 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 subsequently to this General Shareholders' Meeting.

The maximum amount of funds that the Company may allocate to this share buyback program would be €2,396,531,200.

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 23, 2017, under its eleventh resolution.

The proposed resolution is included in the summary table attached in Appendix 3 of this report.

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

A. Inclusion of salaried employees and corporate officers as Company shareholders: awards of existing or future shares free of charge and including automatic shareholder waiver of their preferential subscription rights (twelfth resolution)

We propose a resolution aimed at including salaried employees and corporate officers as shareholders of the Company by authorising the Board of Directors to allocate existing shares free of charge or to issue such shares to them (*twelfth resolution*).

Possible reasons for use of the resolutions

This resolution allows the Company to involve employees and corporate officers in the Group's success through an incentive scheme. The purpose of the resolution is to set up plans for the attribution of free shares or performance shares, in order to incentivise and retain Group corporate officers and employees.

Implementation and ceilings

As the authorisation given by General Shareholders' Meeting dated May 26, 2016 under its twentieth resolution will expire during the 2018 financial year, you are asked to renew the authorisation to allocate free shares. The Board of Directors, further to the recommendation of the Compensation Committee, has determined the guidelines for granting free shares or performance shares under the twelfth resolution, subject to its approval by the General Shareholders' Meeting. The Board of Directors decided that:

- the maximum total number of free shares (including performance shares) that may be granted would be 3,485,404 shares (approximately 1.45% of the share capital as at December 31, 2017);
- the beneficiaries would be the Chairman and Chief Executive Officer and all employees;
- the allocations of free shares or performance shares to the beneficiaries will become final after a minimum vesting period of three years after their date of allocation;
- the maximum number of performance shares that could be granted to the Chairman and Chief Executive Officer would be 196,035, *i.e.* approximately 0.08% of the share capital as at December 31, 2017. Please note that the maximum number of conditional performance shares that could be allocated to him, valued according to IFRS, may not exceed the maximum provided for in the applicable compensation policy. Over the 2016, 2017 and 2018 financial years, this maximum was set at 270% of his annual fixed compensation for the

financial year in question, it being specified that the Board of Directors reserves the right to award a lower number of shares to the Chairman and Chief Executive Officer. Thus, for the financial year 2018, the amount of the allocation of the 55,026 performance shares to Jacques Aschenbroich, valued in accordance with IFRS, represents 260% of his annual fixed compensation, which is lower than the maximum amount of this compensation provided for in the 2018 Compensation Policy, which is set at 270%;

- the performance shares allocated to the Chairman of the Board of Directors and Chief Executive Officer and members of the Operational Committee would be submitted to demanding performance criteria to be satisfied over a three-year period:
 - (i) for 80% of the grant, finalisation would depend on performance as measured over financial years Y, Y+1, and Y+2, based on two criteria already used in previous grants: the operating margin rate and the pre-tax rate of return on assets (ROA). The criteria for the operating margin rate and the ROA rate would be satisfied if, for each of these criteria, 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 financial year of reference, which must be at least equal to the guidance for the financial year in question, is equal to or greater than one, it being specified that neither the target rates as set by the Board of Directors nor the criterion used will be modified subsequently. Thereafter:
 - (a) if both criteria are satisfied, all 80% of performance shares allocated will vest;
 - (b) if only one criterion has been satisfied, 40% of the performance shares will vest, the remainder being forfeited;
 - (c) if none of the criteria are satisfied, no performance share will vest.
 - (ii) for 20% of the grant, finalisation would depend on recording a certain level of Valeo's Total Shareholder Return (TSR) measured against the TSR of the CAC 40 index and the TSR of companies from a panel of European companies in the automotive sector set by the Board of Directors and disclosed by the Company over a three-year period starting January 1st of the year of allocation to December 31st of the year before delivery (*i.e.* for a 2019 plan, this would mean from January 1, 2019 to December 31, 2021). Thereafter:
 - (a) If Valeo's TSR recorded over the reference period is greater than the CAC 40 index's TSR recorded over the reference period: 10% of allocated performance shares will vest (0% if equal or lower);
 - (b) If Valeo's TSR recorded over the reference period is greater than the median of the TSRs of companies from a panel of European companies in the automotive sector over the reference period: 10% of allocated performance shares will vest (0% if equal or lower).
- The panel used by the Board of Directors is not intended to evolve unless a change in the structure or business of one of the companies makes it less relevant, in which case it will be replaced by another company to maintain the greatest possible comparability between Valeo and its peers¹;
- the allocations of performance shares to Liaison Committee members (other than Operational Committee members) and the main reports of the Liaison Committee members and other Group executives would be entirely subject to performance as measured over a reference period of three financial years, based on two internal performance criteria: operating margin rate and ROA rate. The rules for satisfying these two criteria would be the same as for allocations to the Chairman and Chief Executive Officer and members of the Operational Committee, and the following scale would apply to allocations subject to performance criteria:
 - (a) if both criteria are satisfied, all allocated performance shares will vest;

¹ The panel currently consists in Autoliv, BMW, Continental, Daimler, Faurecia, Fiat, GKN, Leoni, Michelin, Plastic Omnium, PSA, Renault, and Rheinmetall.

- (b) if only one criterion, is satisfied, only 50% of the performance shares will vest and the remaining shares will be forfeited;
- (c) if no criteria are satisfied, no performance shares will vest;
- free shares allocated to other staff members (at a lower level of responsibility) would not be subject to performance conditions;
- free shares allocated under a worldwide employee shareholding plan to participants outside France could be allocated as a type of conditional matching (*abondement conditionnel*). For the avoidance of doubt, it is understood that these free shares are not subject to performance criteria;
- for the Chairman and Chief Executive Officer, the conditions for final allocation of performance shares should he leave the Company are described in section 3.3.1 "Compensation of the Chairman and Chief Executive Officer", subsection "Compensation policy for the Chairman and Chief Executive Officer", part "Compensation policy for the Chairman and Chief Executive Officer for the year ending December 31, 2018", "Long-term compensation policy – Allotment of performance shares" of the Company's 2017 Reference Document, page 148. For the other beneficiaries, final allocation will also depend on a condition of presence, in particular whether the beneficiary's employment contract or corporate office is in force and whether he is not in a notice period on the vesting date, due to resignation, dismissal or contractual termination, except in limited cases (death, total and permanent disability, retirement or early retirement, beneficiary whose entity was transferred or in case of discretionary decision of the Board of Directors);
- the Chairman and Chief Executive Officer would also be subject to retention obligations. After the three-year vesting period, a two-year holding period will apply, and after the holding period expires, he must retain at least 50% of the vested shares in registered form until the end of his term of office;
- The Chairman and Chief Executive Officer, Operational Committee members and Liaison Committee members may not enter into risk hedging transactions.

