

SUSTAINABLE DEVELOPMENT

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Interview with Jacques Aschenbroich

Chief Executive Officer

Chairman and Chief Executive Officer since February 18, 2016



What makes sustainable development central to Valeo?

A commitment to sustainable development is embedded in Valeo's DNA.

As a technology company, Valeo offers innovative products and systems that help reduce CO₂ emissions and promote the development of intuitive, connected and more autonomous driving.

Today, Valeo's strategic decision to contribute to the transition toward sustainable mobility has been validated by our customers, as demonstrated by the fact that innovative products have accounted for more than 30% of the Group's order intake since 2013.

Our strategy has also been endorsed by the market: the proportion of SRI⁽¹⁾ investors has increased greatly, and Valeo took first place in the automotive segment of the 2015 Low Carbon 100 Europe index launched by Euronext to coincide with COP21 in December 2015.

(1) Socially responsible investment.

What are the key thrusts of the Group's sustainable development policy?

At Valeo, sustainable development is built on four key pillars: innovation, the environment, labor issues and society. It pervades all the areas where the Group interacts with stakeholders, both internally and outside the Group.

Since 2010, at my request, Valeo has established a dedicated sustainable development function. Its role is to coordinate initiatives inside and outside the Group, and to stimulate innovation. Other Group functions, including Research and Development, Risk Insurance Environment, Human Resources, Ethics and Compliance, and Purchasing, also make a direct contribution to its work in the field of sustainable development, and have developed the tools needed for this purpose.

Our sustainable development policy also reflects our desire to satisfy the demands of our stakeholders, from our employees, customers and suppliers to our shareholders.

“ Our sustainable development policy also reflects our desire to satisfy the demands of our stakeholders, from our employees, customers and suppliers to our shareholders. ”

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What were the highlights of 2015?

In a process of continuity, we deepened and intensified our commitment to developing more innovative products by extending and intensifying our efforts and investments in the field of research and development. In 2015, these investments accounted for more than 10% of original equipment sales.

For the environment, Valeo pursued its strategy and objectives in terms of reducing resource consumption and reining in CO₂ emissions. Since 2008, Valeo has significantly reduced its consumption (as a proportion of sales) of water (down 46%), energy (down 28%), packaging (down 25%) and waste (down 4%). Direct and indirect CO₂ emissions have been cut by 4% since 2009. Lastly, the process of certifying our sites continued. By the end of 2015, 98% of Group sites had ISO 14001 certification, and 94% had OHSAS 18001 certification.

For labor issues, health and safety at work remain a priority. Another focus is the diversity policy (gender, disability, generational, social and cultural), which was launched in 2013 and ushered in throughout the Group in 2015, with extensive training for our teams. The pursuit of this objective is one of the keys to retaining talent, and is at the core of the attractiveness of our Group.

In social terms, the Plants' Initiatives program, which has been in place on each of our sites since 2008, represents a wide range of social endeavors targeting both our employees and the neighboring local communities. Initiatives in this area are monitored closely by the Group, and are improving and flourishing.

Lastly, 2015 marked an increase in the recognition of our commitment to sustainable development:

- the Carbon Disclosure Project (CDP), which assesses the transparency and performance of companies in terms of their carbon footprint, awarded Valeo a score of 95 out of 100 on transparency, well above the average for the automotive supplier category (83 points), and a C for performance, in line with the industry average;
- after citing Valeo as an “industry leader” in 2014, Sustainalytics awarded the Group a rating of 76 out of 100, giving it the status of “outperformer” in the automotive suppliers category.

Recognition of this sort motivates us to continue our untiring commitment to sustainable development.

March 24, 2016

4.1 Valeo and sustainable development: strategy, policy and organization

4.1.1 Sustainable development challenges at Valeo

A global economic and industrial player dedicated entirely to the automotive sector, since 2014 Valeo has focused its sustainable development policy on seven themes:

- eco-responsible innovation for low-carbon products and solutions;
- environmentally-efficient industrial processes;
- workplace health and safety;
- human capital development;
- sustainable development principles applied in purchasing policy;
- ethics and compliance; and
- contribution of the Group's sites on social issues.

In 2015, with a view to continuing its effort to analyze its sustainability challenges, Valeo conducted a materiality analysis to:

- give its research and development, environmental, labor-related and social data sharper focus on key issues of significance for the Group and its stakeholders;
- support the relevance and quality of information put forward by the Group;
- enable stakeholders to better comprehend their interactions with Valeo.

The materiality analysis shows internal ambitions in respect of sustainable development challenges through the lens of Valeo's stakeholder expectations. The completion of

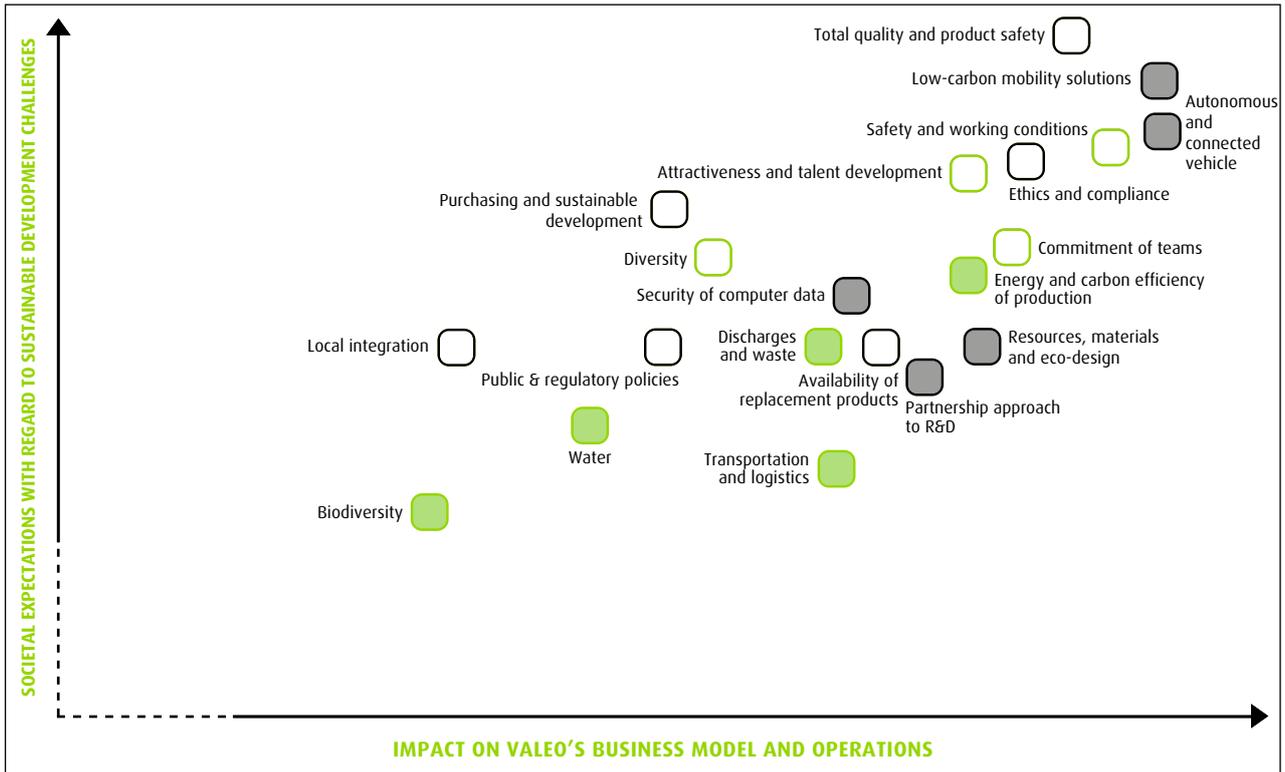
this analysis involved a series of interviews with various departments in all relevant networks (Purchasing, Risk Insurance Environment, Research and Development, Human Resources, Sales, Country managements), crossed with a documentary review (non-financial questionnaires, survey results, etc.), interviews and specific questioning of the Group's sustainable development stakeholders (automakers, civil society, trade press, CSR analysts, etc.).

This approach, which took shape in 2015, helped the Group in various ways gain input from its key stakeholders (unions and employee representatives, employees, customers, business partners, the financial community, national and European institutions, etc.).

The identification of relevant or so-called material challenges internally resulted in the preparation of a materiality matrix (below) structured around four axes: innovation, environmental eco-efficiency, employees and commitment to corporate citizenship. A total of 20 challenges were identified. For each of them, we describe in this chapter the importance and relevance of the challenge, our approach, our performance, the achievements of the year and the outlook. The chapter accordingly provides a description of all key sustainable development performance indicators and the main tools used within the Group.

MATERIALITY MATRIX PLOTTING VALEO'S SUSTAINABLE DEVELOPMENT CHALLENGES

SUSTAINABLE DEVELOPMENT POLICY AXES



4.1.2 Sustainable development governance and structure

The organization of sustainable development at Valeo

Designed in line with Valeo's business objectives and policies, the sustainable development policy spans the entire Group.

The Sustainable Development and External Relations Department plays the role of pilot and coordinator for the Group's various networks and departments. The Human Resources, Risk Insurance Environment, and Ethics and Compliance Departments implement policies that contribute to improvements on labor-related, environmental and social aspects, the results of which are set out in this chapter. The Research and Development Department and operational

management (Purchasing, Quality, Industrial and Logistics) support and enable the deployment of sustainable development themes within the Group.

Review of the sustainable development policy by the Appointment, Compensation & Governance Committee

Wishing to take stock of 2015 in terms of sustainable development and to discuss the outlook for 2016, the Board of Directors' Appointment, Compensation & Governance Committee heard joint testimony from the Group Vice-President Sustainable Development and External Relations and the Group Human Resources Senior Vice-President in January 2016.

4.1.3 Sustainable development policy in the Group's business

Sustainable development policy

Valeo's sustainable development approach relies on a set of commitments broken down by policy and by department, providing support for the Group's ambition in this area and a framework for all employees in their day-to-day activities. Its central pillars are:

- the Valeo 5 Axes;
- the Code of Ethics;
- the Sustainable Development Charter;
- the Code of Conduct for Valeo partners.

Measuring the Group's overall sustainable development performance

Valeo is committed to a strategy of sustainable growth based on responsibility as an organization in respect of employees, the environment and society as a whole, as well as business conduct consistent with competition law and the fight against corruption, and has established tools to measure its performance.

Measuring progress involves identifying a major challenge for each theme, and evaluating the achievement of the associated targets through one or more key performance indicators. The performance charts below set out the Group's various challenges, objectives and key performance indicators.

The targets correspond to the Group's priorities and the results of the materiality analysis. They have been formalized by means of a collaborative approach taken with the management of the relevant Business Groups.

Performance chart showing the objectives and key performance indicators of the Group's sustainable development policy

Themes	Challenges	Objectives	Performance indicators	Pages
Eco-responsible, low-carbon and sustainable innovation in research, methodology, products and solutions	Build a growth strategy based on innovative technologies for: <ul style="list-style-type: none"> CO₂ emission reductions intuitive driving (connected, automated and human-machine interfaces) 	<ul style="list-style-type: none"> Develop CO₂ emission reductions and intuitive driving technologies Promote open innovation⁽¹⁾ 	Net research and development expenditure (as a % of sales)	153
			Research and Development headcount	153
			Number of customer projects managed	153
			Number of collaborative projects	153
			Number of patents filed	153
Proportion of innovation in the order intake	153			
Eco-efficient industrial processes	<ul style="list-style-type: none"> Continue the process of certifying environmental management systems in order to meet the commitment to reduce environmental impact 	Achieve the 2020 targets (from the 2015 base): <ul style="list-style-type: none"> 6% reduction in water consumption 8% reduction in energy consumption 5% reduction in the production of hazardous and non-hazardous waste 8% reduction in direct and indirect GHG emissions⁽¹⁾ ISO 50001 certification⁽¹⁾ of 20% of sites 	Water consumption	172
			Energy consumption	172
			Packaging materials consumption	172
			Reduction in the production of hazardous and non-hazardous waste	172
			Reduction of direct and indirect greenhouse gas emissions (Scope 1 and Scope 2)	172
			ISO 14001 and ISO 50001 certification	172
Workplace health and safety	<ul style="list-style-type: none"> Ensure the health and safety of employees, from the design of new production equipment, and throughout their careers Continue the process of certifying safety management systems in order to meet the commitment to improve health and safety conditions for employees 	<ul style="list-style-type: none"> Promote workplace health and safety conditions consistent with the goal of "zero accidents" 	Frequency rate of occupational accidents	194
			Severity rate of occupational accidents	195
			Percentage of training hours devoted to health and safety	209
			Percentage of sites having implemented well-being initiatives	200
			OHSAS 18001 certification	173
Human capital development	<ul style="list-style-type: none"> Improve the working conditions of employees, particularly in respect of well-being at work, promote diversity, encourage training and forge relations with staff representatives 	<ul style="list-style-type: none"> Support the growth of the Group internationally (especially in emerging markets) Make Corporate Social Responsibility (CSR) central to stakeholder dialog (particularly between management and employee representatives) Enhance employee satisfaction 	Proportion of women engineers and managers hired	214
			Rate of absenteeism	197
			Number of training hours provided	207
			Number of Valeo employees registered as disabled (relative to the total population of a country)	217
Sustainable development principles applied in purchasing policy	<ul style="list-style-type: none"> Include Valeo's sustainable development principles in the purchasing policy 	<ul style="list-style-type: none"> Extend and reinforce the application of sustainable development criteria by suppliers 	Proportion of production suppliers involved in the evaluation (selected panel) as a percentage of the Group's production purchases	226
Ethics and compliance	<ul style="list-style-type: none"> Facilitate the understanding and application of a clear set of internal rules that prohibit illegal practices and lay down conditions and prerequisites governing certain business relationships and cooperative arrangements 	<ul style="list-style-type: none"> Continue to provide all employees with guidelines enabling them to know how to recognize a non-compliance risk so as to make the right decision in the interests of the Group 	Percentage of target population trained in Ethics and Compliance over the year	222
Contribution of the Group's sites on social issues	<ul style="list-style-type: none"> Ensure positive development interaction between the Group and its local ecosystem 	<ul style="list-style-type: none"> Be a responsible industrial player with regard to labor and social issues Ensure that sites have the appropriate interaction with their economic, social and societal environments 	Quality of voluntary measures taken by industrial plants	229
			Quality of institutional relations with various national stakeholders, both in Europe and internationally	228

(1) See Sustainable Development Glossary, page 407.

4.1.4 A sustainable development policy based on strong relationships with stakeholders

A multi-stakeholder approach

Valeo, as a global industrial and technology group, has relationships with the various stakeholder groups throughout the production process. This includes the design (research centers and universities, engineers), production (suppliers, employees) and sales (automakers, distribution networks) stages of the original equipment and aftermarket segments.

For 2015, Valeo offers a more detailed picture of its sustainable development policy on the basis of analysis of its relationships with stakeholders, specifying the type of stakeholder, the objectives and the form of dialog. The presentation in the table below underscores the Group's responsible approach, taking into account change in the automotive sector, demand from stakeholders and the Group's determination to meet the highest expectations laid down in the major international standards in this area.

Types of dialog with stakeholders

Sectors of interest	Stakeholders	Objective of dialog	Sample answers and types of dialog undertaken
Research and Development	<ul style="list-style-type: none"> ■ Research partners and subcontractors ■ Laboratories ■ Universities ■ Independent public organizations ■ Certification and control bodies 	<ul style="list-style-type: none"> ■ Establish cooperative and industry-oriented Research and Development ■ Organize transfers and exchanges of expertise, techniques and know-how 	<ul style="list-style-type: none"> ■ Scientific events (conferences and congresses) ■ Partnerships with universities and competitiveness clusters ■ Organization of technology days ■ Participation in technology platforms
Workplace	<ul style="list-style-type: none"> ■ Professional organizations ■ Administrative and governmental authorities ■ Employer representative bodies ■ Employee representative bodies and labor unions ■ Social security organizations 	<ul style="list-style-type: none"> ■ Ensure ongoing dialog with the leaders of various labor unions and professional organizations 	<ul style="list-style-type: none"> ■ Collective bargaining ■ Dialog with labor unions and employers' associations ■ Annual survey of employee commitment ■ Diversity program ■ Well-Being at Work program
Customers	<ul style="list-style-type: none"> ■ Automakers ■ Distributors 	<ul style="list-style-type: none"> ■ Design, develop, manufacture and market innovative products and systems for sustainable mobility 	<ul style="list-style-type: none"> ■ Technology steering committees ■ Customer meetings ■ Market trend studies
Partners	<ul style="list-style-type: none"> ■ Lessors/tenants ■ Suppliers ■ Innovative SMEs 	<ul style="list-style-type: none"> ■ Cooperate and co-construct in compliance with competition law 	<ul style="list-style-type: none"> ■ Supplier integration ■ Selection committees ■ Calls for tender ■ Working groups
Financial community	<ul style="list-style-type: none"> ■ Shareholders/investors ■ Credit and non-financial rating agencies ■ Banks ■ Insurers ■ Statutory Auditors 	<ul style="list-style-type: none"> ■ Adopt a dialog-based approach building on the relevance, rigor and transparency of information relating to the Group 	<ul style="list-style-type: none"> ■ Meetings with investors and analysts ■ Annual Shareholders' Meeting ■ Presentation of financial results ■ Dialog with financial and extra-financial rating agencies ■ Shareholders' letters
Institutional	<ul style="list-style-type: none"> ■ Public authorities (states) ■ European Commission ■ International organizations (UN, FIT, IFC, OECD, etc.) 	<ul style="list-style-type: none"> ■ Conduct economic, industrial and social dialog in compliance with national, European and international laws and regulations 	<ul style="list-style-type: none"> ■ Communication on Progress of the UN Global Compact (once every year) ■ Dialog with national authorities ■ Dialog with the European Commission
Environment and local regions	<ul style="list-style-type: none"> ■ Local authorities ■ Local government ■ Associations ■ Civil society 	<ul style="list-style-type: none"> ■ Ensure positive development interaction between the Group and its local ecosystem 	<ul style="list-style-type: none"> ■ Dialog with employment agencies ■ Dialog with local authorities ■ Dialog with local stakeholders (associations, NGOs, etc.)

Valeo, a key driver of a sustainable automotive industry

As a responsible player within the French automotive industry, Valeo has invested in the Automotive Suppliers' Modernization Fund (*Fonds de Modernisation des Equipementiers Automobiles*) Tier 2 – renamed Automotive Future Fund (*Fonds Avenir Automobile - FAA*) in 2015 – since its creation.

Along with other major industry suppliers, the Group supports tier-two, -three and -four suppliers, helping them consolidate their activities among customers.

Placing great importance on its involvement in different consultation bodies in the automotive industry, Valeo actively participates in national, European and international working groups:

- in France, Valeo took part in creating the Automotive Industry Platform (*Plateforme de la Filière Automobile - PFA*), which works to improve customer-supplier relationships and in turn to better align research and production;
- in Germany, Valeo participates in working groups of the *Verband der Automobilindustrie (VDA)*, the German automotive industry body;

- in Europe, Valeo is involved in European collaborative, precompetitive research through the European Road Transport Research Advisory Council (ERTRAC), the European Commission's technology platform for research on road transportation;
- in a global strategic framework, Valeo is also a member of the French-Chinese automotive industry working group coordinated by the two countries' respective ministries of industry;
- in the United States, Valeo works with research teams from the National Highway Traffic Safety Administration (NHTSA).

Valeo, a responsible partner

At its own initiative in 2013, Valeo surveyed its suppliers with a view to gaining a better understanding of their sustainable development initiatives, based on economic (plant optimization), environmental (certification) and labor-related (labor law) criteria. This assessment involved work to identify and support suppliers in their sustainable development approach and their business relationships with the Group (see section 4.5.3 "Application of sustainable development principles in purchasing processes", pages 223 to 227).

4.1.5 Methodology

In the interests of transparency, the methodology of environmental, labor and social reporting is set out in the methodology section (see section 4.6.1 "Sustainable development reporting methodology", pages 233 to 235). The validity of this methodology, its completeness and the sincerity of the data are audited by an independent third party⁽¹⁾, whose report appears on pages 248 to 249.

To make the report easier to understand and to show the Group's sustainable development accomplishments within the broader framework of major international standards in the field, Valeo decided to review its action in 2015 on the basis of the Core reporting option of the GRI 4 (Global Reporting Initiative) guidelines⁽²⁾. A cross-reference table between the Global Reporting Initiative (GRI 4) standards and transparency requirements in respect of environmental, labor and social issues (Grenelle 2) is also provided on pages 236 to 243.

(1) Pursuant to Article R.225-105-2 of the French Commercial Code (Code de commerce).

(2) See Sustainable Development Glossary, page 407.

4.2 Research and Development at Valeo: from megatrends to innovation

Effectively meeting market demand today, designing the automobile of tomorrow, anticipating users' future needs and inventing new needs through innovation and technology are the fundamental principles of Valeo's Research and Development strategy.

4.2.1 Valeo's innovation policy

Challenges

The fundamental principles and challenges of the Group's innovation policy

Innovation policy guidelines

To ensure that its products meet market expectations and anticipate future needs, Valeo bases its Research and Development policy on predefined and complementary criteria aimed at making it:

- far-sighted: through studies and analyses of major social trends, Valeo works on ten-year technological roadmaps. They allow it to anticipate future consumer demand and as such to establish the Group's key development thrusts;
- integrated: every innovation project is conceived and managed in response to Megatrend studies. The latest innovations factor in social benefits and eco-design criteria, reduce the vehicle's consumption of energy and raw materials, cut greenhouse gas emissions and offer tools helping to prevent accidents in the context of sustainable and safer mobility;
- local: trends and customer needs are studied from a local perspective. Accordingly, through the study of test groups of consumers, Valeo is able to adapt to the specific needs of certain markets (e.g., emerging markets) and to offer innovation that provides clear value added to its customers;
- customer-centric: Valeo conducts regular in-depth surveys of groups of consumers to gauge the future consumption patterns of its end customers. In analyzing the results, the Group determines areas of work permitting these changes in society to be anticipated, thereby allowing it to respond to future demand;
- collaborative: Valeo develops collaborative solutions with numerous actors. It focuses on multi-party development programs that make it possible to share expertise, reduce development costs and drive the commitment of its technical teams through partnerships with other players in the automotive industry or with universities and research centers, either within public/private partnerships or as part of European or French research programs.

Valeo's aim through this all-encompassing strategy is to be a catalyst, fostering the emergence of innovative technological solutions across its value chain.

Megatrends and the vehicle of tomorrow

Global trends indicate that the world population is set to grow, age, migrate, become more urban and adapt to new working conditions. Analysis of these upcoming trends informs Valeo's future strategy. It allows the Group to anticipate structural change in the sector and to develop its ability to respond to this change.

Urban mobility is also set to change in the coming years. Vehicles will be used differently (frequency, distance, autonomy, sharing), leading to different forms of user interaction with the vehicles of tomorrow.

Other factors must also be taken into account, such as new and tighter legislative requirements worldwide (European standards, for instance, cap emissions at 95 g of CO₂/km by 2021).

These analyses have allowed Valeo to identify several objectives for the future of the automobile:

- reduction of greenhouse gas emissions and pollution. Valeo is a leading automotive supplier in technologies that reduce CO₂ emissions. With its broad portfolio of innovative products, it is an essential partner for automakers. Automakers are increasingly keen to adopt these technologies in order to comply with future legislation and avoid financial penalties for non-compliance. Moreover, in the major industrialized economies, particularly in North America and the European Union, standards governing CO₂ emissions and other pollutants such as nitrogen oxides and particulate matter are being reinforced. Automotive suppliers, led by Valeo, and especially its Powertrain Systems (combustion engines, electric motors and transmissions) and Thermal Systems (climate control and engine cooling) Business Groups, can play a critical role alongside automakers in rising to these new challenges and meeting regulatory objectives;

- savings on energy and raw materials. Reducing fuel consumption is not the only way to reduce a vehicle’s overall environmental footprint. Valeo also takes care to make eco-design a Research and Development priority. Using recycled materials, reducing the use of scarce materials and improving the carbon footprint of the supply chain are the teams’ constant focus, as is reducing the weight of all products designed by Valeo. The objective is to achieve CO₂ emission reduction objectives and to rein in the environmental footprint;
- intuitive driving and safety. Valeo is a global leader in driving assistance to make cars safer, more autonomous and more connected. So-called intuitive driving has three main objectives:
 - facilitate maneuvers in urban settings,
 - assist drivers in various driving situations,
 - encourage interaction between the vehicle, the driver and the surrounding environment.

The Group is examining future technologies that will allow users to rely on the vehicle’s “intelligence”. Valeo aims to leverage its expertise in sensor and connectivity technologies

to develop driver assistance and risk warning systems in driving situations. These systems will play a significant role in helping reduce the risk of accidents.

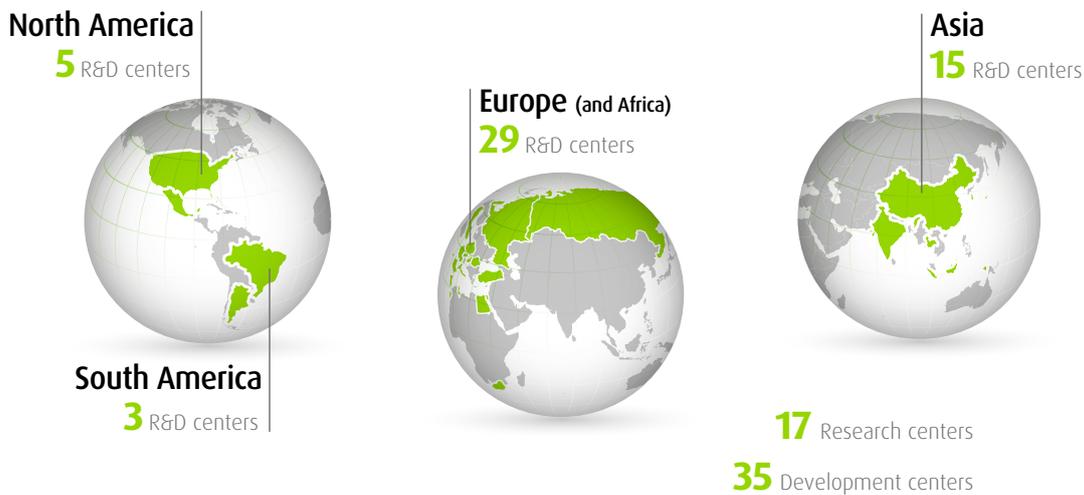
The Group’s roadmap in this area is based on a detailed analysis of the need (limit manual driving in demanding situations) and the capacity of consumers to accept new solutions, with the desire to introduce technology in all vehicle segments. The main objectives are to allow the vehicle to take over driving in specific and demanding situations (highway driving, traffic jams) and/or at low speeds (peri-urban environments), thereby increasing security. The systems developed are structured around the goals of connectivity and automation, based on a human-machine interface designed to allow the user to enjoy a feeling of simplicity and security, allowing him to adopt “intuitive driving”.

