

Information relating to the 2019 compensation policy applicable to the Chairman and Chief Executive Officer

In determining the compensation policy applicable and payable to the Chairman and CEO for the financial year ending December 31, 2019 (the "**2019 Compensation Policy**"), the Compensation Committee has analysed the structure of the Chairman and Chief Executive Officer's compensation based on a comparative review prepared by a reputed consulting firm, based on the four panels Valeo uses as points of reference¹, with particular attention to the European car makers and OEMs panel.

After this comparative review, the Compensation Committee suggested certain adjustments to the Board of Directors regarding annual fixed compensation and certain modalities for performance share awards.

The Board of Directors, acting at the recommendation of the Compensation Committee, established the 2019 Compensation Policy at its meeting held on March 21, 2019.

1. Annual fixed compensation

As a reminder, the amount of the annual fixed remuneration, which had been EUR 900,000 since June 1, 2011, was increased to EUR 1,000,000 on February 18, 2016 when the Chairman of the Board of Directors and the Chief Executive Officer roles were combined.

This amount has remained unchanged since February 18, 2016, while the Group has continued to grow and operates in an increasingly challenging context. Indeed, the Group's international footprint has significantly increased, notably with a quick development of the Group in Asia. A factor of complexity, this trend gathered speed in 2017 when the Valeo Kapec joint venture was created in Korea, and control was acquired over Ichikoh in Japan. Asia now represents around 32% of the Group's sales figures, while its Asian customers account for 34% of the Group's sales figures. In addition, R&D investments and the development of new innovative products, especially in the fields of electrification and autonomous driving, are a source of growth but also of operational complexity. As a result, the share represented by innovative products in Valeo's order intake rose to 53% (60% including Valeo Siemens eAutomotive joint venture), as of December 31, 2018 compared to 37% as of December 31, 2015. More generally, this growth has been accompanied by a significant increase of (i) the Group's sales figures, which rose from EUR 14,544 million as at December 31, 2015 to EUR 19,124 million as at December 31, 2018, representing an increase of 31.49%, and (ii) the number of employees, going from 82,800 as at December 31, 2015 to 113,600 on December 31, 2018, *i.e.* an increase of 37.19%. This data does not include the Valeo Siemens eAutomotive joint venture which has taken in over EUR 10.5 billion in orders since its creation in 2016. At the same time as this growth has been occurring, it has been noted that the Chairman and Chief Executive Officer's level of annual fixed compensation is lower than the median for the panels used for comparison, and borders on the first quartile.

These factors have led the Compensation Committee to propose that the Board of Directors adjust the Chairman and Chief Executive Officer's fixed compensation to EUR 1,150,000, with effect from May 23, 2019.

There is no plan to change this amount until the end of the Chairman and Chief Executive Officer's current term of office.

It is specified that between January 1, 2019 and May 23, 2019, the Chairman and Chief Executive Officer's fixed compensation will remain unchanged at EUR 1,000,000.

¹ 1. CAC 40, 2. CAC 40 excluding finance and luxury sector companies, 3. European car makers and OEMs and 4. International OEMs. These panels are available on the Company's website (www.valeo.com), under "Corporate Governance".

2. Annual variable compensation

The principles and criteria for this compensation component, set out in the compensation policy for the financial year ended December 31, 2018 (the "**2018 Compensation Policy**"), remain unchanged in the 2019 Compensation Policy.²

The maximum amount of the Chairman and Chief Executive Officer's annual variable compensation, which remains 170% of the annual fixed compensation in all circumstances, has not been changed from the figure set in the 2018 Compensation Policy, as the comparative study conducted on the basis of the panels confirmed that this percentage was appropriate.

3. Long-term variable compensation – Performance shares

The final allocation of performance shares would depend on performance, based on two internal performance criteria already used – namely the operating margin rate and the pre-tax rate of return on assets (ROA) – as well as the Total Shareholder Return (TSR) which would replace the internal performance ROCE criterion (used for the 2018 Compensation Policy) as it is already taken into account in short-term variable compensation. Valeo's TSR will be measured against the CAC 40 index and a panel of companies in the European automotive sector.³

Internal performance criteria will represent a maximum of 80% of allotted shares (40% for each criterion), while the external performance criterion will represent no more than 20% of the allotment.