It is specified that (i) outstanding free shares as at December 31, 2017 represented 1.35% of the Company's share capital as at that date and (ii) the Company's practice has been to grant existing shares and not to issue new shares, and thus there has been no dilution. If, despite this usual practice, the above were to be carried out entirely by issuing new shares, this resolution would have a limited diluting effect on the Company's share capital, as it would increase the percentage of outstanding free shares to 2.81% of the share capital on the basis of the share capital as at December 31, 2017. Pursuant to law, when an allocation is made of shares not yet issued, any authorisation given by the General Shareholders' Meeting automatically includes a waiver by those shareholders of their preferential subscription right, in favour of the beneficiaries of shares allocated free of charge.

The average three-year unadjusted burn rate totals 0.45% (a rate that is lower than the maximum rate applicable to companies in the Company's sector).

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

The method of allocation (including performance criteria) to the Chairman and Chief Executive Officer as from the 2019 financial year described herein will appear in the compensation policy for the Chairman and Chief Executive Officer submitted to the General Shareholders' Meeting. In the absence of its approval, the method of allocation (including performance criteria) provided for in the previously approved compensation policy will be implemented.

Period of validity

This authorisation would be valid for a period of 26 months as from the term provided for in the twentieth resolution of the General Shareholders' Meeting of May 26, 2016.

This draft resolution appears in the summary table appended hereto as Appendix 3 of this report.

B. Powers to complete formalities (thirteenth 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 2018

To the best of Valeo's knowledge, no events likely to have a significant effect on the Company's business, financial situation, or assets have occurred since December 31, 2017.

Appendix 1

Compensation components paid or awarded to the Chairman and Chief Executive Officer for the financial year ended December 31, 2017

Compensation in respect of the year ended December 31, 2017

In accordance with Article L.225-100 II of the French Commercial Code, the Shareholders' Meeting must approve the fixed, variable and exceptional components comprising the total compensation and benefits package paid or awarded to the Chairman and Chief Executive Officer in respect of 2017 under the 2017 Compensation Policy. Payment of his variable compensation for 2017 is contingent on approval by said Shareholders' Meeting of the above-mentioned components which are described in detail below.

Fixed compensation

In accordance with the 2017 Compensation Policy (see this section, paragraph "Fixed compensation", page 142), Jacques Aschenbroich received gross fixed compensation of 1,000,000 euros from Valeo in 2017.

Variable compensation

At its meeting on February 15, 2017, acting on the recommendation of the Compensation Committee, the Board of Directors decided that the variable compensation to be paid to Jacques Aschenbroich for his role as Chairman and Chief Executive Officer for 2017 would be (i) subject to the same cap of 170% of annual fixed compensation as in 2016, and (ii) based on the same quantifiable and qualitative criteria as those set for 2016, except that compared with 2016, the quantifiable operating cash criterion has been clarified (free cash flow), certain qualitative sub-criteria have been adjusted and the respective weightings of the qualitative criteria have been modified.

The principles and criteria relating to the Chairman and Chief Executive Officer's 2017 compensation are described in the 2017 Compensation Policy (see this section, paragraph "Variable compensation", pages 142 and 143).

At its meeting on February 22, 2018, acting on the recommendation of the Compensation Committee, the Board of Directors noted that the achievement rate for quantifiable criteria was 80.4% and that the achievement rate for qualitative criteria was 47.5% of the annual fixed compensation due to Jacques Aschenbroich for 2017, bringing the amount of variable compensation due to Jacques Aschenbroich for 2017 to 127.9% of his annual fixed compensation for 2017, *i.e.*, 1,279,000 euros (versus 1,627,738 euros in 2016). The specific, predetermined targets underlying the quantifiable criteria have not been publicly disclosed for reasons of confidentiality, as provided for in Article 25.2 of the AFEP-MEDEF Code. However, the table below shows the degree of achievement of each quantifiable criterion. For each quantifiable criterion, the variable portion varies within a range of 0% to 100% of the maximum amount of annual fixed compensation obtainable under the relevant criterion. The objectives for the quantifiable criteria are ambitious. Consequently, despite excellent results in 2017 (increase of 12% in sales, 11% in operating margin and 8% in net income [excluding a non-recurring expense of 117 million euros relating to the decline in the value of deferred tax assets, proportional to the decrease in the US corporate tax rate]), order intake and ROCE were the only quantifiable criteria for which the upper end of the range was achieved.

