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Written question from PHITRUST - Valeo General Shareholders' Meeting of May 23, 2018

As a socially responsible investor and shareholder, we believe that it is essential for the Group to contribute to the commitments given within the framework of the Paris Agreement signed in 2015 following COP21, by undertaking to define greenhouse gas emission reduction targets that are ambitious, significant, consistent with its activities and at least aligned with the "2 degree" goal recognized as essential by the international community.

However, your company is not currently part of the "Science Based Targets" initiative, which establishes scientific monitoring of the compliance of a company's greenhouse gas emission reduction scenario, depending on its business, in line with the objectives of the Paris Agreement to limit global warming to 2°.

Among the companies in the CAC40 index, eighteen have already joined this initiative.

Can you explain the reasons why the company has not joined this initiative and if it is contemplating to do so during the 2018 financial year?

Answer to PHITRUST's written question to the General Meeting of May 23, 2018

Valeo's commitment to sustainable development

Valeo's commitment to sustainable development and the fight against climate change, notably by reducing greenhouse gases, is considerable.

This commitment is first reflected in concrete initiatives within the framework of our industrial process and in the evolution of our products. Some examples are given below.

- Production

Continuous improvement of the production process to better control the environmental footprint of the Group's sites:

- control of the carbon footprint, and notably of the greenhouse gas emission (Scope 1 and 2 emissions);
- control of water consumption, energy consumption, waste production, etc.

Between 2008 and 2017, Valeo significantly reduced the consumption of water (by 52%), energy (by 33%) and packaging (by 27%)¹ despite a turnover that more than doubled, and direct and indirect CO₂ emissions between 2009 and 2017 were cut by 7%.²

- Products

¹ Consumption in relation to turnover.

² - Direct GHG emissions (Scope 1): combustion emissions from stationary sources at sites, fuel combustion emissions from the Group's vehicles, direct emissions from non-energy processes such as VOC incinerators and direct fugitive emissions linked to refrigerant fluid leaks;

- Indirect GHG emissions (Scope 2): emissions associated with energy, linked to the consumption of electricity, steam, compressed air and other sources;

- Other indirect GHG emissions (Scope 3): emissions related to the purchase of products used in industrial processes and the transport of goods and people.

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- A strategy focused on sustainable mobility. The automotive industry is undergoing major changes, including a triple revolution: electrification, autonomous driving and digital mobility. Thanks to a strategy focused on sustainable development, Valeo has become a leader in these three areas and Valeo's products directly contribute to the development of clean and environmental-friendly mobility. Valeo's policy of continuous innovation is one example of this strategy, making Valeo a world leader in vehicle hybridization and electrification solutions. Products that directly or indirectly contribute to reducing CO₂ emissions accounted for 50% of Valeo's turnover in 2017.
- Improved product impact assessment. Reporting on indirect product greenhouse gas emissions ("Scope 3" emissions) has been improved: in 2017 the Group started work on defining and building a methodology for calculating emissions in connection with the use of Valeo products³. Valeo estimates the CO₂ impact of the use of the selected products sold in 2017 at 108,000 kt of CO₂ eq. over their entire lifecycle. This result was published in the 2017 Registration Document.

In addition, Valeo is involved in several initiatives related to sustainable development, notably in the fight against global warming. For example:

- participation in the *French Business Climate Pledge* at COP21. Participation in this initiative was renewed at COP 22 and 23;
- involvement in commitments arising from the *One Planet Summit* in December 2017; or
- participation in the AFEP's *circular economy trajectories*, which brings together 100 commitments from 33 French companies listed in Paris in favor of a circular economy.

Involvement in these initiatives includes the publication of quantified targets for its environmental action. Valeo has detailed its 2020 targets for reducing greenhouse gas emissions (Scopes 1 and 2), water consumption and energy consumption. These targets are set out in the Registration Document for the 2017 financial year (Chapter 4 – sustainable development - p.205).

Lastly, Valeo's efforts in sustainable and environmental development have been recognized: Valeo is ranked as one of the world leaders in this field by several non-financial rating agencies (notably: CDP, RobecoSAM, Sustainalytics, Oekom and MSCI).

Science Based Targets

Valeo is closely following the "Science Based Targets" initiative. Nevertheless, we consider that, to date, the methodology used for this initiative, which determines in particular the companies' quantifiable commitments, has not been sufficiently stabilized to enable Valeo to participate efficiently. It is worth mentioning that of the 18 CAC40 companies that have already joined this initiative, very few have set targets. The Group obviously has the possibility of reviewing its position on this matter, particularly in the light of changes to the choice of methodology.

³ *There is currently no established methodology in the industry.*