Valeo is already developing automatic parking systems, automatic braking systems triggered when obstacles or pedestrians are identified on the road, as well as lane departure warning systems. The objective is to propose a set of intelligent systems that interact with each other and give vehicles decision-making autonomy, thereby increasing safety.

Approach

Research and Development organization to support the Group’s innovations and assist its customers worldwide

Research and Development worldwide in 2015



By identifying five major types of Research and Development centers and by combining activities by project and by competency, Valeo uses a functional and operational organization allowing each center to appropriate and contribute to the Group's objectives:

- research centers are dedicated to basic research, advanced engineering and the formulation of new product standards. There are currently 17 such centers;
- development centers adapt standards in line with customer requirements and coordinate the work of launch and support teams together with front office personnel. There are currently 35 such centers;
- launch and support teams are tasked with launching new products and providing support throughout the production phase;
- front office personnel work alongside customers, assisting with product definition and providing back-up for project teams;
- technical service centers possess specific cross-disciplinary competencies, especially for the development of software and electronics.

In 2014, Valeo opened a research bureau in California. Located in the heart of the San Francisco Bay Area, it operates as a base for prospective monitoring of automakers and many other industries including consumer electronics, as well as universities and local start-ups.

Its activities are focused on aspects related to intuitive driving, notably research and innovation through advanced studies, collaborative projects and partnerships.

In 2015, Valeo's Research and Development teams managed nearly 2,500 projects – a direct result of the Group's strong presence in all automotive markets worldwide.

Change in the number of hours of technical training for technicians and engineers in technical positions between 2013 and 2015

	2013	2014	2015	Change (2015/2014)
Hours of face-to-face training	126,300	156,600	161,231	+3%
Hours of technical e-learning	3,700	4,250	9,902	+132%
TOTAL TRAINING HOURS	130,000	160,850	171,133	+6.4%

Valeo has stepped up its training program for its technicians and engineers, with hours of training increasing by 6.4% from 160,850 in 2014 to 171,133 in 2015. This year, training efforts focused on newly hired engineers on sites located in high-growth markets. This result shows how valuable Research and Development is to Valeo, which has become one of the world's most innovative automotive suppliers by tirelessly instilling its best standards and practices among its teams, notably through the Valeo Technical Institutes. These

Valeo maintains a high level of effort in Research and Development in order to offer its customers, year after year, the best technological innovations to meet identified needs. In 2015, the Group's gross Research and Development expenditure was 1.3 billion euros, or more than 10% of its original equipment sales.

Promoting talent dedicated to Research and Development by providing ongoing training and adapting locally

Globally, the number of people working in Research and Development increased by 12% from 10,400 in 2014 to 11,620 in 2015. Its strong presence in France, where a significant portion of its research centers are located, meant that there were 3,194 employees dedicated to Research and Development in France in 2015.

A network of experts and key training to foster innovation

Valeo has set up its own three-level network of Experts: "Expert", "senior Expert" and "master Expert". The Group has 834 Experts, representing approximately one Expert for every ten engineers. It issues them with "research warrants" for periods of three years. They are tasked with defining best practices that will be incorporated into design standards and explained to newcomers. They are a driving force within the team, and are expected to spread their expertise throughout the network.

On top of its network of Experts, Valeo provides its engineers with ongoing training intended to foster innovation at all levels. As a result, the number of hours of training received by engineers recorded yet another year-on-year increase in 2015.

institutes, backed up by a powerful network of Experts, aim to provide high-level training on Valeo products, technologies and manufacturing processes. Courses are now increasingly taught in e-learning formats. Calling on internal and external experts, and offering a large spectrum of training to Valeo Research and Development teams, as well as those of its partners, the Technical Institutes and the network of Valeo Experts are a major part of the Group's innovation strategy.

Local expertise to meet the demands of new markets

Valeo prefers to hire its engineers locally. The idea is that local engineers can use their first-hand knowledge of local society, lifestyles and consumption patterns to analyze the needs of local customers and consumers. This is true in all countries where the Group operates, especially in emerging markets, which represent a source of growth for automakers. Production and Research and Development capacity is growing in such areas as Central and Eastern Europe, Turkey, China, India, Southeast Asia, the United States and Mexico.

Valeo assists automakers in coping with change and developing innovation aimed specifically at meeting demand from these new markets in a manner that is mindful of sustainable development issues. The Group's capacity to adapt to local markets is a strong focus of its expansion.

Valeo focuses its Research and Development activity on competitively priced design solutions in emerging countries using standardized practices that boost both efficiency and quality. As such, engineers at the VIPL (Valeo India Partnership Limited) Technical Services Center in India aim to develop low-cost projects designed for specific markets (Russia, India, Brazil, China, etc.).

Performance**The Group's key Research and Development performance indicators**

	2013	2014	2015	Change (2015/2014)
Net research and development expenditure (as a % of sales)	5.3% ⁽¹⁾	5.4%	5.5%	+0.1 pts
Research and Development headcount	9,200 ⁽¹⁾	10,400	11,620	+12%
Number of customer projects managed	2,200	2,300	2,500	+9%
Number of collaborative projects	>60	>50	>50	N/A
Number of patents filed	786	1,108	1,406	+27%
Proportion of innovation in order intake	30%	35%	37%	+ 2 pts

(1) 2013 data have been restated to reflect the impact of IFRS 11 on the scope of consolidation.

An acknowledged Research and Development process: Valeo boasts a leading patent portfolio

Innovation is central to Research and Development activities, resulting in major orders and a growing patent portfolio. In 2015, the Group had 37,000 patents, of which 1,406 were filed during the year, a 27% increase on 2014, which was already a year of strong growth.

Awards: PACE AWARD for the EG alternator

Valeo won a 2015 Automotive News PACE (Premier Automotive suppliers' Contribution to Excellence) award for its EG efficiency alternator allowing a significant reduction in CO₂ emissions. Valeo's high-output alternator had already obtained "eco-innovation" recognition issued by the European Commission.

This electric auxiliary has a direct impact on fuel consumption by using the mechanical energy of the thermal engine or using braking phases to generate electricity, thereby charging the battery or powering the onboard network. Improved efficiency therefore translates directly into fuel savings.

Valeo has developed an integrated electronic subassembly that improves the performance of the alternator while also reducing the energy losses of the machine as a whole. The energy saved can then be converted into electricity. In the approval cycle alone, the gains made by the Valeo alternator are greater than 1 g of CO₂/km. When used in practical situations by the end consumer, gains can reach up to 3 g of CO₂/km because of the vehicle's many instances of regenerative braking, especially in urban and peri-urban areas.

2015 highlights

Valeo presented its main innovations at several trade shows in 2015, including the Consumer Electronics Show (CES) in Las Vegas (United States), the Beijing Motor Show (China) and the IAA (*Internationale Automobil Ausstellung*) Motor Show in Frankfurt (Germany). In its role as innovator, Valeo also attended various international research and development conferences, including an ITS (Intelligent Transport System) conference in Bordeaux (France) and the Automated Vehicles Symposium (United States) to name the best-known events.

4.2.2 Solutions that contribute to CO₂ emissions reduction and to autonomous and intuitive driving

Challenges

To meet changing and increasingly stringent laws globally (in Europe, emissions capped at 95 g of CO₂/km in 2021, tougher safety regulations with Euro NCAP⁽¹⁾), as well as market trends (see above), Valeo designs, develops, manufactures and markets products and solutions that help reduce CO₂ emissions and promote intuitive driving. These activities are split between the four Business Groups (see Chapter 1, section 1.3 “Businesses”, pages 36 to 58).

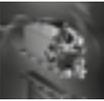
Approach

Thirty-seven percent of Valeo’s 2015 order intake is made up of innovations, i.e., products or technologies that have been in series production for less than three years.

The innovations listed in the table below met this definition in 2015, and contribute to sustainable mobility:

- the reduction of CO₂ or other pollutant emissions (environmental dimension);
- driving assistance for a safer, more connected and more autonomous vehicle (driving comfort and safety).

Summary of the main innovations and their impacts

Innovation and technical features	Description	CO ₂ impact or eco-design	Driving assistance for a safer, more connected and more autonomous vehicle
 <p>Hybrid4All (including an enhanced Stop-Start system)</p>	<p>Hybridization of powertrains (gasoline and diesel). Energy is recovered when the driver reduces speed or brakes. Cost per gram of CO₂ saved through this system halved compared with hybrids currently on the market.</p>	<p>5% to 10% reduction in fuel consumption depending on the application and measuring cycles.</p>	
 <p>Electric supercharger</p>	<p>A key element in downsizing and downspeeding (two related techniques to provide maximum low-end torque and optimize combustion) gasoline and diesel powertrains. Coupled with a micro or mild-hybrid system, it uses electrical energy recovered in braking phases.</p>	<p>With 12V architecture, fuel savings of between 8% and 10% through engine downsizing. Combined with a 48V mild-hybrid system, the saving can be as high as 20%.</p>	<p>Faster acceleration, safer overtaking.</p>
 <p>F910 dry dual-clutch facings</p>	<p>Dry dual clutch transmission is the most effective, but the facings come under greater stress than in conventional clutches. The use of compressed powder (instead of woven fibers) gives better thermal results and excellent reliability.</p>	<p>Dual clutch transmission reduces CO₂ emissions by as much as 3% compared with modern hydraulic automatic transmission.</p>	<p>Greater driving comfort, preventing jolting when starting the vehicle and improving the quality of shifting.</p>
 <p>Air intake module of internal combustion engines</p>	<p>Improved management of combustion through lower temperature, with variations better controlled.</p>	<p>Potential reduction of 2% to 3% in NO_x emissions on diesel vehicles through better distribution of the gas mixture from cylinder to cylinder.</p>	<p>Reduction of turbo lag (and greater driving pleasure) of up to 500 ms.</p>

(1) Euro NCAP provides consumers with a realistic and independent assessment of the safety performance of European cars.

Innovation and technical features	Description	CO ₂ impact or eco-design	Driving assistance for a safer, more connected and more autonomous vehicle
 <p>Battery thermal management modules</p>	Optimization of battery thermal management modules for hybrid and electric drivetrains.	Increased vehicle travel range and battery life.	
 <p>BiLED™ headlamps</p>	100% LED headlamp technology with one lens used for both low- and high-beam headlamps.	Reduced electricity consumption.	Improved visibility.
 <p>BeamAtic® headlamps</p>	This system makes it possible to drive on high beam at all times without blinding other drivers.	Reduced electricity consumption.	Improved visibility without blinding other drivers. Automated function.
 <p>Remote Clean4U™</p>	Improved windshield washing by a remote-controlled system that de-ices the windshield in less than 1 and a half minutes, and a debugging system to wash away insects with a specific cleaning fluid and adjusted movement of the wiper blades.	This function is based on the AquaBlade® wiper system that aims to halve the volume of cleaning fluid required, resulting in a weight gain of 2 kg.	Improved visibility in rainy conditions, reduced braking distance. Automated function.
 <p>Valeo InBlue®</p>	Start-access system to lock, unlock and start the car, with remote control of its various applications (using Bluetooth®).		Remote control of functions, key sharing.
 <p>Intelligent reversing system (Back-over Protection System)</p>	Rear-view vision and maneuver support system combining ultrasonic parking assistance sensors and a rearview camera.	Compact box for reduced weight and cost.	Obstacle detection within a field of four meters to the rear of the vehicle to ensure earlier warning of obstacles/hazards.
 <p>Park4U® parking assistance system</p>	Semi-automatic parking assistance system.	Reduction in traffic.	Parking assistance. Detection of obstacles. Automated parking.

Achievements

A high efficiency on-board charger for electric and hybrid vehicles

At the IAA Motor Show in Frankfurt in 2015, Valeo presented a 3.5kW on-board charger with an 8-hour recharge time and minimal energy loss. Valeo’s on-board charger offers optimum charging time for electric or hybrid vehicles. This technology prevents the loss of energy: its 96% power conversion efficiency rate means virtually no energy loss. Valeo’s electric and hybrid vehicle charger is the most efficient on the market today.

The simplest design possible was used for the charger, which is suited to different battery technologies. Its compact size and shape dramatically reduce volume, allowing it to fit snugly into any available space in an EV or plug-in hybrid. Its reduced bulk also means less weight – a key issue for electric vehicles.

Valeo Mobius™ 2

Valeo Mobius™ 2 takes technology from a number of the Group’s innovations and combines them on the dashboard, allowing motorists to switch smoothly from automated to manual driving mode in complete safety, while offering a host of new services for drivers to use when the car is driving itself.

The main aspects of the second generation of the Mobius™ 2 cockpit are:

- a smooth transition from automated to manual driving: in phases suited to automated driving, Valeo Mobius™ 2 offers to take over;
- use of reconfigurable digital dashboard screens as an extension of a tablet or smartphone;
- enhanced safety during transitions between automated and manual driving by keeping the driver's hands on the wheel and his eyes on the road, with real-time information on the driving situation and a non-vigilance detection system to alert the driver if he starts falling asleep or loses attention.

Valeo SCALA™

The Valeo SCALA™ laser scanner is a key enabler. Functioning perfectly both day and night, at high speeds as well as low speeds, Valeo SCALA scans the environment in front of the vehicle and detects with extreme precision any obstacles in its path. This includes static objects like trees, parked cars and safety barriers, as well as moving ones like motorcycles, other cars and pedestrians. Using these data, the scanner creates a map of the surrounding environment allowing it to analyze and anticipate events around the vehicle. This technology serves to enhance active safety by initiating measures like collision-avoidance maneuvers and emergency braking when vehicles or pedestrians appear in front of the vehicle. The scanner also collects information that is essential for highly automated driving systems and automated valet parking.

Valeo SCALA™ facilitates highly automated driving using Drive4U®, presented in demonstration in real traffic conditions. The Valeo Cruise4U® autonomous vehicle, which was tested for five days under real traffic conditions on the Bordeaux ring road, now has more than 10,000 kilometers under its belt after a journey of over 4,000 kilometers across France, both day and night, in November 2015. In automated mode, the system was able to take full control of the vehicle's steering, acceleration and braking.

Remote Clean4U™

At the 2015 Frankfurt Motor Show, Valeo unveiled its Remote Clean4U™, a revolutionary windshield de-icing and cleaning system controlled by a smartphone application.

The advantages of this system are ease of use for the driver, efficiency and enhanced safety. It was designed to meet expectations in respect of new windshield cleaning solutions. According to a 2014 study conducted by Valeo in the United States, most drivers continue to de-ice by hand using a scraper together with the car's de-icing function with the engine running. 97% of end-users are not satisfied with this time-consuming, dirty, ineffective and physically demanding method.

The Remote Clean4U™ system has two innovative functions that the user can control remotely from a smartphone: de-icing, which automatically defrosts a windshield in less than 90 seconds, and debugging, which washes away insects stuck to the windshield in record time.

4.2.3 Resources, materials and eco-design

Challenges

Pursuing the objective of designing, developing, manufacturing and marketing products incorporating sustainable development principles, especially in respect of the environment and the health and safety of users, Valeo has built its entire Research and Development approach on an action plan geared toward:

- reducing the carbon footprint of its products;
- limiting the consumption of raw materials and chemicals;
- using recyclable and recycled materials.

In connection with the goal of reducing vehicle CO₂ emissions (and reducing vehicle weight), Valeo is committed to a process of eco-design and to reducing its consumption of raw materials.

Approach

The Group's eco-design approach is based on various design support tools, but also on the creation of tools to assist in respecting legal and regulatory obligations governing the fight against hazardous substances.

Tools for integrating eco-design

In 2007, Valeo adopted an EcoDesign Standard Directive and eco-design guidelines by product line. These documents enable engineers to assess the major environmental impacts of products at all stages of their life cycle:

- type, origin, number and quantity of raw materials;
- production and packaging;
- transportation and distribution;
- use and maintenance;
- disassembly, recycling, reuse, recovery and disposal.

Above all, the directive makes it possible to factor in sustainable development constraints during the use of the product, a phase that accounts for 90% of the total impact.

To ensure the directive's circulation and implementation, Valeo has published an EcoDesign Checklist designed to monitor the application of the criteria in new projects. This easy-to-use tool ensures that eco-design criteria are observed starting with the upstream phase. This means that products are consistently engineered from the outset with an eye to sustainable development criteria.

The EcoDesign Checklist has been rolled out at every level of the Group's Research and Development activities over the past two years. Its purpose is to:

- reduce CO₂;
- increase the recyclability of materials or systems;
- ensure that materials are safe.

Project teams refer to this checklist in their qualitative and quantitative analysis in respect of electricity consumption, hazardous materials use and component weight to reduce the amount of components and materials that do not benefit the environment or the consumer.

It also responds to changes in the European ELV Directive (End-of-Life Vehicles)⁽¹⁾, which since January 1, 2015 has required automakers to achieve a minimum rate of reuse and recycling of 85% by weight of the ELV, or 95% when incinerating. As a result, automakers have established increasingly higher standards with their suppliers to gradually raise the recycling rate of their products.

Examples of recyclability of two Valeo products

- the new generation Valeo i-StARS starter-alternator has a recycling rate of 98.2% and a recovery rate of 99.5%⁽²⁾ (based on an internal evaluation);
- the Valeo e-supercharger has a recycling rate of 94.8% and a recovery rate of 97.6% (based on an internal evaluation).

Integration of Lifecycle Analysis (LCA) criteria into EcoDesign Checklist

In the automotive sector, the automaker or order-giver is responsible for performing the Lifecycle Analyses (LCA). Consolidated data on components and modules are available through the LCAs performed by automakers.

Based on the information listed and monitored in its EcoDesign Checklist database, the Group estimates that it has now identified and made available nearly 80% of the data required for a product LCA. This information is used to create and develop products with less impact on the environment.

Compilation and use of the information is managed in the Product Lifecycle Management (PLM) system, which lists the components of products and systems used in their design, and requires compliance with clearly defined standards. Any departure from the procedures (in particular the use of non-documented materials) must be justified. By systematically referring to the standards, Valeo demonstrates its determination to embed eco-design (including CO₂ impact analysis) as far upstream as possible in the product development phase.

In 2013, Valeo conducted an LCA on its LED fog lights to compare traditional halogen lighting systems with the new LED designs. The analysis assessed their environmental impacts throughout the life cycle: production phase (including LEDs and electronic controls), use phase (fuel consumption, CO₂ emissions) and end-of-life or recycling/reuse phase. The Group has gained considerable expertise in performing this analysis.

The sheer size of Valeo's portfolio rules out the performance of LCAs on the entire product range.

RAISE Methodology

In 2010, Valeo began developing a methodology called RAISE, which stands for:

- Robustness;
- Accountability;
- Innovation;
- Standards;
- Expertise.

RAISE aims to ensure the robustness of Valeo's products and processes. Dedicated teams (one per Product Group) have been assigned to RAISE on a full-time basis, with the following explicit objectives:

- set standards that are easy to implement, identify, verify, understand and learn. This is essential to applying them properly at a group like Valeo, which works in a number of languages and cultures;

(1) See Sustainable Development Glossary, page 407.

(2) The recovery rate is defined as the sum of recycling and energy recovery rates.

- communicate on the standards and circulate them internally. The knowledge-sharing phase is key to Valeo's processes. Standards must be available in a single, global database (the PLM database), with training on these standards provided at Valeo Technical Institutes;
- verify that standards are properly implemented. The RAISE teams regularly visit sites to review project design. They do this to ensure that standards are applied correctly and to gain any feedback that can be used to improve the standards. RAISE methodology is a fundamental approach that is now part of Valeo's collectively driven Constant Innovation Policy⁽¹⁾.

At the end of 2015, over 8,000 product and process standards were in place and maintained in the various Product Groups. They are applied day-to-day in designing new products and their manufacturing processes.

Special training programs (core RAISE training courses on design reviews, risk analysis and reliability) are continuously provided for Research and Development and Industrialization teams to extend their reach even further.

RAISE is also instrumental to ensuring the adherence of all future recruits to the Group's culture of sustainable growth.

REACH regulation

The Group also gives high priority to eliminating hazardous substances in its products.

The European regulation commonly known as REACH has established a single system for the Registration, Evaluation, Authorization and restriction of CHEMICALS. REACH is aimed at increasing knowledge of the properties of chemical substances manufactured or marketed in the European Union so as to contain risks related to them and, where necessary, restrict or ban their use.

REACH covers nearly 30,000 substances out of some 100,000 currently on the European market. Of these, 1,500 are deemed particularly hazardous. Their use is now controlled by the European authorities. As such, at December 31, 2013, 161 SVHCs (Substances of Very High Concern) had been identified by the competent European authorities. The use of 22 of them has been progressively subjected to approval since 2014. They notably include solvents, primarily used during procedures involving materials and plasticizers, or to soften polymers and perform surface treatments. This approach continued in 2015.

For REACH purposes, Valeo is generally considered to be a downstream user of chemicals. This means that Valeo must list the substances used in manufacturing its products and those required to operate its industrial facilities to ensure the safety of its supply chain and its operations.

Valeo has introduced a special structure to comply with REACH regulations.

This organization works under the REACH manager and a team, made up of a representative from each division. Together, they decide on Group strategy, implement policy and determine how to eliminate hazardous substances contained in products. REACH representatives are in place within each entity affected by REACH regulations and at every Valeo plant. This has created a network of REACH managers covering each Group site and Technical Services Center. The Research and Development, Purchasing and Customer Quality departments are required to have a full understanding of Valeo's products, and are responsible for communicating with external parties (suppliers, customers and competent authorities), in particular via the International Material Data System (IMDS).

In 2013, the Group issued a set of standardized documents from local REACH network correspondents to enhance the spread of Research and Development standards in this field and to support prevention and response work as regards the substances used.

These documents include a reference database created by Valeo of banned or restricted substances that are in the automotive industry. The database was updated in 2014 and 2015. It summarizes the regulations applicable in the different countries where Valeo operates, and the requirements of its automaker customers concerning the substances used in the composition of parts, and in manufacturing and repair processes.

In 2011, Valeo initiated in-depth research into the potential presence of SVHCs in its products, and began to replace them with substances with less environmental impact. Valeo has set an ambitious target of eliminating any substance requiring authorization from its products and markets. It will work with its suppliers to find alternative solutions to avoid using SVHCs, and has a substitution plan in place for products containing DEHP⁽²⁾, a phthalate widely used as a plasticizer.

Valeo is working on gradually replacing these substances in response to consumer concerns about their presence in vehicles.

(1) See Chapter 1, section 1.1.5 "The 5 Axes" page 16.

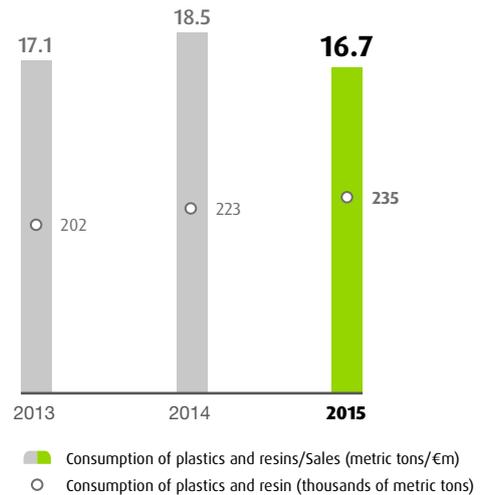
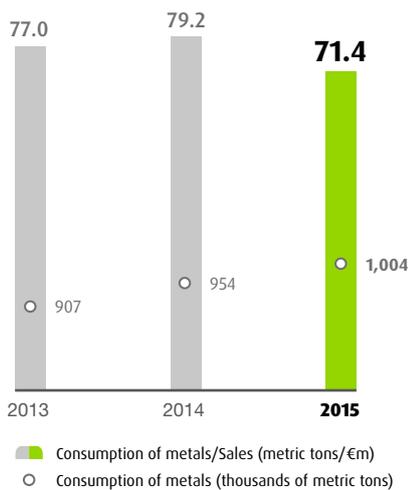
(2) Diethylhexyl phthalate or di-2-ethylhexyl.

Valeo actively participates in the work of professional associations in Europe and internationally. The Group follows the recommendations of the Automotive Industry Guide issued by the French Federation of Automotive Suppliers (*Fédération des industries des équipements pour véhicules* - FIEV). It took part in the REACH task force within the European Association of Automotive Suppliers (which is known under the French

acronym CLEPA). Valeo is also active in the dedicated working group of the Automotive Industry Platform, which aims to identify materials and substances that have a negative impact on the environment. The purpose of this work is to help anticipate change and modify choices in respect of materials and/or substances upstream.

Performance

Consumption of raw materials



In 2015, total consumption of metals, plastics and resins as a proportion of Group sales each fell by 10% compared with 2014. Despite significant growth during the year, Valeo has been able to keep its consumption of raw materials under control, thanks mainly to the eco-design tools that have been rolled-out across the Group.

Consumption of chemicals

The Group's consumption of heavy metals has been steadily declining for more than five years (11.8 metric tons in 2015, down 38% since 2012).

Chlorinated solvent consumption fell by 14.7% from 240.5 metric tons in 2014 to 205.2 metric tons in 2015.

Consumption of carcinogenic, mutagenic and reprotoxic (CMR) substances increased from 168.1 metric tons in 2014 to 361.6 metric tons in 2015. This increase reflects a better

understanding of the products used by sites and changes to product classification by chemical suppliers.

Use of recycled input materials

To reduce its environmental footprint, Valeo pays particular attention to the use of recycled materials. Purchases of recycled plastics totaled 11,527 metric tons in 2015, an increase of 20% compared with 2014.

4.2.4 A partnership approach to Research and Development

Challenges

A global player in Research and Development in Europe and worldwide, Valeo has adopted a partnership approach with various stakeholders. With its strong position as a tier-one supplier in the value chain, the Group strengthened its partnerships in 2015 in an automobile industry where the scope of services and products is constantly expanding.