The following table summarizes, in particular, the quantifiable and qualitative criteria, the entitlement relating to each of these criteria as a percentage of annual fixed compensation and the maximum variable compensation for the year ended December 31, 2017:

Quantifiable criteria ⁽¹⁾			
Nature of the criterion	Maximum amount of the variable portion as a % of annual fixed compensation	Amount of the variable portion obtained as a % of annual fixed compensation	Percentage of achievement of the criterion
Operating margin	23%	17.9% ⁽⁶⁾	77.8%
Free cash flow ⁽²⁾	23%	16.5% ⁽⁷⁾	71.7%
Net income ⁽³⁾	23%	0% ⁽⁸⁾	0%
ROCE	23%	23% ⁽⁹⁾	100%
Group order intake ⁽⁴⁾	23%	23% ⁽¹⁰⁾	100%
TOTAL QUANTIFIABLE CRITERIA	115%	80.4%	69.9%
Qualitative criteria			
Nature of the criterion	Maximum amount of the variable portion as a % of annual fixed compensation	Amount of the variable portion obtained as a % of annual fixed compensation	
Financial communication <i>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.</i>		5%	2.5% ⁽¹¹⁾
Strategic vision <i>This criterion is measured based on:</i> <ul style="list-style-type: none"> - analysts' assessments; - 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 the Management, at the strategy seminar of a technology road map and its impact in terms of R&D and human resources. 		25%	25% ⁽¹²⁾
Risk management <i>This criterion is measured, in particular, based on:</i> <ul style="list-style-type: none"> - continued and intensified measures to reinforce the compliance policy; - the management of risks related to the ramp-up in production taking into account of order intake, new product launches and customer complaints; - the Group's policy on corporate social responsibility and the management of the corresponding risks. 		25%	20% ⁽¹³⁾
TOTAL QUALITATIVE CRITERIA		55%	47.5%

QUANTIFIABLE AND QUALITATIVE CRITERIA	Maximum amount of the variable portion as a % of annual fixed compensation	Amount of the variable portion obtained as a % of annual fixed compensation
TOTAL	170%	127.9%

- (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.
(6) 2017 operating margin equal to 8% of sales.
(7) Free cash-flow generation of 278 million euros in 2017.
(8) 2017 net income of 886 million euros.
(9) 2017 ROCE of 30%.
(10) 2017 order intake of 27.6 billion euros.
(11) 14% increase in the Valeo share price in 2017, underperforming the companies in the automotive sector used in the comparison sample but exceeding the average performance of the companies listed on the CAC 40.
(12) Three major strategic transactions carried out by Valeo in 2017: Ichikoh, FTE and Kapec. In addition, 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 on the management of risks related to the ramp-up in production taking into account of order intake, new product launches and customer complaints was not entirely achieved given the demanding objectives linked to this growth.

Long-term compensation policy – Allotment of performance shares

In accordance with the provisions of Article L.225-197-1 of the French Commercial Code, the number of free shares allotted may not represent more than 10% of the Company's share capital on the date of the Board of Directors' decision. The maximum amount provided for in the twentieth resolution of the Shareholders' Meeting of May 26, 2016, which is effective for a period of 26 months, was 3,467,000 shares (*i.e.*, 1.45% of the share capital at December 31, 2015) with a specific sub-limit of 195,000 shares (*i.e.*, 0.08% of the share capital at December 31, 2015) for the Chairman and Chief Executive Officer. The free shares outstanding at December 31, 2015 represented 1.43% of the Company's share capital.

In accordance with the 2017 Compensation Policy (see this section, paragraph "Long-term compensation policy – Allotment of performance shares", page 144), at its meeting on March 22, 2017, acting on the recommendation of the Compensation Committee, the Board of Directors decided to allot 51,030 performance shares to Jacques Aschenbroich, pursuant to the twentieth resolution of the Shareholders' Meeting of May 26, 2016.

All the performance shares allotted to Jacques Aschenbroich are contingent on the achievement of performance criteria measured over the 2017, 2018 and 2019 fiscal years. These criteria are ROA, operating margin and ROCE. They will be met if, for each of them, the 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 returns set by the Board of Directors may not be modified subsequently.

The target returns set by the Board of Directors for 2017 are (i) 19% for ROA, (ii) 7.9% for operating margin, and (iii) 29% for ROCE (after consolidation of Ichikoh and excluding any other acquisitions for all criteria).

The following scale then applies:

- if all three criteria for fiscal years 2017, 2018 and 2019 are met, all the performance shares allotted will vest;
- if two of the three criteria for fiscal years 2017, 2018 and 2019 are met, only 60% of the performance shares allotted will vest and the remainder will be forfeited;
- if only one of the three criteria for fiscal years 2017, 2018 and 2019 is met, only 30% of the performance shares allotted will vest and the remainder will be forfeited;
- if none of the three criteria for fiscal years 2017, 2018 and 2019 is met, no performance shares allotted will vest and all the performance shares will be cancelled.

The performance shares will vest after the expiration of a three year vesting period. Jacques Aschenbroich will then have to hold the shares for two years. At the end of the two-year holding period, he must also hold at least 50% of the vested performance shares as registered shares until the end of his term of office. Since joining the Group as Chief Executive Officer on March 20, 2009, Jacques Aschenbroich has not sold any shares obtained by exercising stock purchase options allotted to him, or any vested performance shares.

All the performance shares allotted to Jacques Aschenbroich 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 has claimed his retirement benefits.

The performance shares allotted to Jacques Aschenbroich during 2017 had a limited dilutive impact and represented 0.02% of the Company's share capital at December 31, 2017.

At its meeting on March 22, 2017, the Board of Directors noted that the 51,030 performance shares allotted to the Chief Executive Officer in 2017, valued at 52.91 euros each under IFRS, amounted to 2,699,997 euros, representing 270% of his annual fixed compensation for the same year.

In accordance with the recommendations of the AFEP-MEDEF Code and the provisions of the Group's Code of Conduct, the Chairman and Chief Executive Officer must not use hedging transactions to reduce his risk. No hedging instruments have been used with respect to his performance shares.

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

Under the 2017 Compensation Policy (see section 3.3.1, paragraph "Commitment pursuant to Article L.225-42-1 of the French Commercial Code – Defined benefit pension plan", page 144), Jacques Aschenbroich was covered by a defined benefit pension plan in 2017.

At its meeting on April 9, 2009, the Board of Directors discussed the total compensation of Jacques Aschenbroich and decided to register Jacques Aschenbroich 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. This decision was implemented on October 20, 2009 and was taken with a view to retaining Jacques Aschenbroich, then Chief Executive Officer, and motivating him with regard to the Company's objectives, protecting its corporate interest and following market practices. In view of Jacques Aschenbroich's age and the fact that he was not covered by any other supplementary pension plan, the decision was made to credit him with five additional years of service at the start of his tenure.