The following table summarizes the criteria and modalities for assessing performance shares for the financial year ending December 31, 2019.⁴

Criterion	Weight / Assessment
Internal performance criterion: ROA rate	<p>Performance measured by two criteria (operating margin rate and ROA rate) for each of the three financial years (Y, Y+1, and Y+2) of the vesting period. The criterion will be satisfied if, for each financial year covered under the grant, the rate effectively achieved for each criterion is greater than or equal to the target rate established by the Board of Directors, it being understood that (i) the target rate cannot be lower than the guidance for the financial year of reference⁵, (ii) the selected criterion cannot be changed by the Board of Directors at a later date and (iii) the target rates cannot be changed by the Board of Directors at a later date, except by a duly justified decision in the context of exceptional circumstances beyond the beneficiaries' control.</p> <ul style="list-style-type: none"> - If, for each financial year covered by the scheme, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those three financial years: 100%. - If, for only two of the financial years covered by the scheme, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for each of those two financial years: 50%. - If, for only one of the financial years covered by the scheme, the rate of achievement of the corresponding criterion is greater than or equal to the target rate for that financial year: 20%. - If the target rate for the corresponding criterion is not satisfied for any of the financial years covered by the scheme: 0%.
Internal performance criterion: operating margin rate	
External performance criterion: TSR	<p>TSR recorded over a period of three years from January 1 of the allotment year to December 31 of the year prior to delivery.</p> <ul style="list-style-type: none"> - If Valeo's TSR recorded over the reference period is greater than the CAC 40 index's TSR recorded over the reference period: 10% (0% if equal or lower).

² It is understood that hypotheses regarding free cash flow and net profit/loss stated in the footnotes to tables 2 and 3 and in the summary table of variable compensation in the 2018 Compensation Policy are not restated in the 2019 Compensation Policy.

³ Those panels are available on the Company's website (www.valeo.com), "Corporate governance" section.

⁴ These criteria and methods of evaluating performance shares are also described in the Board of Directors' report to the General Meeting of May 23, 2019 (nineteenth resolution). If the nineteenth resolution is not passed by the Shareholders at the General Meeting held on May 23, 2019, the criteria and method for evaluating performance shares appearing in the Board of Directors' Report to the Shareholders at the General Meeting held on May 23, 2018 (twelfth resolution) will apply to the Chairman and Chief Executive Officer pursuant to the 2019 Compensation Policy. As a reminder, the Shareholders voted to approve the twelfth resolution at this meeting by a margin of 95.26%.

⁵ Guidance for 2019 is ROA rate of 11% (taking into account share in net earnings of equity-accounted companies) and operating margin rate (excluding share in net earnings of equity-accounted companies) of between 5.8% and 6.5%.

Criterion	Weight / Assessment
	<ul style="list-style-type: none"> - If Valeo's TSR recorded over the reference period is greater than the median of the TSRs of the companies of a panel of automotive companies in Europe over the reference period: 10% (0% if equal or lower).

The maximum amount of the Chairman and Chief Executive Officer's long-term variable compensation, which remains 270% of the annual fixed compensation in all circumstances, has not been changed from the figure set in the 2018 Compensation Policy, as the comparative study conducted on the basis of the panels confirmed that this percentage was appropriate.

The other principles and criteria for this compensation component set out in the 2018 Compensation Policy remain unchanged in the 2019 Compensation Policy.⁶

4. Other compensation components

The principles and criteria for the other compensation components set out in the 2018 Compensation Policy remain unchanged in the 2019 Compensation Policy.