Approach

Valeo is involved in numerous research programs, at the national, regional and international level. These programs involve public and private actors with a view to advancing Research and Development in the automotive sector.

Valeo's partnership approach is precompetitive; it is rooted in a research ecosystem that is both industrial and academic.

Valeo, an actor in the governance of institutional collaborative organizations

European Road Transport Research Advisory Council (ERTRAC)

ERTRAC, the European Commission's official technology platform dedicated to collaborative research in the automotive industry, which has been in operation for more than 10 years, is responsible for steering and coordinating land-transportation research policy (excluding railroads) with EU bodies.

With its industry-led governance, ERTRAC's main goal is to guide actors in transportation to sustainable, ecologically friendly and connected solutions building on research roadmaps endorsed by all stakeholders. This implies shared interaction in respect of both technological content and social choices.

ERTRAC is built around public and private bodies (national governments and city associations promoting mobility, the environment and consumers), the competent European Commission directorates, industry (automakers, suppliers) and public and private research bodies.

In 2014 and 2015, Valeo contributed through ERTRAC to the formalization of the world's first multi-stakeholder roadmap on vehicle automation written by a technology platform, building on the strategic Research and Development issues identified by the Group and thereby allowing the European automotive sector to position itself on this issue.

The timeline for drafting this roadmap included the following steps within a working group:

- March 2014: approval of the theme by the European Commission;
- March 2014 to October 2014: drafting of the joint roadmap;
- October 2014: publication of a first draft roadmap for debate;
- July 2015: publication by ERTRAC of the first joint roadmap on vehicle automation for automakers, automotive suppliers, research suppliers, infrastructure providers, cities, users, EU member states and the Commission.

The working group's findings and the roadmap will form the basis for calls for projects to be launched by the European Commission in 2016 (Horizon 2020 Framework Program).

As part of the multi-year research plan for Horizon 2020⁽¹⁾, ERTRAC continued to give recommendations and guidance on calls for projects on the following topics:

- internal combustion engines;
- road safety;
- global competitiveness;
- urban mobility;
- logistics;
- infrastructure;
- socio-economic and behavioral research.

Competitiveness clusters

Valeo is involved in the governance of competitiveness clusters and other cooperative structures of which the Group is an active member, such as the French competitiveness cluster Mov'eo which covers all the Group's strategic areas.

In France, Valeo is also a member of SystemX, an Institute for Technological Research, and a founding member of VeDeCoM, an Institute for Energy Transition. These two institutions launched several projects involving Valeo in 2014, in the fields of vehicle electrification (reducing CO₂ emissions) and automated driving.

Valeo had the opportunity to propose topics covering research issues related to decarbonization and connected and progressively autonomous transportation.

Strategic industrial partnerships

Valeo is involved in this collaborative economic and industrial approach for the automotive industry alongside the sector's committed players, particularly in the area of comfort and driving assistance, as described in Chapter 1, section 1.3.1 "Partnerships and acquisitions", pages 39 to 40.

For example, in 2013, Valeo and Safran signed a research partnership agreement in driving aid and autonomous vehicles. In launching this research program, which is dedicated to human-machine-environment interfaces and automation, the partners aim to pool their skills and expertise so as to speed up the development of innovative products and create new markets.

This Research and Development alliance brings together two innovative groups in their respective technologies in markets as distinct as the automotive industry on the one hand, and the aerospace and defense sectors on the other. It will develop new innovations in vehicle driving aid, as well as self-driving and self-piloting solutions for automobiles, military vehicles and aircraft.

⁽¹⁾ Framework Programs for Research and Technological Development, also called Framework Programs or abbreviated as FP, are funding programs set up by the European Union to back and encourage European research in order to promote European industrial competitiveness.

In its initial phase, the research program will focus on four main research areas:

- driver attention monitoring, leveraging the latest image recognition technology;
- 360-degree visibility, using advanced imaging technology to produce wrap-around views of vehicle surroundings;
- visibility in extreme weather to help drivers and pilots navigate in all types of weather conditions, particularly fog;
- vehicle robotization/dronization, to jointly develop certain technologies that will make land vehicles more autonomous.

The program is designed to create balanced partnerships with research institutes and universities, as well as innovative SMEs.

In 2015, Valeo and Safran worked together on the various projects identified within the framework of their cooperation. The results were presented at the Eurosatory trade fair in Paris in June 2014, the Paris Motor Show in October 2014 and the IAA Motor Show in Frankfurt in 2015.

Multifaceted academic partnerships

Valeo plays a role in cross-sector initiatives, making its expertise available to various partnerships and bodies. These partnerships help create and promote standards of quality and environmental performance that are both demanding and stimulating for the sector.

Diversified academic partnerships

Valeo attaches growing importance to collaborative research. The different systems that make up a vehicle today are expanding into new scientific and technological domains, and new fields must be taken into consideration.

Autonomous vehicles not only involve the technical aspects of automated driving (traction, braking, steering), and detecting and analyzing the vehicle's environment (sensors, embedded intelligence), but also the interaction with the driver (human-machine interface, human behavior) and vehicle communication with its environment (positioning, connection to smartphones, communication systems, etc.).

New expertise is required from outside the industrial activities of the automotive sector, and Valeo is taking advantage of its many partnerships to advance more quickly and more efficiently. The Group collaborates with scientific organizations as well as young innovative technology providers, and of course with automakers, which are its closest and natural partners in the innovation ecosystem developed by Valeo.

Collaborative research involves academic and scientific cooperation, primarily in the form of:

- supervision and funding of doctoral theses;
- bilateral projects;

- government-funded multi-partner collaborative projects;
- university chairs.

Many of these scientific alliances (with universities, engineering schools or research bodies) are in Europe, primarily in France and Germany, but they are also emerging in other regions where Valeo has set up new local Research and Development centers (most recently in India, China and Egypt).

The academic and scientific partnerships established by Valeo in 2015 are in line with the global mobility challenges identified by the Group (CO₂ emissions reduction and intuitive driving).

Funding of doctoral theses

The Group is providing funding for more than 50 doctoral theses dealing notably with new materials or technologies, new calculation and simulation tools and methods, new system architectures and component optimization.

Support for and creation of academic chairs

Valeo has also partnered with universities and public research bodies for the creation of the following research and teaching units:

- an international research chair on automated driving, called "Automated Driving – Drive for You", bringing together teams from the Center for Robotics at Mines ParisTech, Shanghai Jiao Tong University (China), the University of Berkeley (California) and Ecole Polytechnique Fédérale de Lausanne (Switzerland), in partnership with PSA Peugeot Citroën and Safran. With a budget of 3.7 million euros funded by manufacturers, this chair aims, in the field of automated driving, to advance knowledge on automated vehicles, to develop embedded intelligence devices and to put automated vehicles on the road on three continents (Asia, North America, Europe);
- a chair for low-carbon vehicles, known as the Matinnov Chair, in partnership with the University of Versailles Saint-Quentin-en-Yvelines and the French National Research Agency (ANR), which conducts research into innovative materials and the reliability of materials and mechatronics systems;
- an industrial teaching and research chair on embedded lighting, known as the ELS Chair (Embedded Lighting Systems), which brings together the following schools and partners around ESTACA (Graduate School of Aeronautical and Automotive Technology): Institut d'Optique Graduate School, Strate School of Design, Renault, PSA Peugeot Citroën and Automotive Lighting Rear Lamps. This chair aims to develop expertise and skills in the field of indoor and outdoor lighting applied to transportation.

Partnerships within academic chairs are designed to:

- promote research and innovation activities with high value-creation potential;
- stimulate research-based training;
- offer career opportunities to teacher-researchers wishing to embark on projects with a view to finding an application for their results;
- endow public research institutions with the means to investigate strategic areas for industry.

Achievements

Valeo Innovation Challenge

2015 saw the second edition of the Valeo Innovation Challenge, a competition allowing university and engineering students from around the world to play an active role in automobile innovation by designing products or systems that will create smarter, more intuitive cars by 2030.

For four months, the participants formed teams of between two to five people, with the possibility of opening their teams up to students of other disciplines, including design, sociology, philosophy, urban planning, architecture and biology. More than 1,300 teams from 89 countries registered to propose and develop bold and revolutionary solutions for the car of 2030.

To select the 20 best projects, 60 Valeo Experts and independent scientists vetted the proposals received, on the basis of the following selection criteria:

- the boldness, inventiveness and originality of the project;
- the challenges and relevance of the problem addressed and the consideration given to societal expectations;
- the quality of the presentation;
- the grasp of the associated technical aspects;
- the feasibility and implementation of the prototype.

Twenty teams from 12 countries were nominated for the prototype phase. Valeo awarded each of them 5,000 euros to put toward building a working prototype within four months.

After a second evaluation by the Valeo Experts and independent scientists, Valeo announced the six teams selected to present their project before an international panel in Paris. The shortlisted teams came from four countries on two continents: China, Germany, India and Spain.

The Group's Experts reviewed a large number of original, innovative, diverse and high-quality projects. The technical solutions submitted reflected specific concerns in each country, such as safety and the reduction of energy, or life on board the vehicle.

The first prize, a check for 100,000 euros, was awarded to the Chinese team from Beijing University for algorithms designed to improve the visual detection of other vehicles. The Indian team from the University of Sri Aurobindo International Centre of Education and the German team from Saarland University were equal runners up, each receiving the sum of 10,000 euros.

In September 2015, after nearly a year's work, the panel, chaired by Jacques Aschenbroich and comprising personalities from the world of science and Valeo executives, handed over the prizes and launched the third edition of the Valeo Innovation Challenge, which will award not only the best technological innovation but also the project offering the best new way of using cars. A cash prize of 100,000 euros will be awarded to the winners in each category. The third edition is open to all students, regardless of their field.

Collaborative projects

Valeo takes part in collaborative research programs in the automotive industry in the various countries and regional groupings where it operates.

"2l/100km vehicle" program

In France, the Group is part of the PFA (Automotive Industry Platform) "2l/100km Vehicle" program, which aims to reduce CO₂ emissions at an acceptable cost to the end consumer, the target being certified consumption of approximately 2 liters/100km for a segment B⁽¹⁾ vehicle. The focus is on achieving four objectives: developing hybrid technology, improving powertrain efficiency, improving the overall energy efficiency of the vehicle (which includes making it lighter), and developing connectivity and mobility aids, which help reduce fuel consumption during use by optimizing driving or the route.

Valeo played an active part in the program by offering innovations that fit into each of the program's four objectives:

- the "Hybrid4All" hybridization solution, applicable to gasoline and diesel engines, which generates fuel savings of up to 15% at half the cost of existing hybrid solutions;
- an electric supercharger that delivers power performance with a low-displacement engine while reducing consumption;
- air-conditioning systems aimed at reusing the vehicle's energy;
- driver assistance systems to reduce CO₂ emissions by constantly adapting energy consumption to traffic conditions.

(1) Segment B vehicles include versatile urban cars.

Forty-Eight project: development of a dual-voltage network on a mild-hybrid vehicle

As part of the “Vehicle of the Future” call for projects included in the Investments for the Future program established by the French authorities, Valeo has partnered with Renault, PSA, Leoni and TEC Connectivity around a project designed to increase the efficiency of accessories that consume large amounts of energy.

Based on the introduction of 48V mains voltage on mild-hybrid vehicles, the project aims to bring as large a number as possible of accessories consuming large amounts of energy on to the new voltage. The reduction in amperage stemming from this change will minimize electrical line losses (heat loss) and lessen the weight and cost of wiring. The main benefit will come from the 48V/12V converter, which will be slimmed down to achieve not only a reduction in weight – and price – but also a performance gain.

The project will be an opportunity to develop new technology components with a significant electronic content. To contain their cost and facilitate swift market penetration, as many synergies with 12V components as possible will be sought so as to ensure maximum interchangeability on the platforms of vehicles with different powertrains.

The participation of the two automakers, with the drafting of joint specifications in collaboration with Valeo, gives Valeo a scale advantage in its role as supplier for the future integration of its products on the market.

LowCO₂Motion+ project

As part of the “Vehicle of the Future” call for projects included in the Investments for the Future program established by the French authorities, Valeo has launched a key competitiveness

cluster project (*Projets structurants des pôles de compétitivité* – PSPC) overseen by Bpifrance. It has been certified by the Mov’eo, i-Trans and Vehicles of the Future competitiveness clusters.

Built around a multidisciplinary team combining players from academic research (ENSAM in Lille and Metz, TEMPO, GREEN and GRETA), industry, SMEs (Technomecanic, Optimprocess) and mid-sized companies (R. Bourgeois, Mader and Eolane), the project fits into the design and manufacturing chains of new generation starter-alternators. Recognized as a major industrial player in hybrid vehicles, Valeo is the project leader.

The project has three themes:

- new manufacturing processes necessary to maintain the competitiveness of all products developed for electric machines dedicated to mild-hybrid vehicles;
- new solutions based on starters with a high measure of technological content while being extremely competitive in terms of cost on the Stop-Start function;
- modification of the i-StARS starter-alternator system by adding new features compatible with mild-hybrid systems.

From a scientific point of view, the expected benefits range from better knowledge of electrical machinery, materials and their use, to the development of more sophisticated modeling, optimization and capitalization methods in the field of electrical machines. From an industrial point of view, Valeo aims to strengthen its leadership in the field of hybrid vehicles and to position itself with very innovative and competitive offers in the short to medium term. Lastly, the very large number of vehicles impacted by the new systems developed under the project means the promise of significant economic benefits for all players involved in the project.

4.2.5 Security and use of computer data

Challenges

Information systems and the data they contain are important for the Group’s smooth running. They embody the intellectual capital formed from the Group’s Research and Development strategy, expertise and creativity – and the resulting patents. Protecting them is a major challenge for Valeo.

Approach

The risks are many, and can cause varying degrees of economic, operational, legal and reputational damage. The Group must maintain full compliance with numerous regulations regarding its business and the personal data of its employees.

Today, the security of the information system is of paramount importance, because it provides good service quality and

reassures customers and partners by providing the ability to anticipate, reduce its vulnerabilities and manage any major incidents and risks that may arise.

The protection of this asset – information technology or simply information itself – is hinged on the implementation of the most advanced technical measures, constantly updated. These technical measures only have meaning if Valeo employees individually contribute every day to the approach through their understanding of the challenges and threats, their vigilance, discretion and commitment to reducing vulnerabilities, and by exercising their duty to blow the whistle. With the emergence of new uses (social networks, smartphones, mobility, etc.) and new risks (cyber attacks, criminalization of attacks of all kinds, etc.), Valeo must take into account the human factor in its full dimension. Valeo employees have access to the information they need, but not to all the data available within the Group.

Achievements during the year

To this end, and in view of the Company's increasingly extensive digitization, Valeo revived a comprehensive plan aimed at raising the IT security awareness of its employees worldwide. All employees received Valeo's new Charter for the Use of Information Technology and the Valeo Privacy, Image and Social Media Policy.

Employees connected to Valeo's information system also received a copy of "My IT Security Booklet", a short guide featuring chapters devoted to major problems such as "Working in situations of mobility", which aims to raise awareness through examples of risks arising from inappropriate human behavior and to promote best practices designed to avoid such conduct.

Automation (cobots and AGVs) and digitization

The Group's profitable growth involves a tireless search for levers that increase its competitiveness. In this context, Valeo seeks to implement innovative policies in the field of automation and digitization, enabling the Group to improve its profitability while maintaining the same number of jobs.

The appearance on the market of new automation technologies (including cobots, short for collaborative robots, and AGVs, or automated guided vehicles) allows production facilities and logistics the chance to take automation to new heights, improve workstation ergonomics and increase their competitiveness. Promising tests are underway in several plants. Their results will serve to set standards. Each site will deploy its automation plan in accordance with its possibilities, its resources and its strategy.

At the same time, in the field of digitization, Valeo has launched its "Plant of the Future" initiative taking into account the current possibilities offered by process digitization and automation. The aim is for Valeo to make progress through digital tools available to everyone without compromising the reliability and effectiveness of existing standard processes.

Outlook

In 2016, online training in IT security will be held throughout the Group to help employees understand the risks and issues, and apply good behavior.

The issues of data security and information systems are also a major challenge in the gradual automation and connectivity of production lines ("Plant of the Future" or "Industry 4.0").

The main feature of a digitized plant, often referred to in the media as "Industry 4.0", is that there is no discontinuity in the transmission of information and data, or in the flow of products.

The purpose of the "Plant of the Future" project is to define new material and information flow management tools from the supplier's loading platform to the customer. It allows the simplification and automation of the supply chain: VRO (Visual ReOrder) and BTT (Build To Truck).

Another supplier data interchange (SDI) project aims to streamline and automate information flows between Valeo and its suppliers, from order to payment, by the generalization of electronic data interchange (EDI).

These projects will enable Valeo to be more competitive in terms of its development and production costs so as to promote growth.

4.3 Environmental management and performance of Valeo's sites

4.3.1 Environmental policy

For more than 20 years now, Valeo has proven its commitment to limit the impact of its activities on the environment. Valeo sets out its environmental commitments in its Environment Charter developed by the **Risk Insurance Environment Department (RIE)**. These commitments also appear, as follows, in the Valeo Sustainable Development Charter:

- ensure the compliance of its activities with applicable laws and international agreements;
- deploy the ISO 14001 environmental management system at all sites;
- improve the environmental performance of its processes;
- optimize the transportation of people and goods in order to reduce greenhouse gas emissions;
- limit the use of natural resources and promote the use of renewable resources and energy;
- eliminate the use of substances that are dangerous to the environment or health.

Key dates in the Group's environmental commitment

- Early 1990s: Definition of the Environmental Policy
- 1991: Launch of the program of environmental audits
- 1997: First Group site receives ISO 14001 certification
- 1998: Risk Management Manual and Environmental Charter
- 2001: Introduction of centralized environmental reporting
- 2004: Signature of the UN Global Compact
- 2008: Sustainable Development Charter
- 2013: First Group sites receive ISO 50001 certification
- 2015: Setting of new environmental targets for 2016-2020

4

Mapping of the main environmental issues facing sites

The industrial activities of the Group's sites differ in nature. Accordingly, the risks they pose to the environment vary as well. As part of its risk management policy, the RIE Department has mapped Valeo's industrial activities and identified the major emissions and consumptions of the Business Groups and Valeo Service, in order to target the environmental issues facing each site.

	Number of sites	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Valeo Service
Businesses	117	18	26	33	31	9
Assembly/installation	105	18	25	31	29	2
Processing	67	6	21	18	20	2
Injection molding	50	10	3	16	21	0
Heat treatment (ovens, furnaces)	71	9	22	18	21	1
Painting/varnishing	49	9	10	8	22	0
Welding	64	11	18	15	18	2
Use of vanishing (VOC-emitting ⁽¹⁾) oils	24	2	3	15	4	0
Degreasing (surface cleaning)	45	3	14	16	12	0
Surface treatment (altering the surface properties of a part)	31	1	7	4	19	0

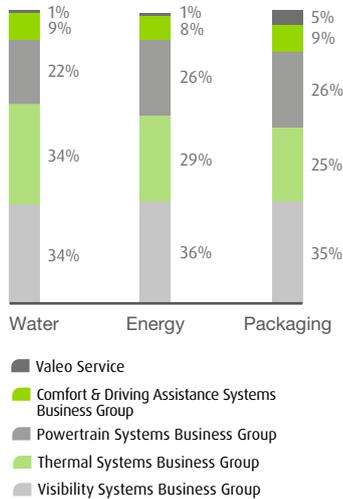
(1) See Sustainable Development Glossary, page 407.

This table shows that the Powertrain Systems, Thermal Systems and Visibility Systems Business Groups house the Group's most resource-intensive industrial activities (water, energy, packaging), and also those most liable to generate discharges (effluents, volatile organic compounds, waste and greenhouse gases). The Thermal Systems and Visibility Systems Business Groups represent the majority of plastic injection molding operations. Thermal Systems (due to the use of evanescent oils emitting volatile organic compounds) and Visibility Systems (due to the use of paint and varnish) are by far the biggest emitters of VOCs⁽¹⁾ in the Group.

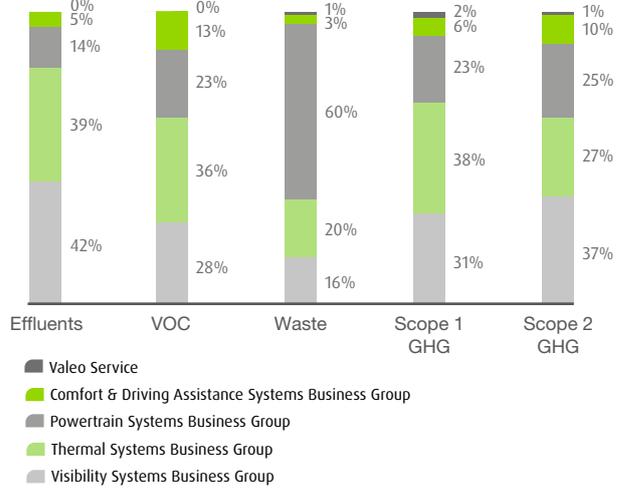
(1) See Sustainable Development Glossary, page 407.

The following two charts show the breakdown of resource consumption and emissions by the Business Groups and Valeo Service, reflecting the analysis contained in industrial mapping.

Breakdown of resource consumption



Breakdown of emissions, discharges and waste



This chart clearly shows that the Thermal Systems and Visibility Systems Business Groups account for approximately two-thirds of the Group's consumption of resources, confirming the low level of resource consumption of the Comfort & Driving Assistance Systems Business Group and Valeo Service.

Similarly, Thermal Systems and Visibility Systems are the Group's biggest emitters. By contrast, the Powertrain Systems Business Group is by far the biggest producer of waste.

Key environmental challenges for Valeo

Based on Valeo's challenges identified in the materiality analysis and the above mapping, they can be broken down by Business Group as follows:

Challenge/Business Group	Comfort & Driving Assistance Systems Business Group	Powertrain Systems Business Group	Thermal Systems Business Group	Visibility Systems Business Group	Valeo Service
Energy and carbon efficiency of production		<ul style="list-style-type: none"> Energy consumption Indirect GHG emissions⁽¹⁾ 	<ul style="list-style-type: none"> Energy consumption Direct and indirect GHG emissions⁽¹⁾ 	<ul style="list-style-type: none"> Energy consumption Direct and indirect GHG emissions⁽¹⁾ 	<ul style="list-style-type: none"> GHG emissions⁽¹⁾ related to the transportation of goods
Discharges and waste	<ul style="list-style-type: none"> VOC emissions⁽¹⁾ 	<ul style="list-style-type: none"> VOC emissions⁽¹⁾ Management of chlorinated solvents Production of waste 	<ul style="list-style-type: none"> Management of refrigerants 		
Transportation and logistics				<ul style="list-style-type: none"> Packaging consumption 	<ul style="list-style-type: none"> Packaging consumption
Water		<ul style="list-style-type: none"> Water consumption 	<ul style="list-style-type: none"> Water consumption 	<ul style="list-style-type: none"> Water consumption 	
Biodiversity					

(1) See Sustainable Development Glossary, page 407.

Commitment to transparency

In the interests of transparency and openness toward its stakeholders, including shareholders and investors, Valeo's General Management presents the Group's main environmental results at the Annual Shareholders' Meeting. Valeo also regularly responds to requests related to its extra-financial performance from national and international bodies.

In 2015, the Group once again took part in the Carbon Disclosure Project (CDP)⁽¹⁾ survey, which assesses companies on the transparency of their communications on climate impact. Valeo scored 95 out of 100, well above the average of 83 among automotive suppliers. Valeo's performance grade was C, in line with the industry average.

(1) See Sustainable Development Glossary, page 407.

Valeo's environmental performance is also evaluated by international rating agencies, such as RobecoSAM (Sustainable Asset Management⁽¹⁾), as part of the ranking on the Dow Jones Sustainability Indexes (DJSI). The Group obtained a score of 64 out of 100 on environmental issues in 2015, well above the sector average of 52.

The French Business Information Center (*Centre Français d'Information sur les Entreprises* - CFIE⁽¹⁾) each year analyzes the quality of environmental performance information provided by 42 French companies. In 2015, Valeo took sixth place in the rankings for the environment.

Sustainalytics⁽¹⁾, another leader in analysis and research on sustainable development, gave Valeo the score of 76 out of 100 and described the Group as an "outperformer", indicating that its performance in the field of sustainable development is above the market average.

Lastly, in December 2015, Valeo joined the FTSE4Good Global Index⁽¹⁾ with a score of 4.1 out of 5. It ranks among the best companies in its sector.

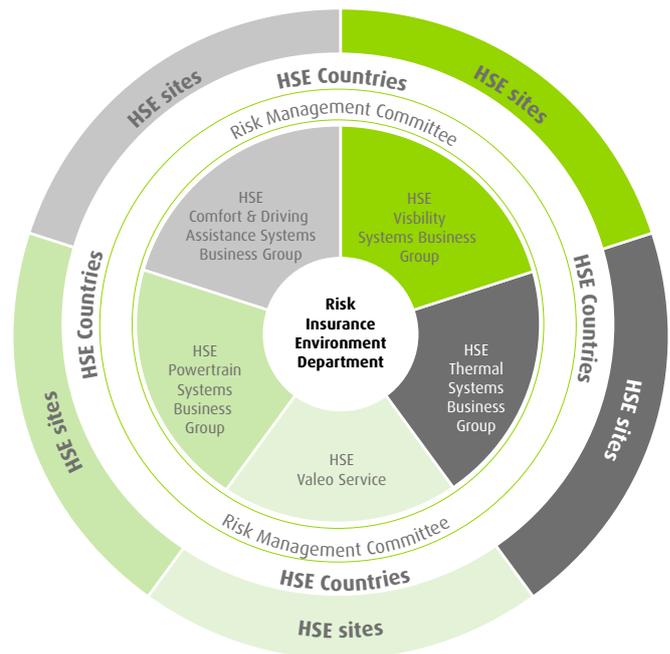
The Group pays close attention to shifts in its ratings from one year to the next, with a view to achieving continuous improvement in its environmental reporting. Valeo takes into account all the remarks of these agencies, and will pursue its efforts in respect of transparency further in 2016.

Resources devoted to the prevention of environmental risks and pollution

The Group has developed working and assessment tools to ensure that sites comply with both the prevailing regulations and internal standards, and to help them rein in their environmental impacts and improve their performance.