It was adopted as a related party agreement by the Shareholders' Meeting on June 3, 2010 in its twelfth resolution, and maintained without any modification until February 21, 2012.

At its meetings on February 21, 2012 and January 23, 2014, the Board of Directors, acting on the recommendation of the Appointments, Compensation & Governance Committee, decided to (i) include the payment of benefits to the surviving beneficiary in the event of the death of an active contributor if the event occurs after the legal voluntary retirement age and (ii) adjust the supplementary pension plan to bring it in line with market practices. This adjustment, which does not have retroactive effect, involved taking into account in the reference salary (calculated using an average of the last three years) the basic fixed compensation and the portion of variable compensation actually paid for the periods after February 1, 2014. The supplementary pension remains capped at 20% of the reference salary, which complies with and is even lower than the maximum percentage recommended by Article 24.6.2 of the AFEP-MEDEF Code, as amended in November 2016, that establishes a maximum percentage of 45% of the fixed and variable compensation due in the reference period. All the Group's senior executives benefited from this adjustment.

Following the renewal of Jacques Aschenbroich's directorship by the Shareholders' Meeting of May 26, 2015, and his term of office as Chief Executive Officer, at the first Board of Directors' meeting held after this Shareholders' Meeting, it was decided that the pension plan covering Jacques Aschenbroich would be maintained without any modification.

Following the appointment of Jacques Aschenbroich as Chairman of the Board of Directors on February 18, 2016, Jacques Aschenbroich thus becoming Chairman and Chief Executive Officer of Valeo following the Board of Directors' decision, on the same day, to combine the positions of Chairman of the Board of Directors and Chief Executive Officer, Jacques Aschenbroich's supplementary pension plan was amended to provide for performance criteria to comply with the provisions of French law no. 2015-990 on growth activity and equal opportunity of August 6, 2015, (known as the Macron law). It was decided that the acquisition of conditional supplementary pension benefits under the supplementary defined benefit pension plan would be subject to a performance condition deemed to have been achieved if the Chairman and Chief Executive Officer's variable compensation paid in year Y+1 for year Y amounted to 100% of his fixed compensation payable for year Y. If his variable compensation is less than 100% of his fixed compensation, rights would accrue on a *pro rata* basis. The amended supplementary pension plan was authorized by the Board of Directors, acting on the recommendation of the Appointments, Compensation & Governance Committee, on February 18, 2016, and approved by the shareholders at the Shareholders' Meeting of May 26, 2016 (in its fifth resolution). At its meeting on February 22, 2018, acting on the recommendation of the Compensation Committee, the Board of Directors noted that this condition was met in full for 2017 (as was also the case for 2016 on a *pro rata* basis).

Entitlement to this plan requires nevertheless that the Chairman and Chief Executive Officer end his professional career within the Group. In addition, all of the Chairman and Chief Executive Officer's statutory pensions must have been settled. The Chairman and Chief Executive Officer's supplementary pension plan is financed by Valeo annually through the payment of premiums to the service provider in charge of administering the annuities.

Further to the Board of Directors' decision on July 20, 2017, this pension plan, which came into effect on January 1, 2010, was closed to new members on July 1, 2017. A new "Article 83" defined contribution supplementary pension plan is currently being created.

It will be open to those members of the above defined benefit plan who wish to join (except for Jacques Aschenbroich, to whom the old plan will continue to apply), and to all employees in France whose compensation is more than four times the Social Security ceiling.

At December 31, 2017, Jacques Aschenbroich's supplementary pension benefits represented a total amount of 8,553,512 euros, *i.e.*, a yearly pension allowance of 227,294 euros (it being specified that social security contributions at a rate of 32% are payable by the Company on annuities paid).

As the Chairman and Chief Executive Officer did not claim his pension entitlements in 2017, no amount was awarded or paid to him for 2017.

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

Under the 2017 Compensation Policy, Jacques Aschenbroich is entitled to a non-competition payment (see this section, paragraph "Commitment pursuant to Article L.225-42-1 of the French Commercial Code – Non-competition payment", page 145). This was decided by the Board of Directors at its meeting on February 24, 2010 and approved by the Shareholders' Meeting of June 3, 2010 in its eleventh resolution. It was then renewed without change at the Board of Directors meeting of February 24, 2011, on the recommendation of the Appointments, Compensation & Governance Committee. The modified non-competition payment was adopted as a related party agreement pursuant to Article L.225-42-1 of the French Commercial Code at the Shareholders' Meeting on May 26, 2015 in its fifth resolution. The principles and criteria relating to this non-competition payment are described in the 2017 Compensation Policy (see this section, paragraph "Commitment pursuant to Article L.225-42-1 of the French Commercial Code – Non-competition payment", page 145).

As Jacques Aschenbroich's term of office did not end in 2017, no non-competition payment was awarded or paid to him for 2017.

Other benefits

In accordance with the 2017 Compensation Policy (see this section, paragraph “Other benefits”, page 148), Jacques Aschenbroich benefited, in the year ended December 31, 2017, from coverage under the unemployment insurance fund for company managers, the collective and mandatory health, death and disability plan, life insurance covering death, disability or the consequences of any accidents during business travel, and a company car, representing a total amount of 24,539 euros.

Other components of compensation – no multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, attendance fees, benefits of any kind under agreements with the Company or any Group company or options or any other long-term component of compensation

In accordance with the 2017 Compensation Policy (see this section, paragraph “Other components of compensation – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, attendance fees, benefits of any kind under agreements with the Company or any Group company or options or any other long-term component of compensation”, page 145), Jacques Aschenbroich did not receive any multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, attendance fees, benefits of any kind under agreements with the Company or any Group company or options or any other long-term component of compensation in 2017 except for performance shares.

As regards termination benefits, Jacques Aschenbroich 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.