In light of the new recommendations stated in the AFEP-MEDEF Code regarding non-compete agreements, Jacques Aschenbroich announced his decision to waive his non-compete payment. In order to comply with the AFEP-MEDEF Code, the Board of Directors acknowledged his decision at its meeting of February 21, 2019 and consequently decided to amend the non-compete agreement.

It is also stated that Jacques Aschenbroich benefits from a defined benefit retirement scheme in line with Group and market practices. In accordance with the applicable legal provisions, the renewal of this commitment was authorized by the Board of Directors on March 21, 2019 and will be submitted to the approval of the next General Shareholders' Meeting. The details of this defined benefit retirement scheme are set forth in Schedule 1.

Pursuant to the provisions of articles L. 225-37-2 and L. 225-100 of the French Commercial Code, at the upcoming General Shareholders' Meeting, the shareholders will be asked to vote on the principles and criteria determining, allocating, and awarding the fixed, variable and exceptional components of the overall compensation and benefits of all kinds payable to the Chairman and Chief Executive Officer for the financial year ending December 31, 2019, constituting the compensation policy applicable to him (*ex ante* vote). Pursuant to the above provisions, the Chairman and Chief Executive Officer's variable compensation for the financial year ending December 31, 2019 will only be paid after the General Shareholders' Meeting held to approve the financial statements for the year ending December 31, 2019 has approved the fixed, variable and exceptional components of the overall compensation and benefits of all kind paid or granted to the Chairman and Chief Executive Officer for the financial year ending December 31, 2019 (*ex post* vote).

Lastly, it is understood that the principles and criteria described in the 2019 Compensation Policy are intended to apply to the Chief Executive Officer in the event the roles of Chairman of the Board of Directors and Chief Executive Officer are separated.

⁶ Based on the condition of presence, performance shares awarded would only be awarded if, for the Chairman and CEO, provided his term of office was in effect on the final award date. For the avoidance of doubt, it is understood in the 2019 Compensation Policy that should the roles of Chairman of the Board and CEO be separated before the final award date, the office of the Chairman of the Board or of the CEO will be taken into account when assessing whether the condition is satisfied. Subject to this clarification, all other aspects of the conditions of presence are unchanged.

Schedule 1

The main features of the pension commitment benefitting Jacques Aschenbroich are as follows:

- pension scheme cap: supplementary pension of 1% of the salary of reference per year of seniority, up to a maximum of 20%;
- capped base for determining entitlement: total pension amounts under all schemes cannot be greater than 55% of the salary of reference;
- the salary of reference is the end-of-career salary; this is equal to the average fixed basic compensation over the last 36 months, plus variable compensation for periods falling after February 1, 2014. Variable compensation is equal to the average variable compensation received over the last 36 months. Both types of compensation are those received for full-time work in the Group;
- the acquisition of supplementary pension rights is dependent on the beneficiary's performance; the performance condition is deemed to have been satisfied if the variable portion of the beneficiary's compensation to be paid for year Y in year Y+1 equals 100% of fixed compensation owed for year Y. If the variable portion does not attain 100% of fixed compensation, granted rights are calculated *pro rata*; and
- receiving supplementary pension entitlements for executive corporate officers does require the officers effectively end their professional life at the Group. All mandatory pensions for executive corporate officers must have been claimed.

As a further reminder, at the Board meetings held on April 9, 2009 and October 20, 2009, the Board of Directors decided – at the recommendation of the Appointments, Remunerations and Governance Committee and in order for Jacques Aschenbroich to benefit from the supplementary retirement scheme effective January 1, 2010 – to consider him as having five years of seniority at the time he assumed his role, in light of his age and the fact that he was not covered under any supplemental pension scheme.

Lastly, further to a decision taken by the Board of Directors on July 20, 2017, this pension scheme, in effect since January 1, 2010, has been closed to new beneficiaries since July 1, 2017. A new "article 83" supplemental pension scheme was set up on January 1, 2019 and applies to all employees in France whose compensation is more than four times higher than the social security ceiling, with the exception of Jacques Aschenbroich who continues to benefit from the defined benefit retirement scheme.