Valeo's environmental management organization

Valeo's environmental management is based on continuous improvement driven by the RIE Department, which has its roots in an **organization structured around business groups, countries and sites**: a network of Health, Safety and Environment (HSE) managers is fielded to ensure compliance with Valeo's environmental policy and fulfillment of its objectives.



The head of the RIE Department is also a permanent member of the Risk Committee, the body responsible for establishing and monitoring the action plans derived from risk mapping, headed by the Group's Chief Operating Officer (see Chapter 3, section 3.4.3 "Risk management assessment and procedures", pages 135 to 136).

The **Risk Management Committee** is the central steering body of the RIE Department. Comprising the Head of the RIE Department, the Group HSE manager, and the HSE managers of the four Business Groups and Valeo Service, it meets every month to capitalize on the feedback from each of its members and to advance the Group's environmental policy and management of its industrial risks. In 2015, the Risk Management Committee notably worked on the new "Risk Hunting" Directive intended to draw all Valeo employees, both operational and managers, into a process of detecting non-compliance with the environmental and safety requirements laid down in Valeo's operational guidelines.

The committee reviews industrial projects (construction of new plants, extensions, etc.) on a monthly basis to determine requirements as regards environmental and safety concerns. The RIE Department uses standardized tools to monitor progress on all these projects to ensure compliance with the Group's rules.

Committee meetings also provide an opportunity for Valeo to invite internal and external speakers in different fields of expertise.

The RIE Department relies on a **network of Health, Safety and Environment (HSE) managers** mirroring the Group's matrix-based organization.

(1) See Sustainable Development Glossary, page 407.

Within the RIE Department, a **Group HSE manager** is tasked with the development and implementation of HSE policy. This includes the definition of standards and the design of Group-wide tools in respect of workplace health and safety, environmental aspects, and the security and safety of buildings and facilities. These standards result in the development of written operational guidelines, which have the force of directives applicable across all of the Group's sites.

HSE managers working in each of the four Business Groups and at Valeo Service provide technical assistance to the site HSE managers who report to them. Their role is to help promote continuous improvement by assisting sites in applying Group directives and complying with regulations in force. Their role is also to foster the spread of best practice between the sites of their respective Business Groups and to support investment requests aimed at meeting environmental objectives assigned by the RIE Department.

At each plant, a **site HSE manager** is tasked with overseeing the practical implementation of Group standards in respect of workplace health and safety, environmental aspects, and the security and safety of buildings and facilities. HSE managers lead and coordinate existing management systems and train staff with regard to compliance with internal and external requirements. They are also internal auditors within the meaning of the ISO 14001⁽¹⁾, ISO 50001⁽¹⁾ and OHSAS 18001⁽¹⁾ standards.

Country HSE managers are appointed at national level, selected among site HSE managers. They coordinate national environmental projects, such as the translation of the Group's operational directives into local languages, and promote exchanges between HSE managers in the relevant country. Their proximity to the sites further strengthens the sharing of best practices and enables the completion of cross-disciplinary work such as the monitoring of local regulations. Country HSE managers also take part in induction programs for new site HSE managers, providing information on Valeo tools and standards.

In total, nearly 300 people are directly involved in the day-to-day management of HSE issues within the Group.

The Group uses various channels for internal communications and employee training on HSE issues, including:

- centralized information in the Group's quarterly internal newsletter, "Valeo Info," translated into 15 languages, with a "Planet" page and relevant articles;
- training to raise the awareness of the Executive Committee of each of the Group's sites on the risk of accidents and the procedures and resources to be implemented to avoid them;
- training of HSE managers using modules approved by the RIE Department;
- training for site employees on environmental procedures and respect for the environment, particularly as part of the integration of new arrivals;

- awareness-raising for all site staff on measures aimed at controlling environmental risks and impacts through ISO 14001, ISO 50001 and OHSAS 18001 management systems;
- information for employees through newsletters and dedicated displays, and at task force meetings;
- dedicated events such as "Sustainable Development Week", featuring local initiatives.

In 2015, nearly 49,400 hours of environmental training were provided across all sites by the HSE network.

High risk-control standards

Sites' compliance with the prevailing regulations is an essential requirement for the Group. As such, each site has the obligation of maintaining a **regulatory watch** on HSE issues. The RIE Department promotes the development of national monitoring tools by the network of country HSE managers.

The **Risk Management Manual** contains all of Valeo's standards (known as operational directives) with respect to the environment, workplace health and safety, and the safety and security of installations. In 2015, the RIE Department continued publishing the Group's operational directives, including the "Risk Hunting" Directive aimed at raising awareness among employees of how to detect breaches of Group standards: when non-compliance is identified, the employee is required to report the issue on a monitoring board displayed on each production line. Reported instances of non-compliance are monitored daily during "5-minute meetings" until they have been resolved. The new directive requires the management of each site to establish an organization aimed at bringing all of the site's employees into the process.

The RIE Department aims to maintain binding requirements that meet or exceed the most stringent local regulations. Implementation of these directives is mandatory for all Group sites.

The Risk Management Manual includes a specific chapter on the **prevention of crisis situations and the preparation of emergency plans**. The Group requires each site to establish an emergency response and business recovery plan. In 2008, Valeo developed the Valeo Emergency and Recovery Management system (VERM) to assist in the design and implementation of emergency, crisis management and business recovery plans. To simplify the system and make it more effective, Valeo upgraded VERM based on crisis management and business recovery plan feedback from sites, and released the new version, known as "HSE VERM" in June 2015. The new version imposes mandatory crisis scenarios for sites, covering events including fire, explosions or accidental pollution. Each site is required to establish procedures, response sheets or lists of contacts to use in the event of a crisis, and for each phase of a crisis from the alert phase to the resumption of activity, including the intervention phase and the phase devoted to securing people or the site.

(1) See Sustainable Development Glossary, page 407.

Maintaining a high level of operational safety

The Group's policy has always been to assure the highest possible level of prevention and protection at its sites against **natural disasters and technological risks**, throughout the life cycle of a site. As such:

- whenever it builds or acquires a site, as well as when closing or selling a site, Valeo performs an audit to identify the potential existence of an environmental liability, hazardous or sensitive surroundings or environments, as well as potential natural hazards;
- the vast majority of Valeo's sites are HPR (Highly Protected Risk) classified, and are equipped with automatic fire-protection sprinkler systems. Furthermore, employees receive regular training in dealing with all kinds of risk situations;
- all sites in seismic risk zones have been built or upgraded to comply with the most recent seismic standards;
- Valeo sites are not located in flood zones or, if they are, are equipped with flood protection systems and emergency plans;
- new Valeo facilities are located far from sites representing a significant potential risk (Seveso sites⁽¹⁾, etc.) that could, through a domino effect, endanger Valeo's sites;

- in 2011, the risk of tsunamis was added to the document dealing with the selection process for potential locations and to the risk management policy;
- Valeo is continuing to reinforce the quality of security systems for facilities (access control, video surveillance and intrusion detection). The Group also commissions intrusion tests to verify effectiveness.

Adapting to the consequences of climate change

Valeo operates in areas that in recent years have experienced exceptional natural events, particularly Asia and America. The RIE Department has imposed the deployment of preventive measures, such as hurricane-resistant roofing, flood protection and the elevation of land prior to building.

Systematic analysis of natural hazards is performed before any acquisitions of new land or new sites. This issue is followed closely by insurers, who are tightening their standards for buildings.

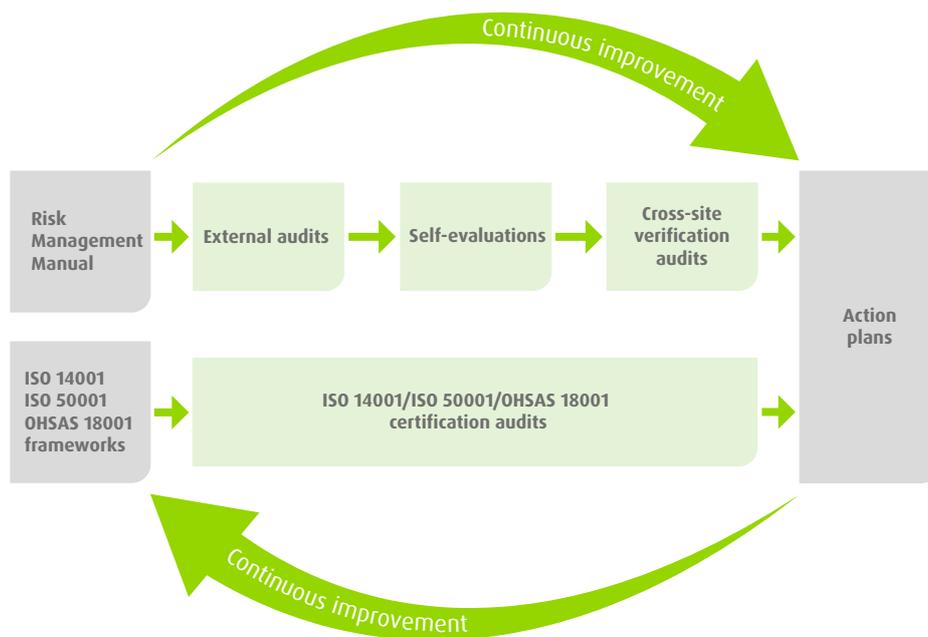
Noise and other forms of pollution

Valeo strives to follow up all complaints addressed to its sites on environmental issues. In 2015, 19 complaints were registered across the Group as a whole, all concerning noise and odors. The sites concerned are required to implement the appropriate measures.

Evaluation and certification processes

An ambitious audit program worldwide

Valeo is implementing a comprehensive program of audits worldwide, including external compliance and certification audits, along with self-evaluations and cross-site verification audits performed by site HSE managers.



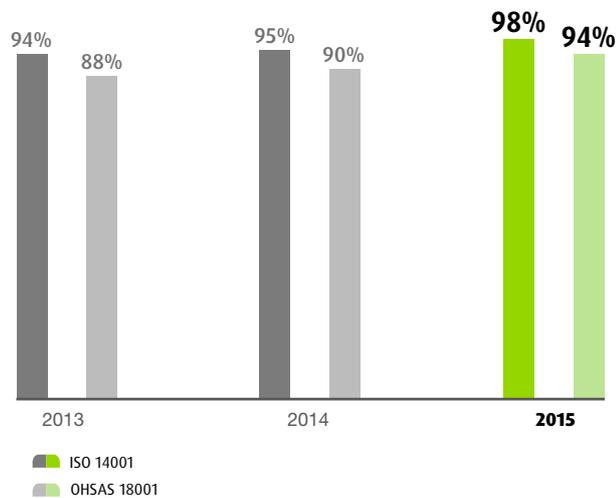
(1) See Sustainable Development Glossary, page 407.

ISO 14001, ISO 50001 and OHSAS 18001 certification audits

More than 15 years ago, the Group undertook a process of certification of management systems in order to meet its commitment to reduce its environmental impacts and improve health and safety conditions for its employees. ISO 14001 environmental certification, OHSAS 18001 workplace health and safety certification and ISO 50001 energy management certification provide assurance to stakeholders of the Group's firm commitment to HSE issues. The current practice is to conduct certification of individual sites. Certification may also be obtained for product lines, across all the sites concerned.

As of the end of 2015, 98% of Valeo sites had obtained ISO 14001 certification and 94% OHSAS 18001 certification.

Percentage of plants certified ISO 14001 and OHSAS 18001



The Group aims to bring new sites (acquired or created) into the certification process as quickly as possible. All new sites are required to obtain certification from the third year of their inclusion in the Group's scope.

In 2015, initial ISO 14001 and OHSAS 18001 certification was obtained by the following sites that recently joined the Group:

- Guangzhou (Comfort & Driving Assistance Systems, China): OHSAS 18001;
- Shenyang (Visibility Systems, China): ISO 14001;
- Wuhu (Visibility Systems, China): ISO 14001 and OHSAS 18001;
- Chennai Oragadam (Powertrain Systems, India): ISO 14001 and OHSAS 18001;
- Wuxi (Powertrain Systems, China): ISO 14001 and OHSAS 18001.

ISO 50001 certification

In line with its objectives on improving environmental performance during the 2013-2015 period, Valeo aimed to see 10% of its sites obtain ISO 50001 energy management certification by the end of 2015.

Three sites received ISO 50001 certification in 2015:

- Bietigheim (Visibility Systems, Germany);
- La Suze sur Sarthe (Thermal Systems, France);
- Neuses (Visibility Systems, Germany),

bringing the number of certified sites to ten.

8% of sites had obtained ISO 50001 certification by the end of 2015. The target of 10% was not achieved because the certification of two sites (Angers and Châtellerault, Visibility Systems, France) was delayed until early 2016. Valeo has set itself the target of achieving ISO 50001 certification for 20% of its sites by the end of 2020.

External audits worldwide

At the initiative of the RIE Department, audits of the Group's sites are regularly performed by external consultants to ensure compliance with and proper implementation of the Risk Management Manual in respect of the environment, workplace health and safety, and the safety and security of buildings and facilities. In place for nearly 20 years, this audit program is a major component of Valeo's policy of reducing risk and improving the performance of its sites, which are audited every two years on average. At the beginning of each year, the RIE Department lists the sites to be audited, taking this average into account.

Audit standards based strictly on HSE requirements laid down in the Group's operational guidelines ensure that sites address all of Valeo's HSE requirements, and also provide a sounder basis for comparison between sites and generate a greater amount of feedback.

A detailed report is presented at the end of each audit and a score is given based on objective criteria periodically revised by the RIE Department.

On the basis of the findings and recommendations ordered in accordance with the level of risk, these audits result in action plans being drafted for each site. The action plans of all sites are reported to the RIE Department and monitored by the Business Group HSE managers via a system known as the HSE Action Plan. This database provides fast and reliable consolidation of audit results, and makes it possible to monitor progress on the associated action plans. In 2015, the RIE Department implemented bi-monthly reviews of all action plans in place on Valeo sites with the Business Group HSE managers to check on their progress. The findings of these reviews are presented in reports issued to all Business Group operational managers to give them an accurate scorecard of progress made by each site and to allow them to take action if necessary.

In 2015, **188 external audits** were performed, in addition to 136 ISO 14001, OHSAS 18001 and ISO 50001 certification and monitoring audits.

Self-evaluations

In addition to external audits, a self-evaluation tool known as **Roadmap** has been in place since 2008. Self-evaluations allow sites to monitor their compliance with Group directives. The tool also provides the Business Groups' HSE managers and the RIE Department with an overview of the degree of compliance with the directives at the operational level.

Cross-site verification audits

Cross-site verification audits are carried out on one site by the HSE manager of another site. Their purpose is to verify the implementation of HSE management systems and to ensure consistency between self-evaluation findings and the practical measures taken in response. As such, they also promote performance improvement, exchanges between sites and competence-sharing.

Centralized environmental reporting

Over the past ten years, Valeo has used a centralized reporting tool, Valeo Risk Indicators (VRI), across all of its sites to measure their environmental performance via an internet platform. Quarterly, or annually for some parameters, this tool permits the collection of over 200 indicators, allowing constant control of the environmental performance of the Group's sites and ensuring that its goals are met. Among the many indicators available in VRI, every year the Group selects those to be published in the Registration Document in view of its key environmental issues, its performance objectives, the relevance of the indicator to its automotive suppliers sector, and the expectations of its stakeholders. These indicators are presented in a manner consistent with the guidelines of the Global Reporting Initiative (GRI).

Responses from all sites are consolidated and undergo in-depth verification by an external service provider to ensure their quality. To ensure the highest possible reliability for the final indicator value, this verification includes questions asked to sites reporting significant year-on-year changes in any item. In all, nearly 100,000 data items are processed and validated.

The procedures for defining the reporting scope and validating indicators are described in the methodological note provided in section 4.6.1 "Environmental reporting methodology", pages 233 to 234.

External audit imposed by the "Grenelle 2" regulation

Article 225 of the Grenelle 2 law of July 12, 2010, Decree No. 2012-557 of April 24, 2012 on companies' obligation of transparency in respect of social and environmental issues, and the ruling of May 13, 2013 on audit missions by independent third-party bodies provide for the verification by an independent third party of information disclosed by French companies.

There were three stages to this engagement:

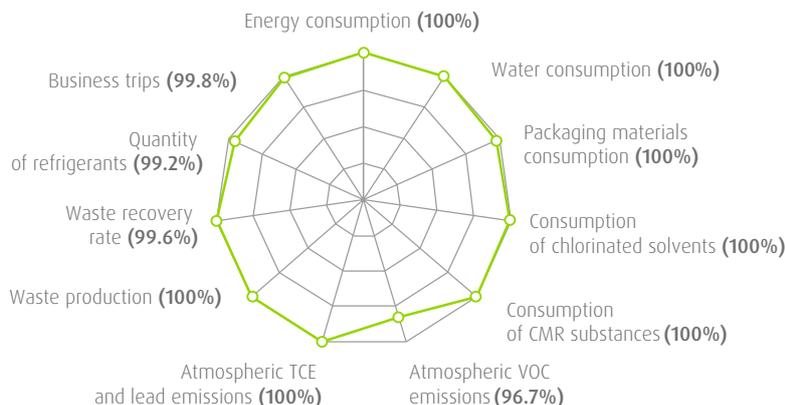
- in the first stage, the reporting process (scope, definitions of indicators, methods of calculation, consolidation process and controls) was reviewed;
- in the second stage, site audits were performed to verify the proper implementation of reporting procedures and the relevance of the information reported. This stage was rounded out by a review of consolidated information (review of the completeness and accuracy of the information);
- in the third stage, the independent verifier produced a summary of observations in the form of a limited assurance report including a statement of completeness and an opinion as to the accuracy of the information contained in the management report in respect of 2015. This report appears in section 4.8, pages 248 to 249.

In 2015, five sites were audited in South Korea, Spain, the United States, France, Hungary and Thailand. In addition, two sites audited in 2014 underwent follow-up audits.

The goal of excellence: 100% response rate expected for each indicator

The representativeness of each indicator is measured by a **response rate**. The rate is expressed as sales of the sites having responded to the indicator divided by total sales of all sites in the reporting scope. In 2015, the response rate per indicator was very good, as shown in the following diagram: readings of 100% for most indicators published, confirming the sites' commitment to reporting.

Response rates for main indicators in 2015



Achievements

To meet the continuous improvement challenges of its sustainable development policy, which focuses on the seven themes described in section 4.1.1 "Sustainable development challenges at Valeo", pages 233 to 234, and specifically those of

the second theme on the eco-efficiency of industrial processes, the RIE Department sets goals for improving environmental performance. 2015 saw the completion of the **2013-2015 three-year plan** to reduce the Group's environmental impacts. This was the third plan aimed at improving environmental performance; the first dates back to 2008.

Review of the 2013-2015 performance

Objectives	Unit	2015 target (base = 2012)	2012 results	2013 results	2014 results	2015 results	2015 results (base = 2012)
Sustainable use of resources							
Water consumption	cu.m/€m	-10%	215	211	219	198	-8%
Energy consumption	MWh/€m	-10%	158	158	156	143	-9%
Packaging materials consumption	kg/€m	-7%	6.1	6.6	6.3	5.6	-8%
Production of waste							
Production of hazardous and non-hazardous waste	metric t/€m	-7%	17.0	17.0	17.1	16.4	-3%
Carbon emissions							
Direct and indirect greenhouse gas emissions (Scope 1 and Scope 2) ⁽¹⁾	metric t CO ₂ /€m	-10%	56.7	59.6	63.4	57.3	+1%
Management systems							
ISO 14001 certification (environmental management)		100%	96%	94%	95%	98%	+2 pts
OHSAS 18001 certification (workplace health and safety)	% of sites ⁽²⁾	100%	88%	88%	90%	94%	+6 pts
ISO 50001 certification (energy management)	% of sites	10%	-	2%	5%	8%	+8 pts

(1) See section 4.3.2 "Reducing greenhouse gas emissions", pages 176 to 178 for a description of the scope of the objective.

(2) For new sites, ISO 14001 and OHSAS 18001 certification to be obtained in the third year following their entry into the Group.

The three-year targets set by the Group in 2013 for reduction of its environmental footprint were particularly ambitious. They were exceeded in respect of packaging materials, and nearly achieved in respect of water and energy consumption, as well as for ISO 14001, ISO 50001 and OHSAS 18001 certification.

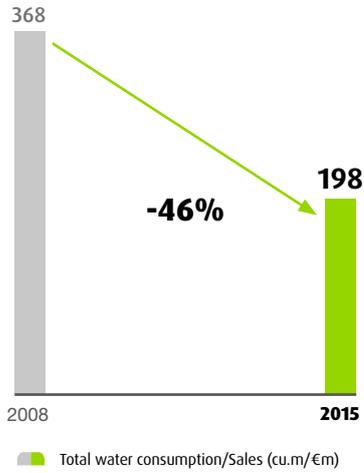
Valeo missed its goal of reducing its direct and indirect greenhouse gas emissions in proportion to its sales (Scopes 1 and 2), but has virtually stabilized them. This stabilization

resulted from a 23% reduction in direct emissions as a proportion of sales (Scope 1), combined with a 9% increase in indirect emissions as a proportion of sales (Scope 2), which represent a much larger part of total emissions (see section 4.3.2 "Reducing greenhouse gas emissions", pages 176 to 178).

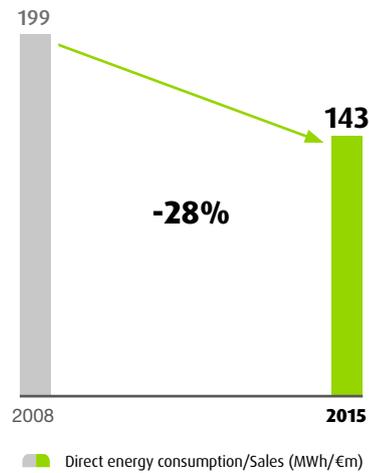
Waste production was reduced, but insufficiently. Further work will be required in the coming years.

Review of the 2008-2015 performance

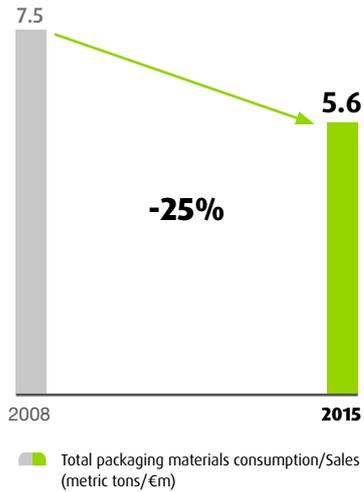
Water consumption



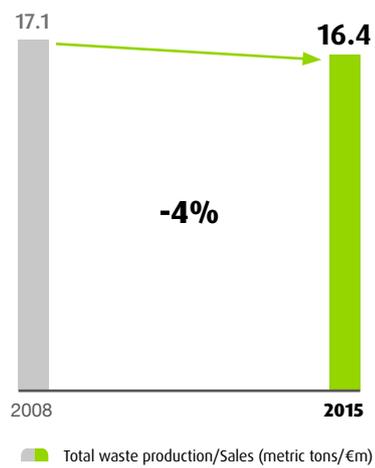
Energy consumption



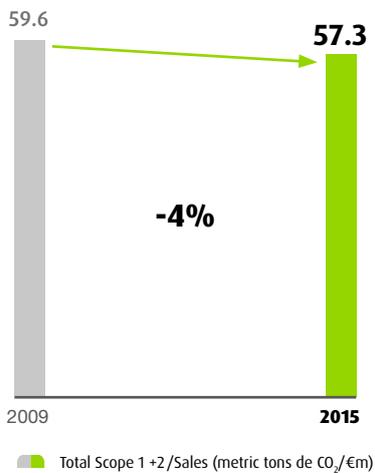
Packaging consumption



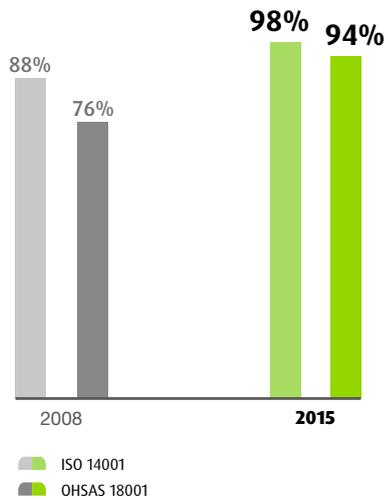
Waste production



Direct and indirect CO₂ emissions



ISO 14001 and OHSAS 18001 certification



The charts above show the very significant reductions achieved by Valeo since 2008 in its water, energy and packaging consumption and waste production in proportion to its sales (reduced by 46%, 28%, 26% and 4% respectively), as well as progress on the objective of having all of its sites certified (the scope of the objective is provided in section 4.6.1 "Environmental reporting methodology", pages 233 to 234).

Since 2009, Valeo has also reduced its direct and indirect CO₂ emissions as a proportion of sales by 4%.

Environmental expenditure and investment

Total environmental protection expenditure and investment

Operating expenses relating to the environment amounted to 21.9 million euros in 2015. They include the cost of waste treatment, analysis of effluents, operation of internal treatment plants and environmental studies. In addition to these expenses, 3.2 million euros were spent on clean-up costs on active sites.

In 2015, Valeo invested 3 million euros for the protection of the environment on active sites. This amount includes the cost of installing air-treatment systems, the implementation of retention systems for better management of hazardous materials and the development of waste storage areas.

Outlook

2016-2020 performance objectives

Based on the results achieved during the last three environmental performance plans between 2008 and 2015 and the scope for improvement identified (see sections 4.3.2 to 4.3.7), Valeo intends to continue reducing its environmental footprint. The Group has accordingly set itself the following objectives for the 2016-2020 period:

Objectives	Unit	2020 target (base = 2015)
Energy consumption	MWh/€m	-8%
ISO 50001 certification (energy management)	% of sites	20%
Direct and indirect greenhouse gas emissions (Scope 1 and Scope 2) ⁽¹⁾	metric t CO ₂ /€m	-8%
Production of hazardous and non-hazardous waste	metric t/€m	-5%
Water consumption	cu.m./€m	-6%

(1) See section 4.3.2 "Reducing greenhouse gas emissions", pages 176 to 178 for a description of the scope of the objective.