Table summarising components of compensation paid or awarded to the Chairman and Chief Executive Officer for the financial year ended 31 December 2017

Compensation components paid or awarded for the financial year ending December 31, 2017	Amounts or accounting value submitted to a vote	Presentation
Annual fixed compensation	€1,000,000 (amount paid)	The annual fixed compensation conditions, as approved by the General Shareholders' Meeting of May 23, 2017 as part of the vote on the 2017 Compensation Policy, are described in section 3.3.1 "Compensation of the Chairman and Chief Executive Officer", subsection "Compensation policy for the Chairman and Chief Executive Officer", part "Overview of the 2017 Compensation Policy for the Chairman and Chief Executive Officer", "Fixed compensation" of the 2017 Reference Document, page 142.
Annual variable compensation	€1,279,000 (amount allocated for financial year ended December 31, 2017)	<p>The annual variable compensation conditions, as approved by the General Shareholders' Meeting of May 23, 2017 as part of the vote on the 2017 Compensation Policy, are described in section 3.3.1 "Compensation of the Chairman and Chief Executive Officer", subsection "Compensation policy for the Chairman and Chief Executive Officer", part "Overview of the 2017 Compensation Policy for the Chairman and Chief Executive Officer", "Variable compensation" of the 2017 Reference Document, pages 142 to 143.</p> <p>At its meeting on February 22, 2018, acting on the recommendation of the Compensation Committee, the Board of Directors noted that the achievement rate for quantifiable criteria was 80.4% (out of 115% maximum) and that the achievement rate for qualitative criteria was 47.5% (out of 55% maximum) of the annual fixed compensation due to Jacques Aschenbroich for the 2017 financial year, bringing the amount of variable compensation due to Jacques Aschenbroich for 2017 to 127.9% of his annual fixed compensation for 2017, i.e. €1,279,000, based on demanding criteria and despite Valeo's excellent results for 2017 (12% growth in turnover, 11% growth in operating margin and 8% growth in net income (excluding a non-recurring expense of €117M tied to the decline in the value of deferred tax assets proportional to the lower tax rate on companies in the United States)). It is specified that the satisfaction of these quantifiable and qualitative criteria was evaluated by the Board of Directors, on the recommendation of the Compensation Committee, following the conditions set out in the table in section 3.3.1 "Compensation of the Chairman and Chief Executive Officer", subsection "Compensation of Jacques Aschenbroich, Chairman and Chief Executive Officer for the year ended December 31, 2017 and prior years", part "Compensation in respect of the year ended December 31, 2017", "Variable compensation" of the 2017 Reference Document, pages 149 to 150.</p> <p>Payment of 2017 variable compensation for the Chairman and Chief Executive Officer is subject to approval of his 2017 compensation by this General Shareholders' Meeting (<i>ex post</i> vote).</p>
Deferred variable compensation	N/A	Jacques Aschenbroich does not receive any deferred variable compensation.
Multi-annual variable compensation	N/A	Jacques Aschenbroich does not receive any multi-annual variable compensation.
Attendance fees	N/A	Jacques Aschenbroich does not receive any attendance fees.
Exceptional compensation	N/A	Jacques Aschenbroich does not receive any exceptional compensation.
Stock option allocations	N/A	Jacques Aschenbroich has not received any stock option allocations.

Compensation components paid or awarded for the financial year ending December 31, 2017	Amounts or accounting value submitted to a vote	Presentation
		<p>Executive Officer", "Commitment pursuant to Article L.225-42-1 of the French Commercial Code – Defined benefit pension plan" of the 2017 Reference Document, page 144.</p> <p>The acquisition of conditional supplementary pension benefits under this defined benefit pension plan is subject to a condition linked to the beneficiary's performance, deemed to have been achieved if the Chairman and Chief Executive Officer's variable compensation paid in year Y+1 for year Y amounted to 100% of his fixed compensation payable for year Y. If his variable compensation was less than 100% of his fixed compensation, rights would accrue on a <i>prorata</i> basis.</p> <p>At its meeting on February 22, 2018, acting on the recommendation of the Compensation Committee, the Board of Directors noted that this condition was met in full for the 2017 financial year.</p>
<p>Benefits of any kind</p>	<ul style="list-style-type: none"> - <u>Unemployment insurance fund for Company managers</u>: annual premium valued at €7,633; - <u>Collective and mandatory health, death and disability plan</u>: annual premium valued at €2,300; - <u>Company car</u>: €14,606. 	<p>The conditions for benefits of any kind, as approved by the General Shareholders' Meeting of May 23, 2017 as part of the vote on the 2017 Compensation Policy, are described in section 3.3.1 "Compensation of the Chairman and Chief Executive Officer", subsection "Compensation policy for the Chairman and Chief Executive Officer", part "Overview of the 2017 Compensation Policy for the Chairman and Chief Executive Officer", "Other benefits" of the 2017 Reference Document, page 145.</p>

Appendix 2 **2018 compensation policy**

Compensation policy for the Chairman and Chief Executive Officer for the year ending December 31, 2018

This section sets out the principles and criteria for determining, structuring and awarding the fixed, variable and exceptional components of the Chairman and Chief Executive Officer's total compensation and benefits package for the year ending December 31, 2018. It forms part of the report prepared in accordance with Article L.225-37 of the French Commercial Code and contains the information required pursuant to Article L.225-37-2, paragraph 2 of said Code.

The Compensation Committee conducted a full review of the Chairman and Chief Executive Officer's compensation and considered a number of possible changes. To this end, the Compensation Committee has met several times since July 2017 and has held in-depth discussions with the Board of Directors at various meetings.

As part of this review, two reputed consulting firms were instructed to conduct a detailed study of the Chairman and Chief Executive Officer's compensation and to make recommendations. Generally speaking, the outcome of these reviews showed that the level of fixed, variable and long-term compensation is consistent with market practices. It will therefore remain unchanged in 2018.

At the end of the review process, the Compensation Committee nevertheless recommended certain adjustments to the criteria used for annual variable compensation compared with the 2017 Compensation Policy.

At its meeting on February 22, 2018, the Board of Directors, acting on the recommendations of the Compensation Committee, approved the 2018 Compensation Policy as described below.

As part of this process, certain changes were made to the benchmarking panels used to review the components of the Chairman and Chief Executive Officer's compensation, following the recommendations of the two consulting firms. The new panels are available on the "Corporate Governance" page of the Company's website (www.valeo.com)².

Fixed compensation

The principles and criteria relating to fixed compensation under the 2017 Compensation Policy (see this section, paragraph "Fixed compensation", page 142) remain unchanged in the 2018 Compensation Policy.

Annual fixed compensation remains unchanged versus the 2017 Compensation Policy at 1 million euros, as the review conducted by the two consulting firms confirmed that this was an appropriate level.

There are currently no plans to amend it until the end of the Chairman and Chief Executive Officer's current term of office.

Variable compensation

The Chairman and Chief Executive Officer's maximum variable compensation, which in any event remains capped at 170% of annual fixed compensation, remains unchanged compared with the 2017 Compensation Policy, as the benchmarking panels used by Valeo to determine the 2018 Compensation Policy and the review conducted by the two consulting firms confirmed that this was an appropriate level.

² The new panels which have been adopted and disclosed by the Company are the following: 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.

As indicated in the 2017 Compensation Policy, the variable portion of the compensation must 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 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. These criteria are determined each year by the Board of Directors, based on recommendations made by the Compensation Committee.

In the interests of stability with respect to the criteria for assessing and continuously measuring the Chairman and Chief Executive Officer's performance, criteria considered as particularly representative of the Company's performance were applied for annual variable compensation in previous years and renewed by the Board of Directors at its meeting of February 15, 2017, based on the recommendation of the Compensation Committee and approved by the Shareholders' Meeting of May 23, 2017 in its tenth resolution.

Under the 2018 Compensation Policy review, the Board of Directors decided, on the recommendation of the Compensation Committee, to make some adjustments to the quantifiable and qualitative criteria previously used. These adjustments are aimed at better reflecting the Group's strategy and current financial, non-financial and operational performance objectives in the proposed criteria.

The Chairman and Chief Executive Officer's annual variable compensation for 2018 will therefore be based on (i) the same quantifiable criteria as those used in the 2017 Compensation Policy (similar criteria were used to determine the variable compensation of Operations Committee members), with a slight adjustment to their respective weightings, and (ii) similar qualitative criteria to those used in the 2017 Compensation Policy, with a few adjustments, including the creation of a "corporate social responsibility" criterion, adjustments to certain qualitative sub-criteria, and a change in the respective weightings of each qualitative criterion (see table below).

The performance criteria and related targets will not be changed during a given year. In accordance with the recommendations of the AFEP-MEDEF Code, the total amount of the variable portion is expressed as a percentage of the annual fixed compensation, each criterion granting entitlement to a percentage of the annual fixed compensation.

The maximum amount of annual variable compensation (170% of annual fixed compensation) is contingent on the achievement of ambitious objectives (significantly higher than the budget with respect to the quantifiable criteria), set by the Board of Directors based on the recommendation of the Compensation Committee.

For each quantifiable criterion, the variable portion varies within a range of 0% to 100% of the maximum amount of annual fixed compensation obtainable under the relevant criterion.

The following table summarizes the applicable quantifiable and qualitative criteria, the entitlement relating to each of these criteria as a percentage of annual fixed compensation, and the maximum variable compensation for 2018:

Quantifiable criteria ⁽¹⁾	
Nature of the quantifiable criterion	Maximum amount of the variable portion as a % of annual fixed compensation
Operating margin	25%
Free cash flow ⁽²⁾	25%
Net income ⁽³⁾	20%
ROCE	20%
Group order intake	25%
TOTAL QUANTIFIABLE CRITERIA	115%
Qualitative criteria	
Nature of the qualitative criterion	Maximum amount of the variable portion as a % of annual fixed compensation

Strategic vision <i>This criterion is measured based on:</i> <ul style="list-style-type: none"> - financial analysts' assessments; - strategic operations carried out by Valeo and the integration of recent acquisitions; - the increase in the proportion of innovative products ⁽⁴⁾ in the order intake for the year; - an assessment of the technology road map presented at the strategy seminar and its impact on R&D and human resources. 	20%
Risk management <i>This criterion is measured, in particular, based on:</i> <ul style="list-style-type: none"> - continued and intensified measures to reinforce the compliance policy; - the management of risks related to new product launches and customer complaints; - the Company's transformation (industrial, human resources) to adapt to product and technology change. 	15%
Corporate social responsibility <i>Progress achieved by Valeo, in particular based on the following indicators:</i> <ul style="list-style-type: none"> - number of employees with disabilities; - diversity (gender and age). <i>Overall assessment of safety performance, in particular based on the following indicators:</i> <ul style="list-style-type: none"> - number of lost-time workplace accidents; - decrease in the number of category 1 accidents (death, amputation, severe trauma, disability/incapacity) and category 2 accidents (major material damage and near major accident). <i>Change in OE sales resulting from products that reduce CO2 emissions.</i>	20%
TOTAL QUALITATIVE CRITERIA	55%
TOTAL QUANTIFIABLE AND QUALITATIVE CRITERIA	170%

(1) Excluding tax and regulatory impact.

(2) Assuming that the investment budget is respected.

(3) Assuming a 20% tax rate for the Group.

(4) Products and technologies in series production for less than three years.

Long-term compensation policy – Allotment of performance shares

The Chairman and Chief Executive Officer's maximum long-term compensation, which in any event remains capped at 270% of annual fixed compensation (100% of maximum annual fixed and variable compensation), remains unchanged compared with the 2017 Compensation Policy, as the benchmarking panels used by Valeo to determine the 2018 Compensation Policy and the review conducted by the two consulting firms confirmed that this was an appropriate level. The cap of 270% of annual fixed compensation is a maximum amount and the Board of Directors reserves the right to award a lower percentage depending on Valeo's performance.