4.3.2 Reducing energy consumption and greenhouse gas emissions

Reducing energy consumption

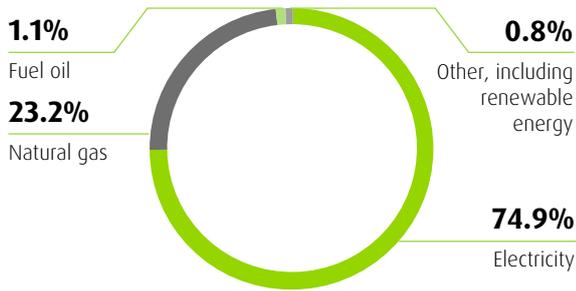
Challenges

Valeo sites use the following three types of energy for industrial and domestic purposes:

- direct energy in the form of primary energy sources (fuel oil, natural gas);
- indirect energy in the form of electricity, steam and compressed air;
- direct renewable energy generated on site, of solar origin, which to date provides only a very small amount of energy.

Electricity and natural gas have for several years been the two main sources of energy used by sites. Together, they account for nearly 98% of the total energy consumption.

Breakdown of energy sources



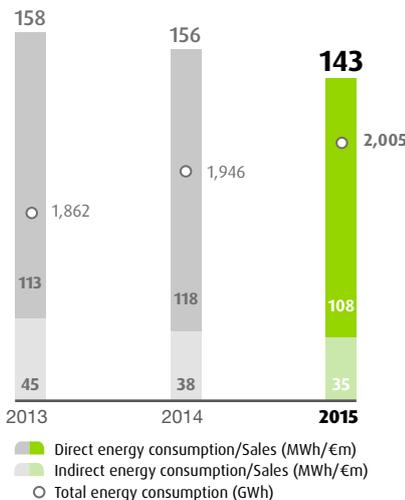
Approach

Valeo is working to reduce its energy consumption by implementing measures such as those described below in "Achievements during the year".

Performance

Total energy consumption was broadly stable. As a proportion of sales, it was **down 9% compared with prior year**. The decrease was evenly split between direct and indirect energy, and continued a downward trend dating back to 2013.

Total direct and indirect energy consumption

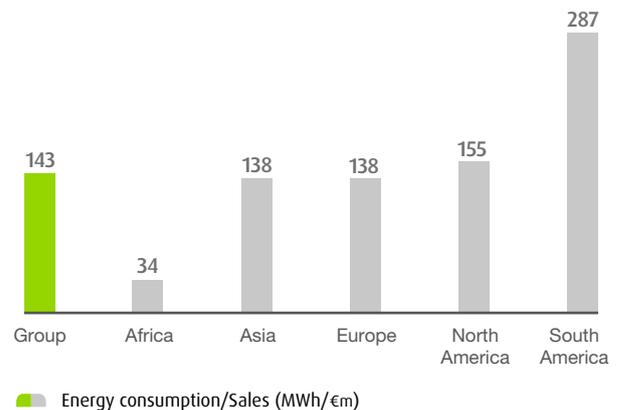


Analysis of the geographic breakdown of energy consumption

Geographic breakdown of total energy consumption



Energy consumption as a proportion of sales by geographic area



The Group's sites in Europe, Asia and North America account for 96% of total energy consumption. However, energy consumption as a proportion of sales at the Group's South American sites is markedly higher than in Africa, Asia, Europe and North America. Efforts to improve energy consumption are therefore required at the South American sites.

Achievements during the year

The indicator used by Valeo for quantifying savings is the energy intensity ratio (MWh/€m), which decreased by 9% between 2014 and 2015.

This was achieved thanks to numerous initiatives at individual sites, including:

- Chonburi (Comfort & Driving Assistance Systems, Thailand): the site invested approximately 100,000 euros to replace 1,268 40W neon light bulbs with 22W LED light bulbs and to replace 213 400W mercury light bulbs with 200W LED light bulbs. The site expects these changes to save 700 MWh each year, and anticipates a return on investment in under two years.

The replacement of conventional fluorescent or metal-halide lights by more energy-efficient LEDs is widespread within the Group. In 2015, 21 Group sites reported having made such a change.

- Zbrak (Thermal Systems, Czech Republic): the site installed a heat recovery system in the compressor room. The heat recovered is used for hot water and to heat the production workshops. This investment of roughly 40,000 euros saves nearly 1 GWh of gas and electricity, enabling a return on investment in less than two years.
- Several other Group sites also took this measure to optimize heat recovery in the compressor room: noteworthy examples include Abbeville and Amiens (Powertrain Systems, France).

Sites are also investing in major thermal insulation projects on buildings. Examples include Bobigny (Visibility Systems, France), which continued to replace its bay windows and its faulty heating system, and the Strykow logistics site (Valeo Service, Poland), which installed insulating curtains in different parts of the warehouse to prevent heat loss when loading trucks.

A total of 70 sites declared the start of new energy efficiency projects in 2015. They aim to achieve combined energy savings amounting to 2% of the Group's total energy consumption in 2015, i.e., approximately 41.9 GWh.

In 2015, Valeo continued the rollout of the ISO 50001 energy management standard at its sites. By the end of 2015, ten sites, or 8% of the total number, had obtained this certification.

French regulations also impose the performance of energy audits on a number of sites that are not already involved in the ISO 50001 approach. Valeo accordingly commissioned ten energy audits. Their results, as well as those of action plans designed to reduce site consumption, were sent for information to the prefects of the regions concerned.

Outlook

Pilot on the Angers site

The Group is determined to reduce its total energy consumption even further. To this end, Valeo has chosen to conduct a pilot project on a site that has already achieved significant reductions in energy consumption in order to identify new areas for improvement and, if conclusive, to roll them out more widely across all sites.

The Angers site (Visibility Systems, France), identified as a Center of Excellence for the conservation of energy, has been selected as the pilot site. The project involved the installation

of innovative measurement devices on the site's various electrical junction boxes. Continuous measurements over a three-month period resulted in the following observations:

- There are periods with no production, during which energy consumption is reduced, but not to zero due to some residual consumption such as energy used for heating: this results in so-called base energy consumption that must be minimized.
- Energy consumption varies very little during the day, unlike the number of parts manufactured, which is much more variable. Accordingly, when production rates are very high, it takes little energy to manufacture a part (often less than 2 kWh per part); by contrast, when the number of parts falls, it takes more energy to manufacture a part (sometimes more than 6 kWh per part).

Based on these findings, the pilot project has identified two areas for improvement:

- To reduce base energy consumption, the site has designated an Energy Officer tasked with turning off all unused equipment at the end of the day and on weekends.
- The implementation of an alert system triggered when the level of production declines, informing the Energy Officer of areas where machines should be turned off. In periods of slow activity, it is best to stop some machines and wait until demand picks up before resuming production, thereby reducing energy consumption per unit manufactured.

The project points to a possible reduction in current total consumption of between 10% and 15%, implying potential annual savings of a little over 300,000 euros for the site.

In 2016, Valeo will investigate the feasibility of adopting this method on other Group sites.

Valeo has set itself the goal of reducing its total energy consumption as a proportion of sales by 8% between 2016 and 2020.

Reducing greenhouse gas emissions

Challenges

Since 2009, Valeo has made progress in the analysis of its carbon footprint by evaluating the direct and indirect greenhouse gas (GHG) emissions resulting from its activities. For 2015, the following emission sources are included in the review:

- **direct GHG emissions:** combustion emissions from stationary sources on sites, emissions from fuel combustion by Group-owned vehicles, direct emissions from non-energy processes such as the incineration of VOCs⁽¹⁾, and direct fugitive emissions relating to refrigerant leaks (included in Scope 1 of the international framework);

- **indirect GHG emissions:** associated with energy consumption, related to the consumption of electricity, steam, compressed air and other sources (included in Scope 2 of the international framework);
- **other indirect GHG emissions:** related to purchases of products used in industrial processes, and the transportation of goods and people (included in Scope 3 of the international framework).

Approach

Valeo is actively working to reduce its consumption of energy and resources in order to decrease its greenhouse gas emissions.

Performance

Scope 1

Direct GHG emissions as a proportion of sales fell by 23.5% between 2014 and 2015.

Direct GHG emissions (kt CO ₂)	2013	2014	2015
Emissions generated by fuel oil and gas combustion at sites (kt CO ₂)	131.8	115.9	118.0
Direct emissions from non-energy processes ⁽¹⁾ (kt CO ₂)	14.9	19.3	1.9
Emissions caused by Valeo's vehicle fleet ⁽²⁾ (kt CO ₂)	7.6	12.0	7.4
Fugitive emissions (refrigerant leakage) (kt CO ₂)	14.1	17.5	14.5
TOTAL DIRECT EMISSIONS (kt CO₂)	168.4	164.7	141.8
TOTAL DIRECT EMISSIONS/SALES (t CO₂/€m)	14.3	13.2	10.1

(1) Data on direct emissions from non-energy processes were monitored very precisely in 2015, which brought to light the overestimation of these data in 2013 and 2014.

(2) As of 2013, the figure for emissions from the Valeo vehicle fleet also includes emissions from gas-powered handling equipment.

Scope 2

Valeo's indirect GHG emissions as a proportion of sales were reduced by 6% between 2014 and 2015.

Indirect emissions from consumption of electricity ⁽¹⁾ and other energy such as steam, compressed air, etc.)	2013	2014	2015
TOTAL INDIRECT EMISSIONS (kt CO₂)	534.1	627.7	663.8
TOTAL INDIRECT EMISSIONS/SALES (t CO₂/€m)	45.35	50.25	47.22

(1) The calculation takes into account the primary energy sources used to generate electricity in each country.

Geographic breakdown of direct and indirect greenhouse gas emissions (Scopes 1 and 2) associated with energy consumption in 2015



The chart shows the geographic breakdown of direct emissions related to gas and fuel oil combustion at sites and indirect emissions related to electricity consumption. The comparison of this chart with that of the geographic breakdown of total energy consumption (see page 175 of this section) shows that while Valeo's European sites consume 50% of the Group's total energy, the associated GHG emissions account for just under 38% of the Group total. By contrast, sites in Asia consume nearly 28% of the Group's total energy but emit approximately 42% of its total GHG emissions. The difference stems from the fact that the power plants that provide energy to Valeo's sites in Asia are mainly fired by coal, which emits substantial quantities of GHG. The Group's growth in Asia accordingly results in an increase in absolute terms in indirect emissions of greenhouse gases.

Scope 3

The other indirect GHG emissions (Scope 3) considered relevant by Valeo are:

- emissions linked to purchases of materials entering into industrial processes (steel, aluminum, copper, zinc, plastics, electronic components, chemicals and packaging);
- emissions from the transportation of products (logistics);
- emissions from the transportation of personnel.

Other relevant indirect GHG emissions (kt CO ₂)	2013	2014	2015
Emissions generated by the production of the main materials used in industrial processes of which:	4,680	5,122	5,614
Materials (metals)	3,050	3,250	3,416
Materials (other)	1,630	1,872	2,198
Emissions generated by logistics of which:	156	242	237
Road/rail/sea transportation	97	157	174
Air/express transportation	59	85	63
Emissions generated by employee travel of which:	139	125	139
Work commutes	99	97	108
Business trips	40	28	31
TOTAL OTHER INDIRECT EMISSIONS (kt CO₂)	4,975	5,489	5,990
TOTAL OTHER INDIRECT EMISSIONS/SALES (t CO₂/€M)	422	439	426

Scope 3 emissions as a proportion of sales fell by 3% between 2014 and 2015.

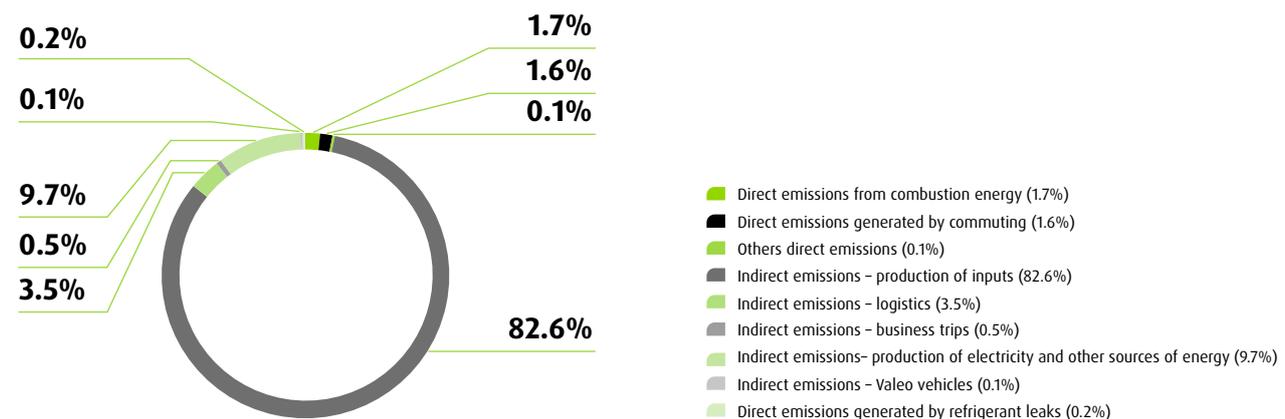
The Group's carbon footprint

The Group's overall carbon footprint (Scopes 1, 2 and 3) totaled approximately 6.8 million metric tons of CO₂ equivalent, an increase of 8.3% compared with 2014.

As a proportion of Valeo's sales, the 2015 carbon footprint (Scopes 1, 2 and 3/sales) fell by 3.9% compared with 2014.

The chart below shows the preeminent contribution of materials used in industrial processes to the Group's overall carbon footprint (approximately 83%, of which two-thirds for metals), whereas direct emissions represent only 2% of the overall footprint.

2015 breakdown of main GHG emissions



Outlook

Valeo has set itself the goal of reducing its direct and indirect greenhouse gas emissions (Scope 1 and Scope 2) as a proportion of sales by 8% between 2016 and 2020.

4.3.3 Discharges and waste

Valeo's activities are liable to generate the discharge of substances into the air or soil that could impact the environment. Such discharges must be tightly controlled so as to avoid pollution.

To this end, Valeo sites are required to identify any substances prohibited or regulated by local regulations or by customers in its buildings, manufacturing equipment or products.

All such prohibited or controlled substances are listed in a database known by the acronym BRDS ("Banned, Regulated and Declared Substances") established by the Group.

The Group also prohibits the use of the following substances:

- asbestos;
- PCBs (polychlorinated biphenyls);
- refrigerants such as halons, CFCs, etc.;
- RCFs (refractory ceramic fibers);
- radioactive substances.

Valeo has for several years sought to take a proactive approach to reducing emissions of substances that deplete the ozone layer. Its commitments on the subject are set out in a dedicated directive in the Risk Management Manual. Chlorofluorocarbons (CFCs) and halons are prohibited substances at Valeo. For hydrochlorofluorocarbons (HCFCs), the Group's objective is to bring forward the elimination deadlines set under the Montreal Protocol. To comply with this directive, the sites have taken action on system replacement and periodic monitoring of leaks from equipment containing refrigerants.

Because of their danger and their legacy use in industrial processes on its sites, the Group also works to reduce the consumption of heavy metals (lead, mercury, chromium VI, cadmium), chlorinated solvents and substances classified under European regulations as carcinogenic, mutagenic and reprotoxic (CMR).

Prevention of air emissions

Approach

Each site must establish an organization to ensure compliance with regulatory requirements in respect of air emissions.

This organization requires the establishment by each site of an emissions inventory aimed at:

- identifying the sources of air emissions based on a comprehensive review of the site's processes and activities, and facilities for the treatment of these emissions;
- describing the nature of emissions on the basis of their origin (emissions from combustion plants or related processes);
- quantifying emissions in order to determine the need to obtain operating permits in accordance with applicable regulations.

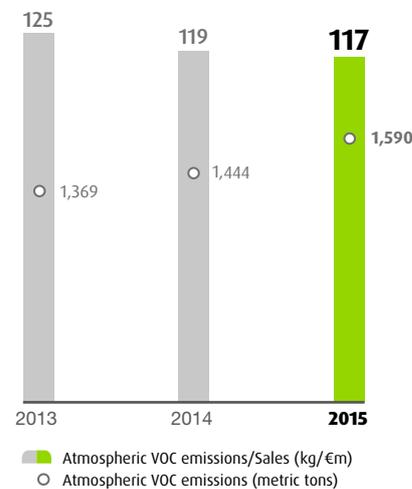
Each Valeo site assesses, particularly whenever any processes are changed, potential ways of reducing atmospheric emissions of pollutants at source, focusing primarily on processes that do not require the installation of treatment facilities.

Performance

Valeo monitors emissions into the air of volatile organic compounds (VOCs), nitrogen oxides (NO_x), lead (Pb) and trichlorethylene (TCE) resulting from its activities.

Emissions of sulfur oxides (SO_x) are not monitored, as combustion equipment mainly uses natural gas, which does not emit sulfur oxides during combustion.

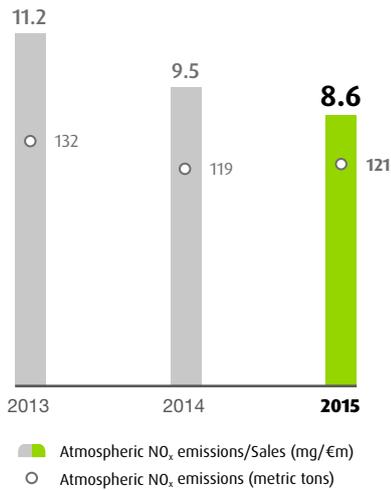
Atmospheric VOC emissions



VOC emissions fell by 1.7% as a proportion of sales in 2015.

The Comfort & Driving Assistance Systems Business Group was the main source of the reduction. VOC emissions increased as a proportion of sales in the other three Powertrain Systems, Thermal Systems and Visibility Systems Business Groups; Valeo Service does not emit VOCs.

These increases can be attributed in part to the use on virtually all Valeo sites, of the reporting methodology for this indicator, which was developed by the RIE Department and increases the reliability of the reported figures. In 2015, Valeo also conducted an inventory of VOC-emitting industrial activities, which was particularly useful during the validation phases of the indicators and has helped improve the reliability of the readings obtained.

Atmospheric NO_x emissions

NO_x emissions are estimated on the basis of consumption of oil and gas, mainly used for heating, heat treatment processes and VOC incinerators.

NO_x emissions as a proportion of sales fell by 9.5% between 2015 and 2014.

Lead and TCE emissions

The Group monitors the release into the atmosphere of lead and TCE, two substances used in legacy production processes.

Lead emissions are not material: 16 kg in 2015, down 5.9% compared with 2014.

Consumption of TCE, still used by a single Group site (Daegu, South Korea), totaled 22.5 metric tons in 2015.

Emissions of ozone-depleting substances

In the interests of transparency, the Group again performed an overall estimate of CFC and HCFC emissions in 2015: 608 kg of CFC-11 equivalent (the reference component for measuring the potential to deplete the ozone layer), a decline of 3.8% compared with 2014.

Achievements during the year

Several sites took action to reduce their air emissions. They include:

- Jedeida (Powertrain Systems, Tunisia): the site replaced its old air conditioning system operating with R22, an ozone-depleting substance, with a new system running on the more environmentally friendly R410;
- Shenzhen (Comfort & Driving Assistance Systems, China): the site elected to install a new VOC emission treatment system for its paint booths. It has invested in a VOC treatment system using cold plasma and UVs. The new technology does not require the addition of any chemicals, and costs very little to run in comparison with conventional systems.

Prevention of discharges into the soil

Approach

Although Valeo does not generate industrial wastewater containing large amounts of pollutants, **each site is required to manage its effluents**. Their management is addressed in a specific directive. The main requirements are as follows:

- effluents whose composition exceeds the regulatory thresholds must go through **treatment plants located directly on Valeo sites** so as to limit their impact on the receiving environment;
- as far as possible, effluent networks are connected to the public network;
- sites' rainfed networks receive only rainwater;
- the direct discharge of industrial effluents into groundwater is strictly prohibited;
- water from fire extinguishers must be separated and analyzed prior to proper disposal.

As part of their environmental management system, and in accordance with Group directives, **sites are equipped to prevent accidental spills into the environment**:

- **The loading/unloading** of tankers can cause numerous accidents with serious consequences for the environment. To prevent spillage during these operations, Valeo sites are required to draft a specific transferring procedure appropriate to the nature and risks of the products in question, notably including the vehicle circulation plan, the list of people approved for unloading, the method of verifying the nature of the product and its compatibility with the recipient container, and instructions in case of spillage.
- **The storage of hazardous products** can be another source of spillage. The Group has laid down rules for the design and construction of retention systems and tanks, specifying notably the minimum volume for retention systems, what materials to use to ensure the sealing of tanks and retention systems based on the nature of products stored, and how to structure warning systems in case of overflow.
- **Underground tanks have been banned** within the Group since the early 1990s, with the aim of eliminating the risk of significant pollution of soil and groundwater associated with such facilities.
- **Internal landfills are prohibited** on all sites regardless of their location.
- For cases of **accidental spillage**, the Group has published a directive entitled "Means of intervention and limiting the consequences", which focuses on the human and material resources to be put in place on sites to prevent, detect and limit the consequences of emergencies liable to have a direct impact on human health or the environment.
- Furthermore, **when a business is sold or shut down**, the Group systematically commissions an audit, generally accompanied by an examination of the soil and groundwater,

to determine whether any pollution occurred during its operational phase. If pollution is discovered, the necessary measures are taken.

- If a site is closed permanently prior to sale, all waste, raw materials, products and equipment are removed and site maintenance continues.

Performance

In 2015, the total volume discharged by the Group's sites was 724,000 cubic meters, a decline of 11% compared with 2014.

The amount of heavy metals discharged from internal treatment stations totaled 24 kg in 2015, as opposed to 253 kg in 2014, a reduction of 90.5%. This substantial reduction was partly attributable to the inclusion of zinc in earlier data by a Thai site, which is not included in the indicator.

No significant spills were recorded in 2015.

Waste

Challenges

The main challenges in respect of waste are first to optimize the manufacturing process in order to limit its production, and second to recycle everything that can be reused in the manufacturing process, without compromising product quality.

Each site is responsible for:

- collecting and storing waste in conditions that minimize risks to the health and safety of people and the environment;
- ensuring that elimination channels comply with local regulations and guarantee safe waste treatment.

Approach

The main waste products generated by the Group's facilities, in descending order of weight, are metal, wood and plastics.

Almost all metal waste is sold for recycling.

Wood is recycled or used to generate heat.

Some plastic is sold for recycling.

To manage waste in a consistent manner on all the sites, the Group has an operational directive setting rules:

- minimizing the production of waste: reductions in the production of hazardous and non-hazardous waste can be achieved by:
 - reducing the weight of packaging,
 - substituting raw materials,
 - changing procedures or processes;

- collecting and storing waste: waste containers identify the type of waste and characteristics of the hazard (e.g., flammability);
- transporting waste: waste must be transported in optimal safety conditions by selected contractors;
- disposing waste: landfills and incineration of waste are strictly forbidden on Valeo sites;
- ensuring the traceability of waste: each shipment must be accompanied by a waste tracking form summarizing:
 - the characteristics of the waste shipped,
 - the company responsible for transportation,
 - the company responsible for disposal and processing.
 To ensure systematic monitoring of waste, each site has a "waste production and disposal register";

- controlling and monitoring waste storage areas.

Valeo prioritizes waste disposal as follows:

- first to the recycling industry;
- if this is not possible, to recovery;
- in the absence of both sectors, to disposal.

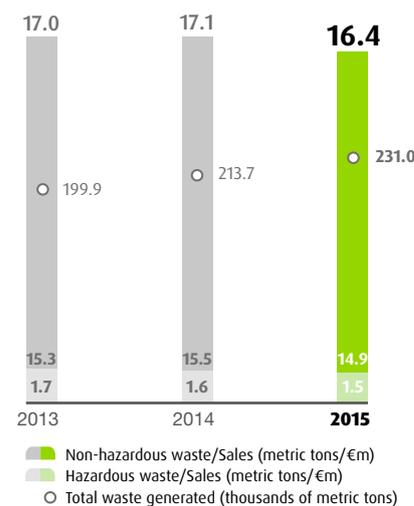
In the absence of a reliable sector in any country, Valeo exports its waste to another country.

The Valeo Risk Indicators reporting tool is used to track the amount of waste sent to each of these sectors.

Performance

Quantities of waste produced

Production of hazardous and non-hazardous waste



In 2015, the total amount of waste as a proportion of sales fell by just over 4% compared with 2014.

Characteristics of waste produced

9%

Hazardous



91%

Non-hazardous

10%

Not recovered



90%

Recovered

The proportion of waste recovered increased from almost 86% in 2014 to 90% in 2015.

The proportion of hazardous waste was stable at 9% of total waste.

Exported waste

In 2011, the Group began monitoring the amount of hazardous and non-hazardous waste exported by its sites. Sites reporting waste exports were Juarez (Visibility Systems, Mexico), which exports the majority of its waste to the United States, and Rio Bravo (Comfort & Driving Assistance Systems, Mexico), which also exports some of its waste to the United States. The La Suze-sur-Sarthe site (Thermal Systems, France) exports a small amount of waste to a company specializing in solvent regeneration in Germany. Exports totaled 1,596 metric tons in 2015.

Achievements during the year

Several sites stand out by virtue of their reduced waste production or improved recovery rate. They include:

- Shenzhen (Comfort & Driving Assistance Systems, China): the site searched for new local waste treatment systems. Waste previously destined for landfill is now recycled. Work was also conducted to recycle all the organic solvents used by the site;
- Breuilpont (Valeo Service, France): in 2015, the site decided to change the subcontractor for the treatment of waste in order to use one with a better recovery rate.

The search for recovery solutions can be challenging, especially in Asia. However, progress is starting to emerge in these countries, offering potential for sustainable recovery solutions. Efforts to increase the reliability of the reporting of unrecovered waste are also underway.

Outlook

Valeo has set itself the goal of reducing its waste production as a proportion of sales by 5% between 2016 and 2020.

4.3.4 Transportation and Logistics

Transportation

Challenges

Valeo's operations require inbound supplies of raw materials and parts, the transfer of parts between sites, and outbound deliveries to automaker-customer premises, plants and dealer networks. The main environmental impacts of these logistics flows result from emissions of greenhouse gases attributable to the use of non-renewable fuels.

Approach

In 2015, Valeo continued to strengthen its requirements in terms of the organization of transportation and the positioning of external storage facilities owned by suppliers, as well as in terms of packaging, to keep pace with the just-in-time delivery strategy. These requirements are a strong signal of Valeo's commitment to optimizing logistics costs, as well as to reducing its greenhouse gas emissions.

Performance

Valeo confines its use of **air transportation** to situations in which other logistics chains have broken down. Air therefore represents only a marginal proportion of transportation costs.

In 2015, the Group transported the same amount of parts by air as in 2014, but the optimization of air transportation through dedicated shipments with a load factor of 100% reduced CO₂ emissions caused by this mode of transportation from 85,000 to 63,000 metric tons.

In **road transportation**, optimization work performed in previous years continued in 2015:

- improved consolidation of road transportation in China: instead of dedicated trucks, transporters use parts collection circuits in supplier plants wherever possible;
- the widespread use of collection circuits allowed the average truck load factor to increase from 70% in 2014 to 73% in 2015.

Overall, the Group improved the ratio of volumes of items transported to transportation-related CO₂ emissions. However, total emissions from road transportation increased in line with the Group's growth.

In **maritime transportation**, the Group also continued its long-standing approach of:

- improving consolidation of all maritime flows from Europe and Asia to Mexico through the use of a single provider for flows from Europe and a single provider for flows from Asia. Consequently, all removals are made in bulk to optimize container fill rates. A further benefit of this method is that it streamlines flows, with a regular departure every week, making it easier to organize production on Valeo sites and increasing the reliability of deliveries to customers;
- creating a partnership between Valeo and a single supplier for all maritime flows to Brazil.

In **rail transportation**, Valeo continued the work begun in North America in 2014 to organize deliveries from Valeo's North American suppliers in the Chicago area to Mexico:

- trucks go to a single warehouse, where their content is transferred into sealed containers;
- these containers are then transported by train from Illinois in the United States to a customs warehouse in San Luis Potosi in Mexico, bypassing the mandatory stop at the border;
- after customs clearance, the containers are opened, and their contents are trucked to Valeo's various sites in San Luis Potosi.

In 2015, Valeo worked to optimize rail flows from Asia to Europe (see case study 1 below).

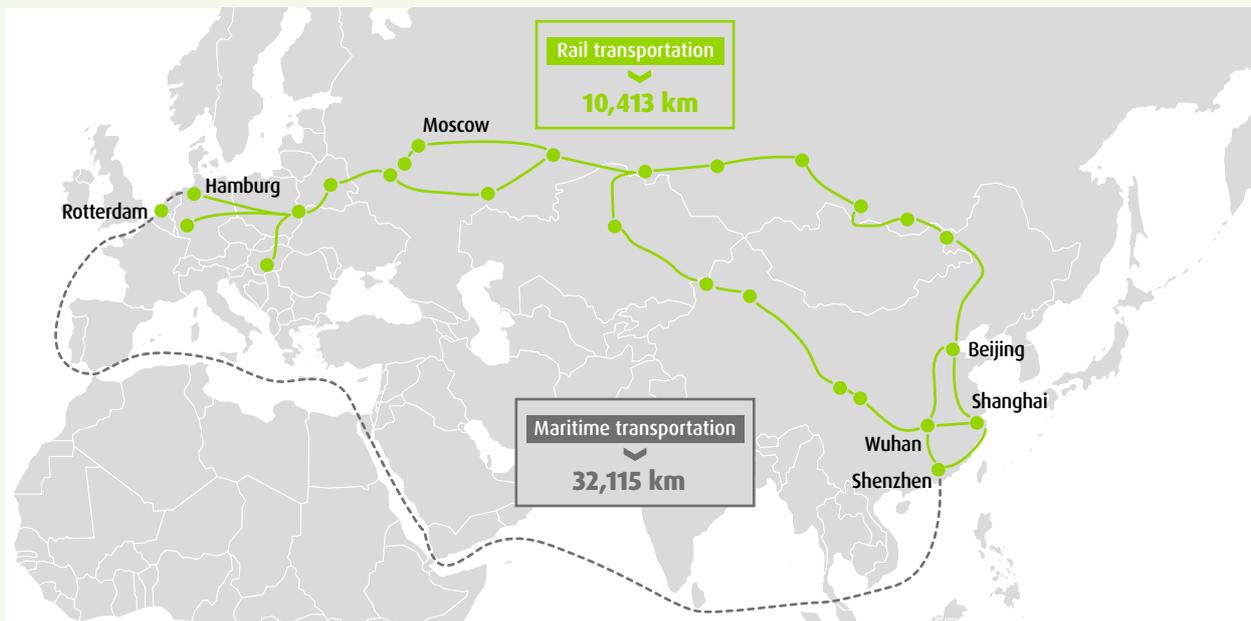
Achievements during the year

Case study 1

As a general rule, shipping is the most widely used means of transportation for deliveries of parts from Asia to Europe. Until recently, road transportation was the only alternative to maritime transportation for flows between Asia and Europe. However, it has several significant drawbacks: it takes longer than maritime transportation, and is also more polluting and expensive. The recent opening of rail logistics flows between Asia and Europe has changed this situation.

New rail flows have several advantages compared with shipping due to the reduced distance involved:

- by sea, about 32,000 km;
- by rail, about 10,500 km.



Consequently, rail transportation has enabled Valeo to:

- reduce the average travel time between Europe and Asia;
- reduce transportation-related CO₂ emissions.

Logistics teams in China worked actively in 2015 to establish rail flows in view of their profitability.

Case study 2

For raw material supplies, the Group distinguishes between two types of road flows:

- domestic flows between Valeo's suppliers and its production plants;
- collection flows between Valeo's suppliers and logistics platforms for intercontinental shipments.

In 2015, the Group established a hub in Germany for the two flows. Trucks supplying Valeo sites in Germany are used to collect materials for Valeo plants in Brazil.

Pooling of this type improves load factors, saves time and reduces costs.

Outlook

In 2016, the Group will continue its work to consolidate road flows for all sites in Thailand, Turkey and the United States, as well as a large number of sites in China, while at the same time optimizing the load factors of its various means of transportation.

For maritime transportation, the logistics teams of the different production sites will continue to pool their shipments. Specific action will be taken in China to develop this means of transportation for supplies to other Asian countries.

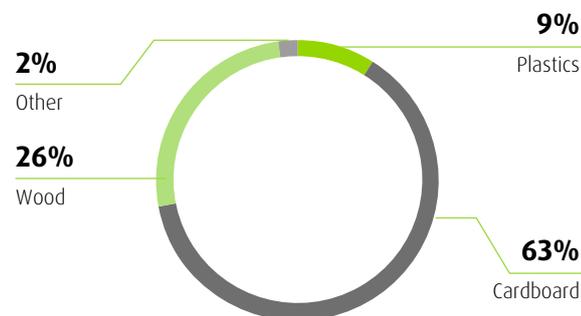
Valeo will continue its efforts to transport its goods by rail wherever possible.

Packaging

Challenges

Packaging is essential to the handling of Valeo products. It is required for transportation, facilitates storage, protects products and, in the case of aftermarket products, helps sell them. For these various purposes, Valeo uses many different kinds of packaging materials, mainly cardboard, wood, plastics and metal. Cardboard and wood together account for approximately 90% of packaging materials used.

Breakdown of packaging materials consumption



Approach

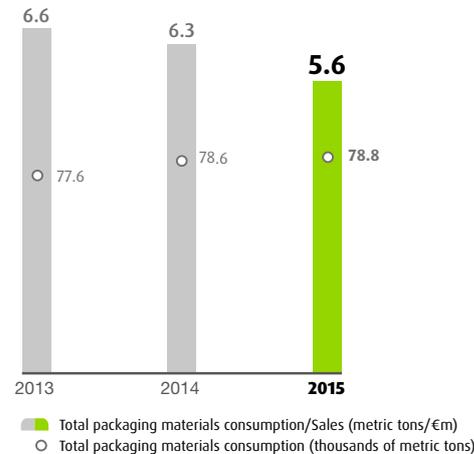
For several years, Valeo has worked to reduce its consumption of packaging materials in two main ways:

- using reusable containers or pallets, made from either cardboard, wood or plastic;
- improving the fill rate of the packages containing the products.

This work is being conducted in partnership with Valeo's suppliers and customers.

Performance

Packaging materials consumption



In 2015, total consumption of packaging materials as a proportion of sales fell by 11% compared with 2014. In absolute terms, total consumption of packaging materials stabilized.

The reduction can be attributed to the numerous initiatives taken by sites in partnership with suppliers and automakers to reduce amounts of packaging materials.

To reduce its environmental footprint, Valeo pays particular attention to the use of recycled materials. In 2015, 948 metric tons of packaging materials were recovered internally and reused, nearly five times more than in 2013 (203 metric tons).

Achievements during the year

The following initiatives are worthy of mention:

- Getafe (Valeo Service, Spain): the site identified two ways of reducing its consumption of packaging materials: reusing cardboard pallets used to transport goods from a Valeo site in China and reusing cardboard pallets from local suppliers. In this way, its teams managed to save a little over 5,000 cardboard pallets, or about 15 tons of cardboard;
- Chennai (Visibility Systems, India): the site completed work in partnership with its customers to improve the loading of its pallets of finished products. Boxes have been modified in order to accommodate a larger number of products. The transition from 84 to 96 parts per box has helped reduce the overall consumption of packaging materials on the site.

4.3.5 Water

Challenges

Because of the importance of this resource, the Group's objective is to limit and control its water consumption, reduce the risk of pollution of sources of supply and ensure the supply of good quality water for its staff.

Approach

To control and minimize their consumption as much as possible, the sites implement appropriate human and material resources:

- each source of water supply is equipped with systems for determining the volume of water consumed and its uses (domestic, industrial and fire);
- the use of water for cooling in open circuits is prohibited, with the exception of heat pumps for heating or air conditioning;
- the site regularly updates mapping of its water supply and distribution networks.

The plan distinguishes between:

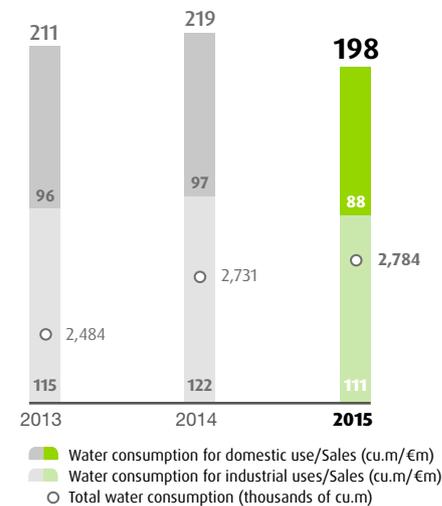
- drinking water,
 - domestic use (if separate from drinking water),
 - industrial uses,
 - fire uses;
- external drinking water supply wherever possible (preferably the public network);
- drinking water networks protected from contamination by other networks;
- the site performs monitoring of its water consumption at least quarterly. The objective of this monitoring is to:
 - identify the respective needs in regard to each of the main uses of water,
 - identify any drift in water consumption and take swift action in the event of leaks in the network,
 - allow the development of a water consumption reduction plan to achieve or better the objectives set for each site by the Group;
- as far as possible, the site reserves the use of potable water for domestic purposes and favors the use of non-potable water wherever possible (e.g., toilets, watering, cleaning, extra water for closed fire and water cooling circuits).

To minimize their water consumption, sites are urged to take action on the following key points:

- optimizing washing operations;
- setting up recycling systems such as recovering discharge water from cooling towers, using it to wash floors and equipment;
- taking into account the optimization of water management and possible water savings when purchasing equipment that consumes water;
- collecting rainwater.

Performance

Water consumption



In 2015, Valeo reduced its water consumption as a proportion of sales by 9.6% compared with 2014, and stabilized its total water consumption.

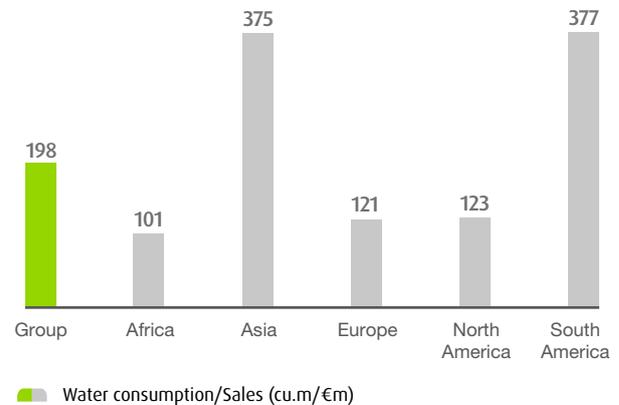
Consumption of water for industrial purposes accounted for 44% of total water consumption, unchanged compared with 2014.

Geographic breakdown of water consumption in 2015

Geographic breakdown of overall water consumption



Water consumption as a proportion of sales by geographic area



The Group's sites in Europe and Asia account for 85% of total water consumption. Water consumption as a proportion of sales at the Group's Asian and South American sites is markedly higher than in Africa, Europe and North America.

Progress is required at the Asian and South American sites in improving water consumption, especially by detecting and repairing leaks, which are a major source of water wastage.

Sources of water



To measure the overall impact of its activities on water resources, Valeo measures its consumption, distinguishing between the various sources (municipal water, groundwater, surface water) and uses of water on its sites (industrial water, domestic water). The percentage of Valeo's supplies derived from groundwater increased from 11.7% in 2014 to 13.9% in 2015. This increase was attributable to the Shashi site (Thermal Systems, China), which took all of its water from groundwater, accounting for one-third of the Group's total consumption of groundwater alone.

Water restrictions

In 2015, two sites (Ben Arous, Comfort & Driving Assistance Systems, Tunisia, and São Paulo, Visibility Systems, Brazil) were affected by water restrictions. Three sites (Rio Bravo, Comfort & Driving Assistance Systems, Mexico, São Paulo, Visibility Systems, Brazil, and Wenling, Visibility Systems, China) were affected by public water network outages.

In 2015, Valeo measured its Water Footprint through the Carbon Disclosure Project⁽¹⁾ (CDP) water survey. The questionnaire, sent out by the CDP for the first time in 2013, does not yet give rise to a rating, but nevertheless enabled Valeo to better understand the risks and opportunities on this issue and the concerns of stakeholders. Valeo does not consume large quantities of water in its industrial processes (44% of its water consumption is for domestic use), and has to date identified no specific issues. Valeo will continue the survey to complete its Water Footprint program in 2016.

Water reuse

In 2015, three sites reported collecting rainwater for reuse, namely Reilly, Visibility Systems, France, Breuilpont, Valeo Service, France, and Tianjin, Thermal Systems, China. A further 14 sites recycle and reuse their industrial water internally. This figure is constantly increasing (seven sites in 2013, 12 in 2014).

Achievements during the year

The two Gyeongju Powertrain Systems sites in South Korea had particular success in the field of water policy in 2015, with three major projects:

- reduction of domestic water consumption: the site maintenance teams carried out work to reduce all water flows in kitchens and toilets. All site employees were also informed of the need to reduce water consumption in order to change their behavior;

(1) See Sustainable Development Glossary, page 407.

- integration of environmental aspects into the development of new industrial processes: the site changed its lubrication and surface treatment processes in 2015. These technological changes allowed the site to save 250 cubic meters of water per day;
- detection of water leakages in the networks by a specialized company.

The site also conducted joint initiatives with local government, with the implementation of a wastewater separation system to prevent contamination of groundwater.

4.3.6 Biodiversity

Challenges

The 117 sites in the reporting scope occupy a total area of approximately 699 hectares, of which just over 10% are left in their natural state. The rest is used for buildings, traffic areas and gardens.

Almost all of the land used by Valeo, i.e., 90% of its operating plants, is located in urban areas or areas zoned for industrial use. In addition, its activities are not liable to significantly alter ecological processes (no extraction or spraying, for instance).

To understand its potential impacts more precisely, the Group conducts an annual inventory of plants located in or near (within 10 km) protected areas in respect of biodiversity. Twenty such sites were inventoried in 2015: two in Asia, five in South America and thirteen in Europe. They include nine plants in France, chiefly in the vicinity of Natura 2000⁽¹⁾ areas or natural areas of ecological, flora and fauna interest (ZNIEFF⁽¹⁾).

Approach

The precise identification of significant direct impacts on biodiversity is conducted across sites through their environmental analysis. This step is crucial in the implementation of an ISO 14001 certified environmental management system.

The "Biodiversity" Directive lays down guidelines to regulate practices in terms of biodiversity conservation during the phases of selection, construction, operation and closure of plants.

These actions led to the site receiving an award at the seventh World Water Forum, held in Daegu and Gyeongju in April 2015, which aims to reward the leading companies in the prevention of pollution and the preservation of resources.

Outlook

Valeo has set itself the goal of reducing its total water consumption as a proportion of sales by 6% between 2016 and 2020.

Achievements during the year

Under the terms of a 2009 agreement with the Ministry for the Environment, Energy, Sustainable Development and Regional Development, Valeo has freely committed to commissioning safety work on four industrial sites in France, closed and sold to third parties.

Under this agreement, Valeo finalized the remediation of the Rochefort site in Mayenne in association with the local prefect and various other local administrative bodies in 2015. To preserve biodiversity during work on the site, Valeo took into account:

- the nesting and breeding periods of protected species (green lizards and bats in particular) by maintaining their natural habitat. A count of these protected species is being carried out over a three-year period by an environmental expert to ensure that they are reproducing normally;
- the balance of flora by eliminating certain invasive species (Japanese knotweed). These plants are cut, collected and passed on to specialized circuits for destruction, thereby preventing their spread.

Many sites are active on the issue of biodiversity, particularly during the sustainable development week held in June. Two measures merit particular note:

- recovery of electronic devices (cells/batteries, household appliances, used phones, etc.) for recycling: this ensures that the hazardous waste contained in these devices will be recycled by appropriate companies in a manner respectful of the environment. The sites in Tuam (Comfort & Driving Assistance Systems, Ireland) Chrzanow (Visibility Systems, Poland) and Shanghai (Visibility Systems, China) have been active in this effort;
- planting of trees on the site or distribution of seeds or seedlings to employees: this is common practice throughout the Group, with examples including the plants in Chennai (Powertrain Systems, India) and San Luis Potosi (Powertrain Systems, Mexico).

(1) See Sustainable Development Glossary, page 407.

4.4 Valeo and its employees

4.4.1 Human Resources policy

Valeo's Human Resources strategy plays a key role in the Group's international expansion and positioning as a company developing and manufacturing high-tech products and systems.

It is a global approach, taking into account specific cultural, economic and market conditions, thereby allowing the Group to deal with a broad range of situations in the various countries where it operates.

Valeo applies this strategy in tackling the many challenges it encounters worldwide in developing and managing human resources, from engaging in the war for talent to building and sharpening advanced skills and sustaining employability.

The Human Resources Department's priorities are shown in the materiality matrix (see section 4.1.1 "Sustainable development challenges at Valeo", page 144) and form the foundations of

the Group's actions in respect of safety and working conditions, employee commitment, attractiveness, talent development and diversity.

The Human Resources Department promotes and ensures compliance with the Valeo Values listed below:

- ethics;
- transparency;
- autonomy;
- professionalism;
- teamwork;
- value of the human factor (well-being at work, diversity, motivation and commitment of all employees).

Total headcount and breakdown of employees by gender, age and geographic area

Change in headcount over three years⁽¹⁾

	2013	2014	2015	Change (2015/2014)
Engineers and managers	16,831	18,458	20,410	+11%
Administrative staff, technicians and supervisors	9,436	10,189	10,141	-0.4%
Operators	40,548	42,518	43,956	+3%
REGISTERED HEADCOUNT	66,815	71,165	74,507	+5%
Temporary staff (full-time equivalent at December 31)	7,368	7,254	8,293	+14%
TOTAL HEADCOUNT	74,183	78,419	82,800	+6%
of which:				
Permanent staff	52,655	56,208	59,884	+7%
Non-permanent staff (fixed-term and temporary)	21,528	22,211	22,916	+3%

(1) According to labor-related reporting.

At December 31, 2015, the Group employed 82,800 people, an increase of 6% in total headcount compared with December 31, 2014.

The growth in headcount in 2015 is attributable primarily to an increase in engineers and managers (up 11%).

The Group continues to develop its skills through the recruitment of a growing number of engineers and managers in the wake of substantial investment in innovation, primarily in Europe and Asia. The changes in the various employee categories reflect Valeo's gradual shift from an industrial company to a company offering innovative technological solutions.

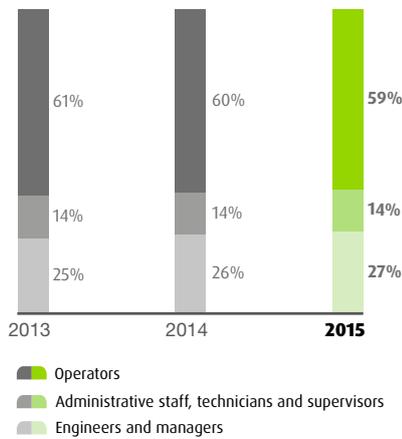
Its strategy resonates in the extension of industrial capacity in high-growth countries in North America and Asia.

The automotive market is cyclical: considerable flexibility is required to adapt capacity on a constant basis to fluctuating demand from clients around the world.

At December 31, 2015, temporary staff accounted for 27.7% of the Group's headcount, a stable proportion compared with December 31, 2014. This high rate is partly attributable to the large number of employees on fixed-term contracts in China, in accordance with the local practice of beginning careers with a renewable five-year contract before rolling over to a permanent contract.

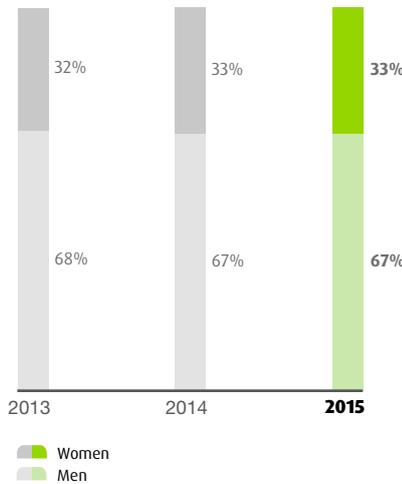
At December 31, 2015, the Group employed 8,293 temporary staff, an increase of 14% compared with December 31, 2014. Most of the increase came from France, the United States and the Central and Eastern European countries.

Breakdown of registered headcount by socio-professional category



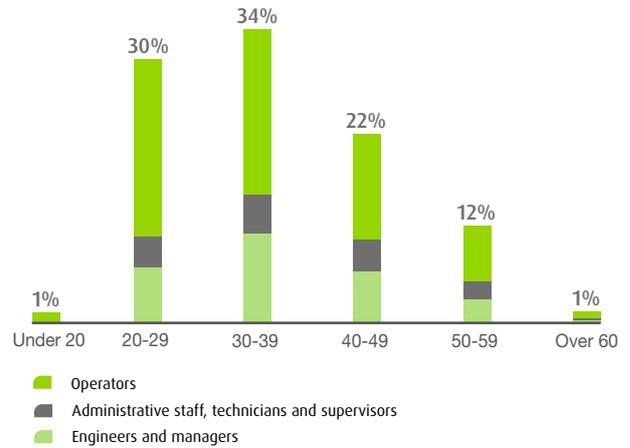
The increase in the proportion of engineers and managers in the Group’s workforce at December 31, 2015 (27%) reflects Valeo’s growing focus on technological innovation.

Breakdown of registered headcount by gender



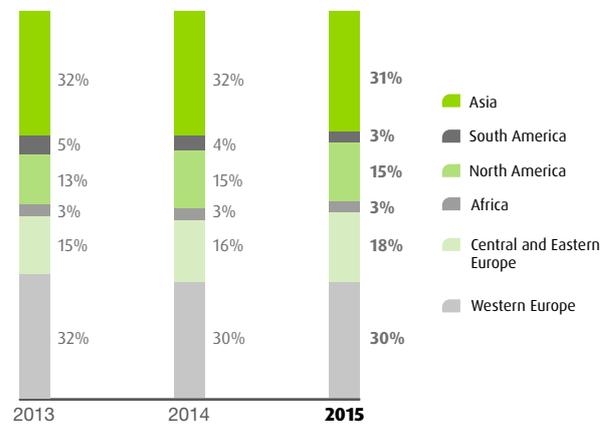
The overall proportion of women within the Group was stable. Growth nonetheless continued in the number of women hired in occupations where their numbers are lower, i.e., engineers, managers and technicians (see section 4.4.5 “Diversity”, pages 213 to 215) thanks to Valeo’s initiatives to promote gender diversity and certain professions.

Breakdown of registered headcount by age group



The 40-49 age group experienced the biggest increase in 2015. Given the large number of young people among the employees hired each year, generational turnover remains significant, as staff numbers are reinforced in fast-growing regions. In line with the policy of promoting generational diversity, numbers rose in each age group (except for employees aged under 20).

Breakdown of registered headcount by geographic area



Headcount grew substantially over the 2013-2015 period:

- in Central and Eastern Europe (up 20%), due to expansion in Poland, Hungary, the Czech Republic and Romania;
- in North America (up 15%), largely due to the development of activities in the United States and Mexico, and the opening of a site in Canada;
- in Western Europe (up 6%), mainly Spain and Ireland.

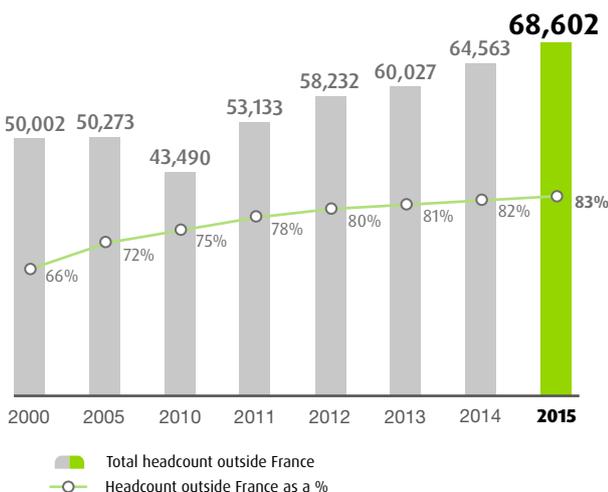
Headcount was stable in Africa and Asia over the 2013-2015 period, but declined in South America (down 40%) due to the economic situation in Brazil.

These fluctuations accurately reflect both the contrasting economic climates in each region and Valeo's development strategy.

New hires and employee turnover

Valeo's policy of international expansion resulted in a 6% increase in the number of employees worldwide between 2014 and 2015. 83% of the Group's total workforce in 2015 was located in a country other than France, up from 66% in 2000.