In 2018, the total amount of the 55,026 performance shares allotted to Jacques Aschenbroich, valued in accordance with IFRS, represented 260% of his annual fixed compensation, which is below the maximum amount of this component of compensation provided for in this compensation policy, *i.e.*, 270%.

The principles and criteria relating to long-term compensation under the 2017 Compensation Policy (see this section, paragraph "Long-term compensation – Allotment of performance shares", page 144) remain unchanged in 2018, except as set out below.

At its meeting on February 22, 2018, acting on the recommendation of the Compensation Committee, the Board of Directors set the following rules that will apply to the performance shares in the event of the Chairman and Chief Executive Officer's departure.

Entitlement to the performance shares will be lost in the event of (i) departure due to gross negligence or misconduct or (ii) forced departure for reasons attributable to the Chairman and Chief Executive Officer's performance, before the end of the vesting period. Except for these two cases, the Board of Directors will determine whether or not the Chairman and Chief Executive Officer will retain his entitlement to the performance shares before the end of the vesting period based on an in-depth analysis of the reasons for and circumstances surrounding his departure. In any event, the shares will only vest if the performance criteria are achieved. By way of exception to

the foregoing, in the event of termination of his 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.

The performance criteria to be achieved over a period of three years will not be changed during that period.

A percentage of the initial share allotments will vest according to the number of performance criteria achieved over the reference period (100% for three criteria, 60% for two criteria, 30% for one criteria and 0% for no criteria).

Performance share allotments, valued in accordance with IFRS, must not represent a disproportionate percentage of the total compensation package including performance share awards.

In principle, performance shares are allotted at the same times each year.

In accordance with the recommendations of the AFEP-MEDEF Code and the provisions of the Group's Code of Conduct, the Chairman and Chief Executive Officer must not use hedging transactions to reduce his risk. Jacques Aschenbroich will make a formal commitment in this respect as required by the AFEP-MEDEF Code.

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

The Chairman and Chief Executive Officer may benefit from a defined benefit pension plan in accordance with Group and market practices.

As indicated in the 2017 Compensation Policy, Jacques Aschenbroich is entitled to a defined benefit pension plan that is also open to the Group's senior executives. In view of his 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. There is a cap on the amount of this pension plan, which came into effect on January 1, 2010 and was closed to new members on July 1, 2017 (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). These caps are identical to those applied under the 2017 Compensation Policy. A performance condition was introduced in order to comply with the provisions of French law no. 2015-990 of August 6, 2015 on growth, activity and equal opportunity (known as the Macron law). This performance condition, which also formed part of the 2017 Compensation Policy, will be deemed to have been achieved if the Chairman and Chief Executive Officer's variable compensation paid in year Y+1 for year Y amounts to 100% of his fixed compensation payable for year Y. If his variable compensation is less than 100% of fixed compensation, rights will accrue on a *pro rata* basis.

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

The principles and criteria relating to this component of compensation under the 2017 Compensation Policy (see this section, paragraph "Commitment pursuant to Article L.225-42-1 of the French Commercial Code – Non-competition payment", page 145), remain unchanged in the 2018 Compensation Policy.

Other benefits

The principles and criteria relating to this component of compensation under the 2017 Compensation Policy (see this section, paragraph "Other benefits", page 145), remain unchanged in the 2018 Compensation Policy.

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.

Other components of compensation – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, attendance fees, benefits of any kind under agreements with the Company or any Group company or options or any other long-term component of compensation

The principles and criteria relating to this component of compensation under the 2017 Compensation Policy (see this section, paragraph “Other components of compensation – No multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation, termination benefits, attendance fees, benefits of any kind under agreements with the Company or any Group company or options or any other long-term component of compensation”, page 145), remain unchanged in the 2018 Compensation Policy.

Accordingly, the Chairman and Chief Executive Officer will not be entitled to multi-annual variable compensation, compensation or benefits on appointment, exceptional compensation or termination benefits. In this respect, it should be noted that Jacques Aschenbroich 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 maximum amount of benefits that can be awarded and paid to the Chairman and Chief Executive Officer upon departure therefore correspond to the non-competition payment that may be awarded or paid to him by the Company, *i.e.*, 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 Chairman and Chief Executive Officer will not receive attendance fees. He will not be entitled to any compensation or other benefits as a result of agreements entered into with the Company or any Group company.

No stock options or other long-term component of compensation other than performance shares will be allotted to the Chairman and Chief Executive Officer in 2018.

In accordance with Articles L.225-37-2 and L.225-100 of the French Commercial Code, the Chairman and Chief Executive Officer's variable compensation for 2018 will only be paid once the fixed, variable and exceptional components comprising the total compensation and benefits package paid or awarded to him in respect of 2018 have been approved by the shareholders at an Ordinary Shareholders' Meeting (*ex post* vote).

Appendix 3**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	Ceilings	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 buyback program:</u></p> <ul style="list-style-type: none"> ▪ The implementation of any stock option plan enabling the acquisition of Company's shares, in particular by any employee or corporate officer. ▪ The allocation of free shares, in particular to employees and corporate officers. ▪ The allocation or sale of shares to employees as part of their involvement in the performance and growth of the Company or the implementation of any employee savings plans (or similar plan) under the conditions set out by the laws. ▪ Generally, compliance 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. ▪ Retention and subsequent delivery shares in the context of external growth transactions, mergers, spin-offs or contributions. ▪ The cancellation of all or part of the repurchased shares. ▪ Ensuring the market-making in the secondary market or the liquidity of the Company's share through an investment services provider pursuant to a liquidity contract compliant with the ethical code recognised by the French Financial Markets Authority (<i>Autorité des marchés financiers</i>). ▪ Carrying out any market practice that 	<ul style="list-style-type: none"> ▪ 10% of the share capital (at any time). ▪ 5% in the event of external growth transaction. ▪ Global amount allocated to the share buyback program: €2,396,531,200. 	Maximum purchase price: €100 per share.	May not be used during a public offer.

No.	Description	Period of validity	Possible reasons for use of the authorisation	Ceilings	Price	Conditions for the implementation of the authorisation
			may become authorised by market authorities and generally the completion of any other transaction in accordance with laws and regulations that are or may become applicable.			
12	Authorisation for the Board of Directors to allocate existing shares or shares to be issued free of charge to Group employees or corporate officers, or a subset thereof, with automatic waiver from the shareholders of their preferential subscription right.	26 months as from the term provided for in the 20 th resolution of the General Shareholders' Meeting of May 26, 2016	Use by the Board of Directors to make allocations of existing shares or shares to be issued free of charge to Group employees or corporate officers, or a subset thereof.	<ul style="list-style-type: none"> ▪ <u>Maximum number of free/performance shares that can be allocated</u>: 3,485,404 shares. ▪ <u>Maximum number of performance shares allocated to Chairman and Chief Executive Officer</u>: 196,035 shares; the maximum number of conditional performance shares that could be allocated to him, valued according to IFRS, may not exceed the maximum provided for in the compensation policy. Over the 2016, 2017 and 2018 financial years, this maximum was set at 270% of his annual fixed compensation, it being specified that the Board of Directors reserves the right to award a lower number of shares to the Chairman and Chief Executive Officer. Thus, for the financial year 2018, the amount of the allocation of the 55,026 performance shares to Jacques Aschenbroich, valued in accordance with IFRS, represents 260% of his annual fixed compensation, which is lower than the maximum amount of this compensation provided for in the 2018 Compensation Policy, which is set at 270%. 	N/A	<ul style="list-style-type: none"> ▪ <u>General conditions</u>: allocations of free shares and performance shares to the Chairman and Chief Executive Officer and to all employees. ▪ <u>Minimum vesting period</u>: 3 years. ▪ <u>Performance conditions measured over three financial years applicable to Chairman and Chief Executive Officer and Operational Committee members</u>: <u>Internal performance criteria (80% of allocated shares)</u>: operating margin rate and ROA rate; satisfied if for each of these criteria, 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 financial year of reference, which must be at least equal to the guidance for the financial year in question, is equal to or greater than one, it being specified that neither the target rates as set by the Board of Directors nor the criterion used will be

No.	Description	Period of validity	Possible reasons for use of the authorisation	Ceilings	Price	Conditions for the implementation of the authorisation
						<p>modified subsequently; number of vested shares will then depend on number of satisfied criteria (if two: 80%; if one: 40%; if zero: 0%).</p> <p><u>External performance criterion (20% of allocated shares)</u>: recording a certain level of Valeo's Total Shareholder Return (TSR) measured against the TSR of the CAC 40 index and the TSR of companies from a panel of European companies in the automotive sector set by the Board of Directors and disclosed by the Company over a three-year period starting January 1st of the year of allocation to December 31st of the year before delivery (i.e. for a 2019 plan, this would mean from January 1, 2019 to December 31, 2021): (i) if Valeo's TSR recorded over the reference period > CAC 40 index's TSR over the reference period: 10% (0% if ≤); (ii) if Valeo's TSR recorded over the reference period > median of the TSRs of companies from a panel of European companies in the automotive sector over the reference period: 10% (0% if ≤).</p> <p>The panel used by the Board of Directors is not intended to evolve unless a change in the structure or business of one of the</p>

No.	Description	Period of validity	Possible reasons for use of the authorisation	Ceilings	Price	Conditions for the implementation of the authorisation
						<p>companies makes it less relevant, in which case it will be replaced by another company to maintain the greatest possible comparability between Valeo and its peers.</p> <ul style="list-style-type: none"> ▪ <u>Performance conditions measured over three financial years applicable to Liaison Committee members (other than Operational Committee members) and main reports of Liaison Committee members</u>: only internal performance criteria, namely operating margin rate and ROA rate; rules for meeting these two criteria are same as for allocations to Chairman and Chief Executive Officer and Operational Committee members; then number of allocated performance shares which will be vested depends on number of satisfied criteria (if two: 100%; if one: 50%; if zero: 0%). ▪ <u>Additional conditions applicable to the Chairman and Chief Executive Officer</u>: <ul style="list-style-type: none"> - the conditions for final allocation of performance shares should he leave the Company are described in section 3.3.1 "Compensation of the Chairman and Chief Executive Officer",

No.	Description	Period of validity	Possible reasons for use of the authorisation	Ceilings	Price	Conditions for the implementation of the authorisation
						<p>subsection "Compensation policy for the Chairman and Chief Executive Officer", part "Compensation policy for the Chairman and Chief Executive Officer for the year ending December 31, 2018", "Long-term compensation policy – Allotment of performance shares" of the Company's 2017 Reference Document, page 148.</p> <ul style="list-style-type: none"> - retention obligation of at least 50% of the vested shares in registered form until the end of his term of office; - no risk-hedging operations. <ul style="list-style-type: none"> ▪ <u>Additional conditions for beneficiaries other than the Chairman and Chief Executive Officer</u>: condition of presence (in particular, employment contract or corporate office of the beneficiary in force on the vesting date, not being in a notice period on that date due to resignation, dismissal, or contractual termination, except in limited cases. ▪ <u>Additional condition applicable to Operational Committee and Liaison Committee members</u>: no risk-hedging operations.

GLOSSARY

Dividend

Amount of dividends distributed over the last three financial years:

- financial year 2016: 296.6 million euros;
- financial year 2015: 236.4 million euros;
- financial year 2014: 172.1 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 General Tax Code.

Please note that the French Financial bill no. 2017-1837 dated as of December 30, 2017 for the year 2018 brought changes to the dividends taxation scheme. When paid to individuals who are tax residents in France, the gross dividend is either submitted to a unique withholding tax at a flat rate of 12.8% (Article 200 A of the French General Tax Code), or is, as an option, taxed at a progressive rate after a 40% deduction (Article 200 A, 2. and 158,3-1° of the French General Tax Code). This option is to be exercised at the date of the submission of the income tax return and at the latest by the date when the filing is due. Furthermore, the dividend is submitted to social security contributions at a rate of 17.2%.