Total headcount outside France



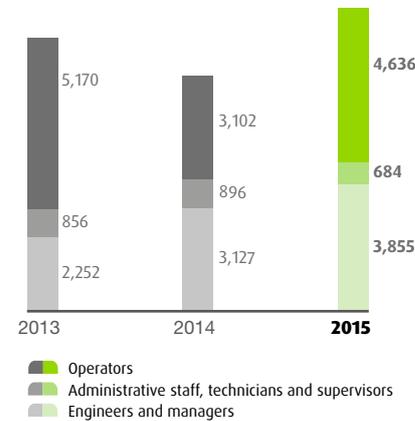
In 2015, Valeo hired 20,112 people worldwide, 9,175 of whom on permanent contracts, including 3,855 engineers and managers.

With its strong corporate image and experience, Valeo did not encounter any particular problems with recruitment during the year, apart from certain highly localized difficulties concerning positions requiring advanced specialization or specific language skills and in local labor pools where competition for skilled labor is fierce.

Change in hiring over three years

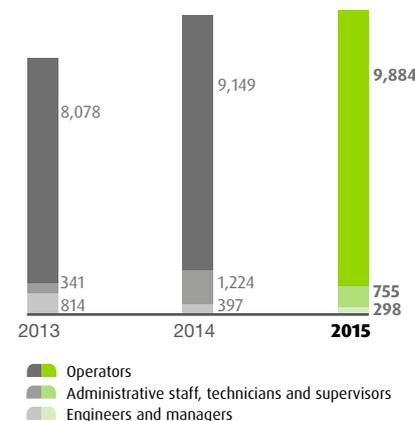
2013	2014	2015
+6%	+2%	+12%

Number of new hires on permanent contracts



The number of employees hired on permanent contracts increased by 29% to 9,175 in 2015, compared with 7,125 in 2014. Hires on permanent contracts mainly concern operators (up 49%), and engineers and managers (up 23%).

Number of new hires on fixed-term contracts



Valeo hired 10,937 employees on fixed-term contracts during the year, an increase of 2% compared with 2014, mainly due to headcount additions in South America (Brazil and Argentina) as well as in Central and Eastern Europe. This increase in fixed-term contracts mainly concerned operators (up 8%).

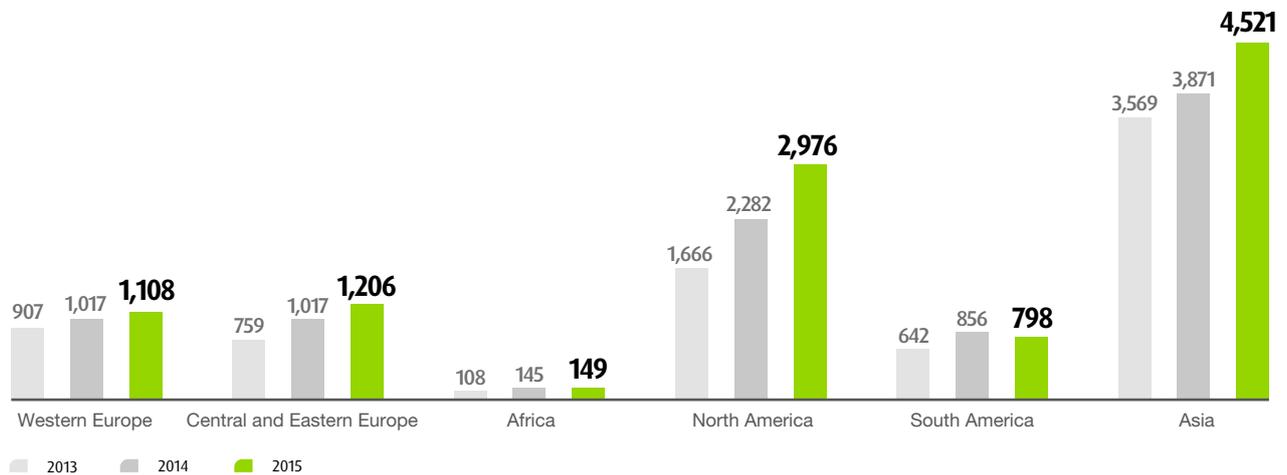
Breakdown of new hires by geographic area

	Permanent contracts				Fixed-term contracts			
	2013	2014	2015	Change (2015/2014)	2013	2014	2015	Change (2015/2014)
Western Europe	1,161	1,271	1,560	23%	2,097	3,006	3,200	6%
Central and Eastern Europe	1,263	1,551	2,073	34%	512	862	1,046	21%
Africa	211	293	506	73%	746	365	394	8%
North America	1,763	1,685	2,530	50%	1,403	1,362	1,294	-5%
South America	960	341	165	-52%	74	20	37	85%
Asia	2,920	1,984	2,341	18%	4,401	5,155	4,966	-4%
TOTAL	8,278	7,125	9,175	29%	9,233	10,770	10,937	2%

The extensive hiring in Asia in 2015 mirrors Valeo's expansion strategy in this region (36% of total hires). The 20,112 new hires in 2015 break down as follows in the various geographic

areas, in descending order: Asia (7,307), Western Europe (4,760), North America (3,824), Central and Eastern Europe (3,119), Africa (900) and South America (202).

Breakdown of departures over three years by geographic area



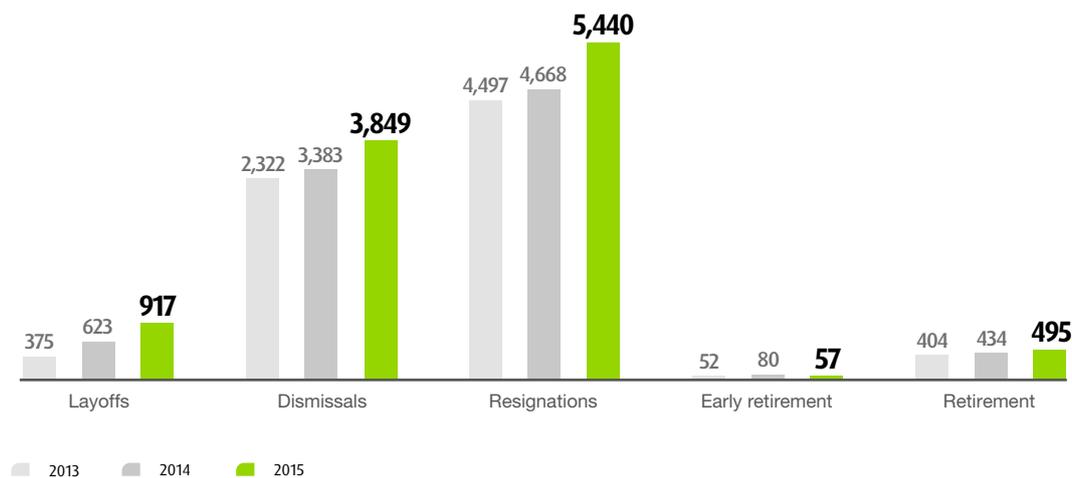
Labor markets are particularly strong in Asia and North America, notably for operators, and the Group's headcount continues to grow significantly in both areas. In other major markets, the number of departures increased due to the uncertain economic

situation in South America and the economic recovery in Europe and North America, resulting in increasing demand for appropriate people in those markets.

Breakdown of departures by cause and geographic area

	Western Europe	Central and Eastern Europe	Africa	North America	South America	Asia	Group total
Layoffs	38 4.1%	11 1.3%	4 0.4%	77 8.4%	584 63.7%	203 22.1%	917 100.0%
Dismissals	205 5.3%	376 9.8%	20 0.5%	1,321 34.3%	106 2.8%	1,821 47.3%	3,849 100.0%
Resignations	553 10.2%	766 14.1%	124 2.3%	1,513 27.8%	88 1.6%	2,396 44.0%	5,440 100.0%
Early retirement	56 98.2%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	1 1.8%	57 100.0%
Retirement	256 51.8%	53 10.7%	1 0.2%	65 13.1%	20 4.0%	100 20.2%	495 100.0%
TOTAL	1,108	1,206	149	2,976	798	4,521	10,758

Breakdown of departures by category



In 2015, 10,758 people left the Group, i.e., 18% of permanent employees, compared with 16% in 2014.

Early retirements and retirements have been stable since 2013, representing 0.9% of the Group's permanent employees in 2015.

Resignations continue to be one of the main reasons for turnover, representing 9% of the Group's permanent employees in 2015 (8% in 2014 and 2013). By socio-professional category, resignations recorded in 2015 represented 7% of permanent engineers and managers, 5% of permanent administrative staff, technicians and supervisors, and 11% of permanent operators.

The Group has a single information process for resignations. The resignation of an engineer or manager triggers a "resignation alert" sent by the Human Resources Department to supervisors,

functional managers, the Human Resources network, etc. on the day the employee submits his or her resignation. The "resignation alert" concisely sets out the reasons for the resignation. The relevant managers examine it in order to determine the necessary action in view of the reasons for resignation, the employee's profile, skills, etc.

Efforts to retain talent, and above all high-potential engineers and managers, helped limit the turnover rate of this category to 7%.

The turnover rate of operators is to return to the list of Involvement of Personnel Axe indicators to be monitored by all sites from January 1, 2016.

4.4.2 Health, safety and working conditions

Frequency and severity of occupational accidents and occupational illnesses

Challenges

Valeo's Human Resources strategy is built on its commitment to enable all employees to work in an environment free of risk of industrial accidents. This strategy is consistent with the Valeo Values and with the aim shared by employees and management to continuously improve the Group's safety performance.

Process

Ensuring an accident-free environment is Valeo's responsibility toward its employees. This requires the commitment of the Group's General Management and the participation of all staff. Progress is monitored by the Group Safety Committee chaired by the Chief Operating Officer, assisted by the Industrial Director, the Head of the Risk Insurance Environment Department and the Senior Vice-President, Human Resources.

Valeo has established systematic audits by external consultants to ensure more rigorous risk assessment and management, as well as to improve quality performance. The goal is to obtain OHSAS 18001 certification for all sites. Since 2010, a self-assessment tool has been used by each Health and Safety manager.

Continuous improvement is managed in accordance with the Quick Response Quality Control (QRQC) approach adapted to safety issues at work, based on the following principles:

- the QRQC methodology ensures that accidents or instances of non-compliance with safety standards trigger the implementation of a measure designed to avoid further incidents;
- a thorough analysis of the cause of the incident is made to prevent its repeat;
- a description of the incident and an analysis of its causes are published on a dedicated intranet to which all health and safety staff, as well as management as a whole, have access;
- each site manager must inform the head of his Business Group or activity within four hours of the occurrence of a workplace incident so as to allow incidents to be addressed properly.

Prevention is also managed in accordance with the internal rules and procedures related to the involvement of personnel, specifically dedicated to the prevention and management of safety issues and ergonomics. These rules and procedures list the requirements applicable to all site management teams in five areas:

- prevention;
- compliance with the Group's health and safety directives;

- training of all employees on general safety rules and the behavior to adopt in respect of safety and ergonomics in the workplace;
- application of the Quick Response Quality Control (QRQC) methodology;
- reporting of accidents with or without lost work time.

To make progress in these areas, all sites have a Safety and Ergonomics Committee comprising the management team and employees, which meets monthly.

Each site must also evaluate its safety performance and deploy its improvement plan. The teams responsible for quality audits assess progress on all sites annually.

Variable compensation awarded to all Group managers is hinged in part on the continuous improvement of workplace safety. Their incentives are increased or reduced depending on the number of workplace accidents with lost time.

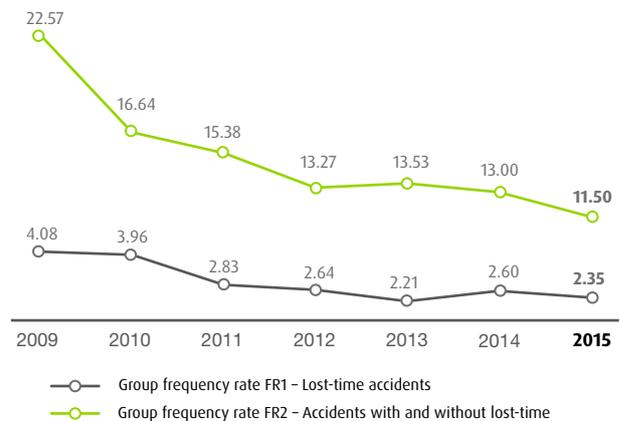
Three of the 20 key performance indicators reviewed periodically at all levels of the organization (Group, Business Group/Activity, site) relate to safety:

- frequency rate 1 (FR1): number of accidents with lost time per million hours worked;
- frequency rate 2 (FR2): number of accidents with or without lost time per million hours worked;
- severity rate (SR1): number of days lost owing to an occupational accident per thousand hours worked.

These indicators concern Valeo employees, regardless of their type of contract (permanent or fixed-term), as well as non-Group employees working on Valeo premises (interim staff and suppliers).

Performance

Group frequency rate (FR1/FR2)



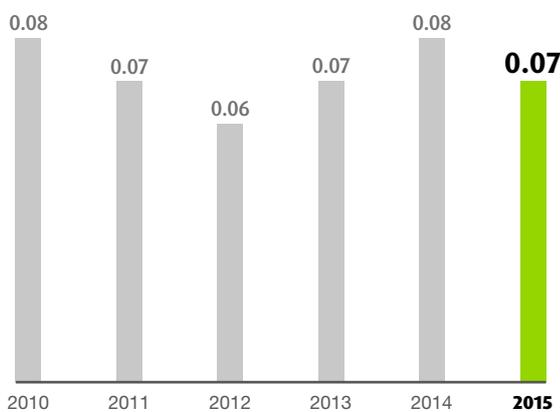
The Group FR1 ratio improved each year between 2008 and 2013, before deteriorating in 2014. An improvement was recorded in 2015, as the FR1 ratio was 2.35.

In 2015, the FR1 performance varied widely between countries. The ratio was 0 in South Korea and Thailand, 10.76 in France and 22.1 in Argentina.

In 2015, the number of accidents with or without lost time fell, as reflected in the FR2 ratio of 11.50, compared with 13.00 in 2014 and 22.57 in 2009.

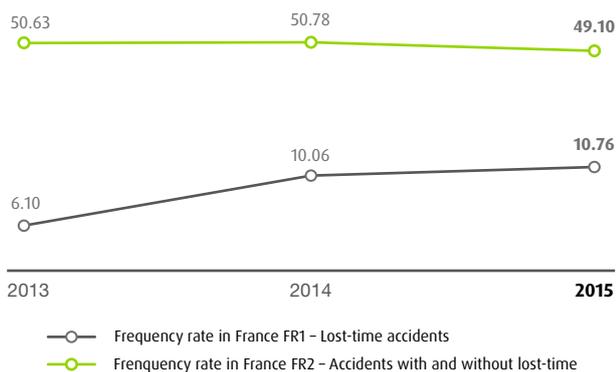
While the number of hours worked increased by 3% in 2015 compared with 2014, the total number of accidents with or without lost time fell by 8.2%.

Group severity rate (SR1)



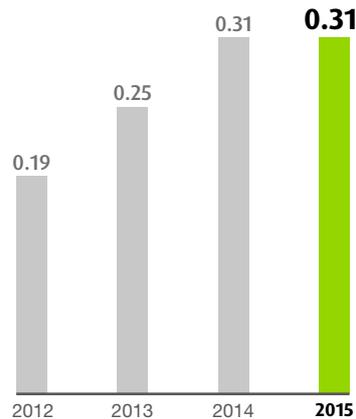
The severity rate has been broadly stable since 2008, fluctuating between 0.06 and 0.08 depending on the year.

Frequency rate in France (FR1/FR2)



In France, the FR1 ratio increased from 6.10 in 2013 to 10.76 in 2015, while the FR2 ratio fell from 50.63 in 2013 to 49.10 in 2015.

Severity rate in France (SR1)



The severity rate deteriorated substantially between 2012 (0.19) and 2015 (0.31).

Achievements during the year

In 2014, analysis of accidents by type showed that most were related to behavior, thereby highlighting the importance of constant vigilance. Following these results, a new training program entitled "Safety First" was created.

In 2015, 10,789 Group employees received training delivered by certified trainers in 17 countries. 26% of total training hours were dedicated to safety.

To improve prevention, a new "Risk Hunting" Directive was implemented to enable teams, including operators, to identify and eliminate risks in the workplace. This method was deployed throughout the Group by the HR and HSE departments jointly in the second half.

The "Preventing and managing safety issues and ergonomics" rules and procedures in respect of employee involvement have been fully reviewed and modified in order to strengthen prevention and training.

The Rakovnik site (Czech Republic) reflects the success of safety performance improvement work, with a rate of zero lost-time accidents for the second consecutive year in 2015, while improving the identification of risk by a factor of 5 compared with 2014.

Outlook

The pace of improvement seen in 2015 is set to increase thanks to a program due to be implemented in 2016 with a view to bringing the Group FR1 ratio below 2. The medium-term goal is to move below a ratio of 1. The program will be developed and deployed in 2016 with the contribution of good practices implemented in other major industrial groups.

A new safety directive, entitled “Safety Talks”, was issued in January 2016. Whenever unsafe behavior or acts are identified, the manager in charge of safety is required to discuss the issue with the employee concerned in the aim of understanding the cause and together finding a solution. The process ends when the employee agrees to be more vigilant about their own safety and that of their colleagues.

The new approach will be combined with mandatory e-learning modules, which are to be attended at least once every year by all employees performing potentially dangerous tasks.

Organization of work according to Group needs

Challenges

In an economic environment characterized by fierce international competition, the organization of working time must be flexible and allow the Company to bolster its competitiveness.

Valeo’s profitable growth strategy, based on global presence, advanced technology, competitive costs and total quality, is the sole means of ensuring sustainable growth in employment.

As such, the organization of working time must be accompanied by improvements aimed at better meeting customer requirements and coping with substantial swings in activity. It must ensure the competitiveness of the business and the flexibility needed to cope with variations in activity, without compromising social responsibility geared toward promoting well-being at work.

Approach

Working week of full-time employees

The working time of employees on all of the Group’s sites is organized on the basis of statutory provisions, varying from 35 to 48 hours per week depending on the laws and regulations in each country. While complying with legal limits on working hours, the management of each site is required to organize work in as competitive a manner as possible and to optimize it constantly.

The most common statutory working week within the Group is 40 hours.

Working week of part-time employees

Part-time work is considered to be any work schedule with fewer hours than the standard working week at the entity in question. Average working hours for part-time employees consequently vary from 16 to 36 hours per week, depending on the country and socio-professional category.

A total of 1,196 employees worked part-time in the Group in 2015, or 1.61% of the registered headcount (compared with 1.70% in 2014 and 1.75% in 2013). Women represent 63% of part-time employees (66% in 2014 and 64% in 2013).

By socio-professional category, part-time employees break down as follows:

- Engineers and managers: 11.2%
- Administrative staff, technicians and supervisors: 14%
- Operators: 74.6%

Part-time work is fully consistent with the Group’s Corporate Social Responsibility (CSR) policy, which aims to find a balance between the needs of the business, namely the need for sustainable profitability, and those of employees seeking to reconcile their work lives and their private lives.

Performance and achievements during the year

Flexible and adapted working hours must support and ensure the competitiveness of the organization. At the same time, measures such as the deployment of a policy of well-being at work, improvements in the ergonomics of workstations and the encouragement of home-working among employees are designed to result in an effective reduction in absenteeism at Valeo.

Adapted working hours

In 2015, 51% of the registered headcount worked on the basis of shifts, compared with 51% in 2014 and 53% in 2013.

Valeo adapts working time so as to optimize plant utilization. Certain machinery is operated round the clock, thereby requiring three different shifts: a morning shift, an afternoon shift and a night shift, as part of 3 x 8-hour shift arrangements. In some plants, employees working nights may be part of a fixed shift, which means that they work nights on a regular basis. These are known as permanent night-shift teams. When there are no night shifts, work is organized into 2 x 8-hour shifts.

Office staff work during the day, with working time depending on local laws and regulations. Certain production staff may work standard working hours during the day. This applies in particular to staff with certain impairments or disabilities.

Where permitted by local laws, working time is determined on an annualized basis. This avoids the use of overtime, allows the needs of customers to be better anticipated thanks to a more flexible organization of work, and also gives more visibility to employees on their working time (and as such their rest time).

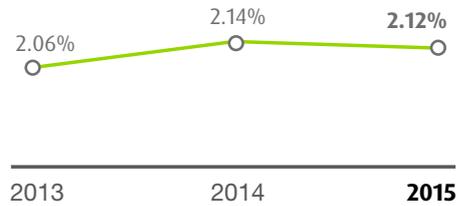
Reducing absenteeism

Reducing absenteeism is a priority for Valeo.

The Group reported satisfactory results in respect of absenteeism, which should be maintained going forward. Action plans will be conducted at the plants with the highest absenteeism rates so as to align them more closely with the Group average.

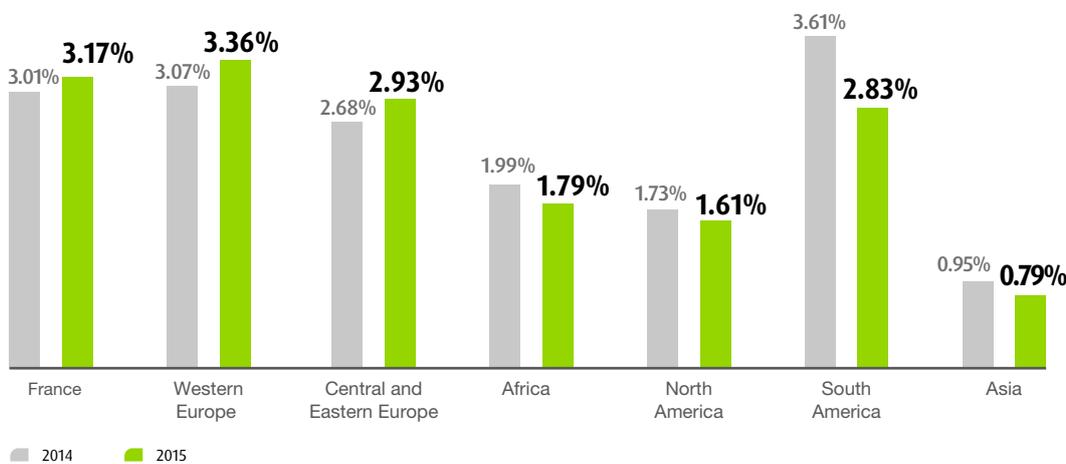
The absenteeism rate includes absences for illness, unjustified absences, authorized absences (unpaid leave, etc.), absences due to occupational and commuting accidents, strikes, suspensions or other reasons. Between 2013 and 2015, Valeo's actions resulted in a stabilization of the overall absenteeism rate at around 2%.

Group absenteeism rate



Calculation: actual hours of absence expressed as a percentage of total possible working hours. Possible working hours are equal to the number of days worked in the month x the daily working hours (excluding overtime) x month-end registered headcount.

Absenteeism rate by geographic area



The global absenteeism rate was stable between 2014 and 2015.

Although Valeo applies a consistent policy for tracking absenteeism, the level of social security coverage and cultural differences have a strong bearing on national rates.

Breakdown of absences by cause



- Illness (75%)
- Authorized absences (exceptional unpaid leave, etc.) (9%)
- Occupational illness (2%)
- Other (1%)
- Unjustified absences (8%)
- Strikes (3%)
- Occupational and commuting accidents (2%)

Breakdown of absences by cause and geographic area

Reason for absence/ Geographic area	Illness	Occupational illness	Occupational accident (commute included)	Suspension	Strike	Authorized absences (exceptional unpaid leave, etc.)	Unjustified absences	Other
Western Europe	83.1%	4.2%	2.6%	0.0%	6.4%	2.9%	0.6%	0.2%
<i>o/w France</i>	85.3%	4.4%	4.4%	0.1%	1.3%	3.2%	1.0%	0.3%
Central and Eastern Europe	88.8%	0.0%	1.2%	0.0%	0.0%	3.9%	6.1%	0.0%
Africa	65.3%	0.0%	0.2%	2.1%	0.0%	27.8%	4.0%	0.6%
North America	45.5%	0.6%	1.1%	1.6%	0.0%	11.5%	35.1%	4.6%
South America	67.1%	0.4%	0.9%	0.0%	0.0%	16.7%	12.3%	2.6%
Asia	55.3%	0.9%	1.5%	0.0%	0.1%	29.6%	7.1%	5.5%
TOTAL	74.9%	2.1%	1.8%	0.3%	2.9%	8.7%	7.8%	1.5%

Outlook

Increased home-working and offices close to home

To meet the aspirations of certain categories of employees who wish to reconcile work life and personal life, the Group decided in 2014 to offer the possibility of working from home under certain conditions.

Valeo allows employees who expressly request such arrangements to reduce their travel time by giving them the contractual possibility of working from home certain days of the week, helping them to avoid daily commuting and to save a substantial amount of time. The approach was initiated in France in 2014, and was expanded in 2015 to other countries where arrangements of this type made sense for the employer and employees. In 2015, 413 employees, mainly engineers and managers, working chiefly in France and Poland, benefited from home-working arrangements.

Firmly believing that working arrangements of this sort help promote well-being, thereby guaranteeing better performance by its employees, Valeo aims to expand possibilities for home-working going forward.

Similarly, Valeo allows employees with significant transportation constraints to reduce the time spent traveling by working some days of the week on a Valeo site closer to home. This system will also be expanded in the coming years.

Well-Being at Work

Challenges

“Well-Being at Work” is a management process aimed at putting the focus on the individuals who make up the workforce, as the bedrock of the Company’s responsible growth.

When the process was initiated in June 2009, the automotive industry was in crisis. Valeo’s determination at that time was to contribute to the recovery of the automotive economy not only through investment in Research and Development, but also by leveraging the individual commitment of each member of the Company to boost its performance.

Collective performance, representing the sum of individual commitments, has been key in the Group’s growth, and is now a core pillar of Valeo’s Human Resource management.

The Group already had solid foundations in respect of safety and care for its employees, based notably on the zero accident policy in place since 2004 and the integration of prevention through ergonomics from the product design phase since 2009.

Approach

The “Well-Being at Work” program was implemented as a broader governance approach, starting with thinking in France, including senior management, local managers, employees and employee representatives.

The results of the 2014 survey of all employees demonstrated the progress made to date:

- work-life balance has been enhanced, with a better performance than the benchmark group. Stress and the feeling of independence (or freedom in decision-making) have also improved;
- support for employees in their work requires further progress in terms of developing tools, simplifying processes and offering guidance;
- new requests have emerged, such as more opportunities in career and skills development at all levels of the Company to boost employee fulfillment.

Achievements

Timeline of main initiatives

2009	<ul style="list-style-type: none"> ✓ First discussions regarding a Well-Being at Work initiative, extending risk prevention and treatment to employees' psychological health.
2010	<ul style="list-style-type: none"> ✓ Well-Being at Work agreement signed in France. ✓ List of 63 actions for improving well-being at work circulated to all Group entities. ✓ Labor climate survey launched at all French sites. ✓ Well-Being at Work committees set up at all French sites to adapt and implement action plans at a local level.
2011	<ul style="list-style-type: none"> ✓ Local action plans defined and implemented in response to the findings of the survey. ✓ Well-Being at Work film produced and screened at all French sites.
2012	<ul style="list-style-type: none"> ✓ Well-Being at Work program rolled out worldwide. ✓ Well-Being at Work film subtitled in English.
2013	<ul style="list-style-type: none"> ✓ Design of the Play Well training module, enabling managers to build an environment favorable to personal development at work and to detect and prevent psychosocial risks, both inside and outside the workplace. ✓ Communication with sites on Valeo's Well-Being at Work program and its monitoring (France, Tunisia, etc.). ✓ Systematic inclusion of the criterion of value and respect for individuals in tools used to assess employees' potential and to promote them. ✓ Rollout of individual action plans at each site to boost engagement.
2014	<ul style="list-style-type: none"> ✓ Progress report on the 2010 collective agreement applicable to France and negotiations under way to extend it to other countries. ✓ Second Well-Being at Work survey in France and application at all Group entities worldwide. ✓ Analysis of findings and definition of the four priority areas for each site for the 2015-2016 program.
2015	<ul style="list-style-type: none"> ✓ Negotiations for the renewal of the Well-Being at Work agreement in France. In the absence of signing, implementation of action plans. ✓ Drafting of an action plan for each site worldwide. ✓ Implementation of a tool for monitoring action plans. ✓ Further Play Well cultural adaptation training in the various countries.

The Well-Being at Work program was launched worldwide following the Group-wide Human Resources convention in December 2011.

Its rollout was wrapped up at the Group's annual senior management convention in October 2012 by the presentation of a report describing how the Well-Being at Work program was implemented and adapted in each country.

A survey had been taken of existing best practices at different Group sites to guide the implementation of the program based on the "inquiry, analysis, action" methodology tested at French sites.

Valeo's top management lent its full support to this international rollout to encourage local entities to integrate the Well-Being at Work program over time.

This support included a panel of directors selected by the Group's Operations Committee to oversee communication and application at different sites worldwide.

One-day seminars were held in 11 regions to train regional country directors, site directors and country Human Resources managers.

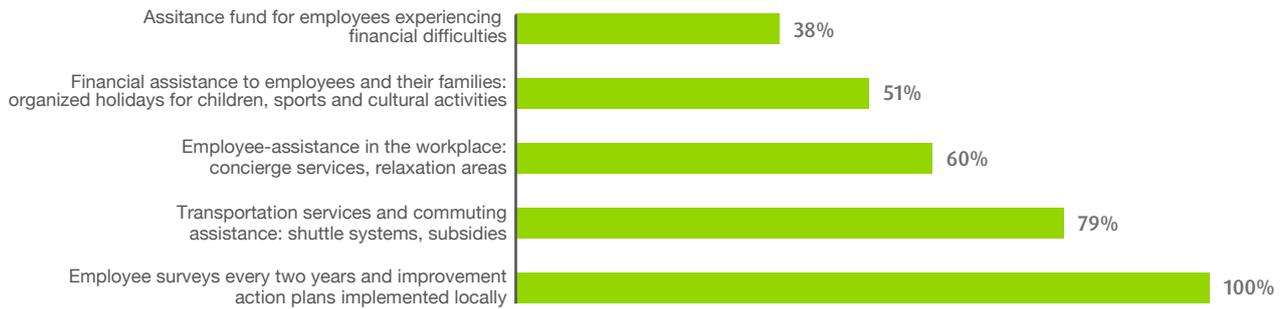
The idea was to help them appropriate the issue and adapt it to their local culture. Local managers have formed working groups to come up with concrete action plans for each country and each site.

The communication campaign was inspired by successful initiatives adapted to a specific local culture while meeting regional requirements. Human resources management tools have also been developed further; since 2012, they have been rolled out across the international scope.

The Well-Being at Work program has been in place since 2012, and initiatives taken in each country continue to be monitored at Group level.

The variety of situations encountered, the international reach of the program and the attention given to meeting the demands of employees has prompted the Group to maintain central management of the program. Actions are selected and deployed locally, as close as possible to individuals and working groups in order to best meet the expectations expressed.

Percentage of sites having implemented Well-Being initiatives



The Well-Being at Work approach broadly addresses the expectations of all Valeo employees, and today helps the Group's performance stand out through the involvement of its employees.

Organization of labor relations

Challenges

Valeo is convinced that sound labor relations are vital for the Company in order to adapt to the vast, swift and deep-seated changes affecting the automotive industry.

Approach

Employee representative bodies

Valeo firmly believes that social dialog is an essential means of promoting profitable and sustainable growth. It further believes that the unions are a key extension of management for explaining, discussing and adjusting the action plans needed for the Company's development. With this in mind, Valeo has established various committees. A wide range of measures in respect of information, consultation and/or negotiation are taken within these bodies, to foster social dialog giving employees the best information possible.

European Works Council

In 1999, Valeo concluded an agreement ushering in a European Works Council, which provides a forum for exchanging views and establishing dialog between management and the 16 employee representatives from each European country where Valeo has over 150 employees. A nine-member committee meets quarterly at a European site.

The European Works Council represented 42% of the Group's registered headcount in 2015, or 31,229 employees.

International level

Each country sets up specific bodies in line with local laws and regulations. In 2015, 93% of sites had formal bodies representing employees and unions throughout the Group. ⁽¹⁾

(1) Most other sites have set up informal social dialog bodies.

Lastly, in 2015, 68% of Valeo sites were covered by a collective bargaining agreement, at least for part of their personnel.

Performance and achievements during the year

This representation at different levels of the organization has allowed Valeo to develop an active bargaining policy with the unions.

Collective bargaining agreements

To meet today's challenges, including the gradual cultural shift from an industrial company to a technology company, Valeo must continue promoting labor relations that provide a platform for exchanging points of view, fostering mutual understanding and finding well-balanced solutions in the interests of all stakeholders.

A Corporate Social Responsibility (CSR) agreement was signed on July 10, 2012 between the Group's Management and the Committee members of its European Works Council. The purpose of the agreement is to ensure that an appropriate labor framework is in place to accompany the Group's international expansion, in line with its principles of responsibility, Code of Ethics and sustainable development policy. The agreement also seeks to promote labor and environmental practices that go beyond legal and regulatory obligations, by:

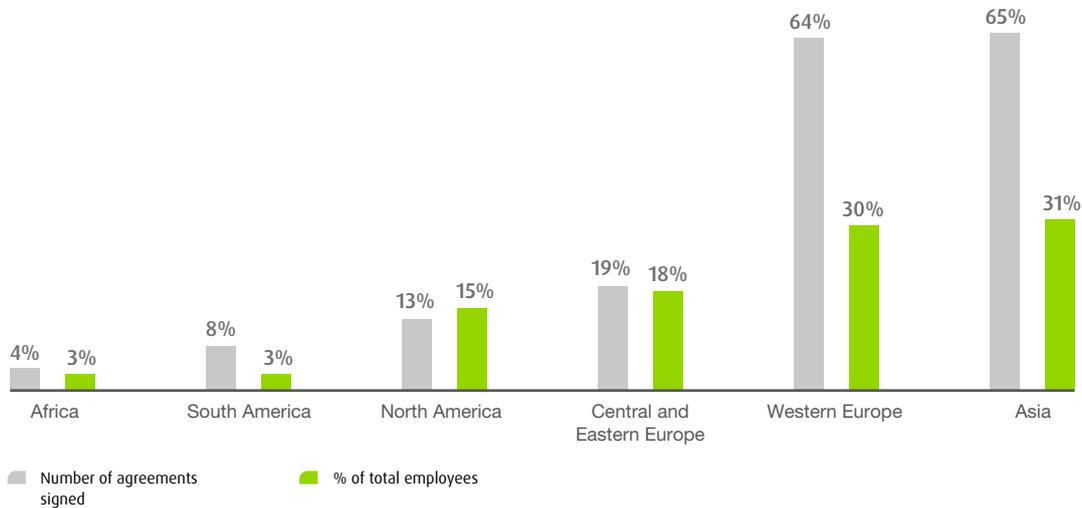
- giving due consideration to employee health and safety issues from the product and process design phase;
- making one-to-one employee meetings standard practice in order to ramp up competencies and adapt them to their working environment;
- anticipating, in the event of changes in the economic and industrial environment affecting its workforce, how employees will be impacted by strategic decisions;
- ensuring that adequate assistance is provided to those affected, in line with the best industry practices in the relevant local market, through informative meetings with employee representative bodies.

Discussions took place in 2014 between Group Management and representatives from the European Works Council to identify ways of helping employees better understand and appropriate

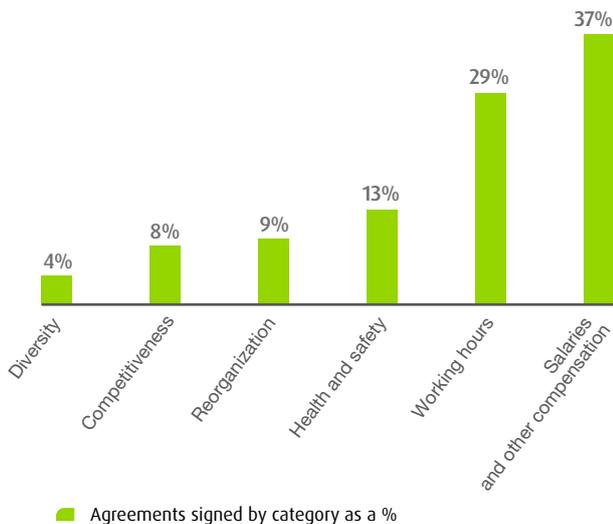
Valeo's CSR priorities and initiatives. These discussions led to an action plan including various training programs.

In 2015, 20 countries saw agreements signed on at least one site.

Breakdown of agreements signed in 2015 by geographic area



Breakdown of agreements signed in 2015 by category



In France, a Group agreement on vocational training was concluded in December 2015; its objective is to align Valeo's training policy with the new strategic directions and new legal provisions applicable to Group entities in France.

Outlook

Labor relations in 2016	
Europe	<ul style="list-style-type: none"> Revision of the Group Corporate Social Responsibility (CSR) agreement Renegotiation of the Group European Works Council agreement
World	<ul style="list-style-type: none"> Nationwide wage negotiations Action plan resulting from the Well-Being at Work survey

A total of 174 collective bargaining agreements were signed at local level at Valeo's various sites worldwide in 2015. The topics covered by these agreements are as follows:

- 37% on compensation or bonuses;
- 29% on working hours;
- 13% on health and/or safety.

Diversity was a key focus of other agreements.

Promoting and respecting human rights

The core values upheld by international organizations such as the United Nations and the International Labour Organization are deeply held values in Valeo's corporate culture. Thus, Valeo's corporate social responsibility policy is part of a universal framework of international commitments designed to guarantee the dignity of individuals and fundamental social rights. It is also consistent with Valeo's Code of Ethics and the Corporate Social Responsibility (CSR) agreement that reflects the Group's culture of professional, individual and collective integrity.

United Nations

- Universal Declaration of Human Rights (UN - 1948);
- Declaration of the Rights of the Child (UN - 1959);
- Declaration on the Elimination of Discrimination against Women (UN - 1967).

Valeo adheres to the UN Global Compact and reports each year to the United Nations on its progress in the area of corporate social responsibility. It accordingly publishes an annual document entitled "Communication on Progress" on the Global Compact website (available at the following address: www.unglobalcompact.org/participation/report/cop/create-and-submit/active/159051).

In this way, Valeo reaffirms its commitment to the Ten Principles set out in the July 2000 Global Compact, which are echoed in its own Code of Ethics.

International Labour Organization (ILO) Core Conventions

The Group respects the ILO's Conventions on fundamental principles and rights at work:

- discrimination (employment and occupation) (Conventions 100 and 111);
- child labor (Conventions 138 and 182);
- forced labor (Conventions 29 and 105);
- freedom of association and collective bargaining (Conventions 87 and 98);
- protection of workers' representatives and union members (Convention 135);
- equal rights and opportunities for workers with family responsibilities (Convention 156).

The Group also adheres to the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, adopted on June 27, 2000 and revised on May 25, 2011.

Code of Ethics

In 2005, these commitments were enshrined in a Code of Ethics distributed by Valeo worldwide. The Code of Ethics is binding on all Group employees; it sets out the rules applicable in all of the Group's legal entities and in every country without exception.

In 2015, the Code of Ethics was updated and circulated globally. Available in 22 languages, the new version was backed up by a communication campaign launched by a message from Jacques Aschenbroich to all managers and then to all employees (posters on sites, a banner on the Valeo On Line intranet, Valeo info, etc.).

Valeo's commitments

The Code of Ethics combines the Valeo Values, the 5 Axes and the Valeo Compliance Program. It reaffirms the Group's commitment to sustainable development, the Global Compact and international labor conventions, including:

- the fight against child labor. The Company does not hire children aged under 16, and respects the ILO conventions on work by children aged between 15 and 18;
- the prohibition of forced labor. Valeo recognizes and protects the intrinsic value of each individual, scrupulously respects regulations on wages and salaries, minimum age requirements, the equal rights of men and women, and employee privacy;
- the recognition for Valeo employees of the right to express themselves and to create or join trade unions in accordance with local laws.

The Code of Ethics lays down the rules, ethical principles and procedures to which employees and managers must adhere in order to enable every Valeo employee to work in a healthy environment, free from harassment and discrimination. It establishes the framework for sustainable and profitable growth, and applies to all employees, officers, subsidiaries and other entities managed or controlled by Valeo.

Contacts

Any employee who becomes aware of or fears a violation of human rights is urged to report it as soon as possible without fear of reprisal. Employees encountering a serious potential violation can turn to many people, namely:

- the line manager;
- the Human Resources Department;
- the Senior Vice-President, Human Resources;
- the General Counsel;
- the Chief Ethics and Compliance Officer;
- the Head of Audit and Internal Control.

Disturbing situations cited by employees are taken seriously and quickly investigated.

Disciplinary procedures

Respect for the Code of Ethics and the Compliance Program is crucial, and Valeo's policy is one of zero tolerance. Inappropriate behavior or breaches of the provisions of the Code of Ethics are taken very seriously, and are grounds for disciplinary action, including dismissal.

Moreover, Valeo does not tolerate retaliation against people who blow the whistle in good faith, or who take part in investigations, proceedings or hearings.

4.4.3 Commitment of teams

Challenges

Valeo's growth strategy relies to a great extent on its ability to hire and retain high-performing employees. This requires a high level of employee commitment over time. With this in mind, Valeo must be attentive to their feelings with regard to the Group and its strategy, but also in terms of quality of work life.

Approach

In 2008, Valeo conducted its first survey on the commitment of all Group engineers and managers, entitled the "Employee Feedback Survey". The survey is repeated every two years among engineers and managers across the entire Group. The questionnaire was changed in 2013 in order to increase the weighting of the sustained commitment and well-being at work of employees.

The survey's results are used to draw up highly targeted action plans for each site, in each country and across all networks.

An independent body is tasked with conducting the survey, and with comparing the Group's results, not only with those of other major international groups, but also with those obtained by Valeo in previous years so as to measure progress.

Performance

The 2015 survey was conducted among the Group's 19,000 engineers and managers in 36 countries, and was available in eight different languages. The response rate increased considerably to 85% in 2015, from what was already a high rate of 79% in 2013. This excellent response rate is an encouraging indicator that demonstrates the capacity of the survey and the resulting action plans to meet employees' expectations.

Since 2008, the results have improved steadily with each survey. The biggest improvements are seen in areas such as diversity, ethics and communication. Employees are also showing greater

enthusiasm about Valeo's strategy and prospects, expressing the view that there are more opportunities for personal and professional development than before.

By contrast, progress has not been as impressive in the areas of leadership and recognition.

Achievements during the year

Ensuring that the action plans stemming from the results of these surveys are actually implemented is essential for improving the involvement, sense of belonging and pride of employees working at Valeo.

Each country and each site can use the survey results to set their own "Top 4 Challenges" (two of which must be Group Challenges), to establish action plans and to perform regular monitoring of their actions. The results of the surveys are available at site, country and Business Group levels (networks); the resulting action plans can contribute to improving the Group's results.

At Group level, action plans have been structured around the following four priorities:

- accountability;
- efficiency;
- personal development;
- alignment of all levels within Valeo.

The Group reports the results of the survey to all engineers and managers, providing information covering the situation within the Group as a whole and its priorities, as well as the results obtained locally on each site.

Outlook

The next survey will be conducted in 2017. Valeo's objective is to be able to see further progress in terms of the enduring involvement of its employees, and to continue to adapt the questionnaire to reflect best market practices.

4.4.4 Attractiveness and talent development

Attracting top talent is a major challenge for the Group, as a means of consolidating its market share and supporting the growth of its business worldwide. The Group must be able to attract talent by virtue of a strong and differentiating employer brand, to rapidly integrate newcomers into their host site, to share values and corporate culture, and to implement an effective recruitment policy.

To ensure the continuity and growth of its business, but also to constantly adapt to the needs of its customers worldwide, Valeo is developing a talent management strategy. This strategy allows the Group to entrench its innovation efforts by supporting technological developments and the marketing of new products and innovative solutions. It also allows Valeo to facilitate the development of industrial activities, by promoting the creation and evolution of the Group's industrial sites.

To successfully hire talent, Valeo must stand out in what is often a competitive employment market. This involves communicating on its ambitions and its strategy. It also requires the development of different ways of making contact with potential future employees and fostering their interest in the employment opportunities available. For this reason, the Group is developing initiatives designed to improve its communication among both students (with the "Valeo Innovation Challenge" for instance) and experienced professionals (through increased presence on social networks such as LinkedIn).

Valeo's receipt of the "Global Top Employer" label (awarded to fewer than ten companies worldwide), following its certification as a "Top Employer" in 22 countries on four continents (Africa, America, Asia and Europe), is testimony to the quality of its Human Resources policies and practices.

The Business Groups and Group functions also analyze their staffing requirements and skills annually during the preparation of the medium-term plan. The consequences of changes are analyzed by the Human Resources teams of key countries (22 countries), using this analysis as the basis for their strategic

talent management plans. These plans identify priority actions in the areas of hiring and diversity, training, involvement of personnel, labor relations, health, safety and well-being at work, pay and benefits.

Employee compensation

Challenges

Valeo's compensation policy must not only respect all applicable laws, regulations and collective bargaining agreements, but also – and more importantly – enhance the Group's attractiveness, its differentiation and its competitiveness as a leading employer in each of its Business Groups.

The objective of the communication policy is also to facilitate team motivation and to retain talent throughout the Group by offering a motivating package (reflecting individual and collective contributions) in line with market practices, but without undermining the principles of internal fairness.

Approach

The economic climate in each country, and even at individual sites, is a major consideration in attempting to protect the competitive edge of the compensation paid by the various Group entities.

Compensation policies are based on a broad range of reliable sources such as central bank, government agency, OECD and specialized consulting firm forecasts. This information is reviewed and analyzed by Valeo's financial services, the National Directorates and the Group HR Senior Vice-President in each country.

Valeo favors individually tailored compensation packages to bolster motivation through individual recognition. The more senior the employee, the more tailored the package.

Achievements during the year

Payroll costs and personnel expenses

<i>(in millions of euros)</i>	2013	2014	2015	Change (2015/2014)
Payroll costs excluding social contributions and temporary staff	1,736	1,839	2,018	+9.7%
Social contributions	434	459	489	+6.5%
Pension costs under defined benefit plans	40	43	48	+11.6%
Pension costs under defined contribution plans	78	91	88	-3.3%
Total payroll costs (excluding temporary staff)	2,288	2,432	2,643	+8.7%
Contribution rate	29.5%	29.9%	28.6%	-

<i>(in millions of euros)</i>	2013	2014	2015	Change (2015/2014)
Total personnel costs (including temporary staff)	2,588	2,730	3,023	+10.7%
As a % of sales	21.4%	21.5%	20.8%	-

Breakdown of the payroll by geographic area in 2015

<i>(in millions of euros)</i>	France	Europe (excl. France)	Outside Europe
Payroll costs excluding social contributions and temporary staff	630	668	720
Social contributions	231	141	117
Total payroll costs (excluding pension costs)	861	809	837
Contribution rate	37.6%	21.1%	16.3%

The payroll increased by 8.7% in 2015, due to the increase of the Group's registered headcount over the period (up 5%) and pay increases awarded within the context of the wage policies implemented in the various countries where the Group operates.

Social contributions grew more slowly, due to the ceiling reached in some countries. Pension costs increased by 1.5% over the year, with defined contribution plans accounting for nearly 65% of these expenses. The loading rate eased slightly to 28.6%, thereby impacting personnel expenses as a percentage of sales (down 0.7% to 20.8%). It is nevertheless important to note that the social contributions paid in France represent 47.2% of total personnel expenses paid across the Group as a whole (17% of the Group's workforce).

Improvement bonus

To allow all of the Group's employees to benefit from improvements to which they contribute, a system of improvement bonuses allows the redistribution of between 5% (mature markets) and 10% (growing countries) of the payroll of each site.

Employee share ownership

Since 2010, the Valeo Group has had a policy of awarding free shares to promote the development of employee shareholdings over time. Such awards have seen the allocation of three free shares on a regular basis to all eligible employees of the Group, thereby strengthening the commitment to the development of value creation at all levels of the organization.

For the fourth consecutive year, based on recommendations by the Group's Management, the Board of Directors decided to grant three free Valeo shares to each eligible employee at its meeting of March 26, 2015. The grants were made during the second quarter of 2015, and 59,691 employees benefited. The grants covered all 35 countries in which Valeo has employees.

Employer brand

Challenges

To raise its attractiveness and assert itself as an employer of choice, Valeo must present its activities and its business in all host countries, while sharing the Valeo Values and corporate culture with potential candidates.

The Group therefore seeks to reinforce its reputation and communicate on job vacancies in order to secure the talent needed to support its growth and constantly adapt its portfolio of competencies.

Presence on social networks helps cultivate Valeo's employer brand while at the same time communicating about employment opportunities within targeted groups of possible candidates. This gives the communication strategy international scope, while at the same time relaying the relevant information at the local level (to announce the presence of Valeo teams in certain recruiting events for instance). The use of social networks also allows the promotion of Valeo's innovative products and solutions, while facilitating interaction and exchange with automotive enthusiasts or people liable to apply for jobs at Valeo.

Approach

As its chief objective is to cultivate knowledge of the Group, its values, its business and its role in the automotive industry, and above all in respect of innovation, Valeo delivers messages on the Internet, in social networks, in the press and among students. To share these issues with a large pool of potential candidates, the Group takes part in numerous events organized directly on university campuses, as well as in engineering and business schools, with the support of Human Resources, communications and Research and Development teams, and calls on Valeo employees to share their professional experiences. Valeo sites organize specific actions to raise awareness of their industrial environment through site visits, open days and participation in job fairs, or by hosting young people for internships or work-study contracts.

Evaluation and performance

Each year, the Group receives more than 20,000 unsolicited applications in the various countries where it operates.

Presence on social networks (LinkedIn, Facebook, Twitter, YouTube, as well as WeChat in China) is managed by Human Resources and Communications teams with the assistance of external experts; the editorial line is laid down each year, targeting the spread of information useful for understanding Valeo's news and spurring interest among different population groups interested in developments in the automotive world and in relation to connected vehicles. Social networks also allow

Valeo to announce its presence at job fairs and to communicate on a continuous basis about the job opportunities available within the Group. The Group closely monitors the number of its followers on LinkedIn, which are growing steadily: the Valeo Careers page on LinkedIn had more than 190,000 followers at the end of 2015. Valeo's presence on social networks also helped recruit more than 170 engineers and managers this year.

The Group commissions outside firms to conduct analyses that enable it to measure the impact of its employer communication actions and to propose new actions to strengthen the impact of its message with the target audience.

As part of its Top Employer certification, the approach to communicating on the employer brand is evaluated and compared with best market practices. Valeo was chosen by Top Employers to present its Leadership Development strategy at the Amsterdam World Congress in 2015.

Achievements

Every year, the Group takes part in numerous communication events to promote its employer brand. In particular, Valeo maintains close relations with higher education establishments, notably by nurturing selective partnerships with world-renowned schools and universities, and fostering diversity within its workforce.

In 2015, the Group took part in events held in 32 Chinese universities (Shanghai, Nanjing, Guangzhou, Wuhan, Chengdu, Changchun, etc.); in France it attended numerous school forums designed to facilitate contacts with future graduates, including Audencia, Centrale, Supélec, Collégium (ENSEA, EISTI and Supméca), EDHEC, EM Lyon, ENSAM, ESEO, ESTACA, Mines de Paris, Polytechnique, Sup'Optique, Skema, UTC (France), the VIE⁽¹⁾ forum organized by UbiFrance, the forum dedicated to Chinese students in France (Horizon China, Skema and Mines de Paris) and 15 or so forums in Germany. The Group was also present at events held in the Czech Republic, India, Hungary, Mexico, the United States (MIT), Poland and Thailand.

Valeo has partnered with *Tremplin*, an association that works with the disability missions of French schools to offer support for young students with disabilities (from different schools and all levels from high school to PhD), helping them find job vacancies within the Group.

Valeo each year concludes partnerships with prestigious universities recognized in its host countries. In 2016, Valeo signed a partnership agreement with the University of Zaragoza (Spain) to assist Thermal Systems teams in their Research and Development activities, as well as to promote the hosting of students on Valeo sites. In China, the Group has become a founding member of the SJTU ParisTech Elite Institute of Technology to support the growth of Research and Development activities in Asia.

(1) Volontariat international en entreprises, a French international volunteer scheme.

The development of Valeo's presence on social networks promotes the use of these tools to put candidates in touch with the Human Resources teams in charge of hiring. To this end, there are plans to develop specific pages devoted to certain growth markets such as China and the United States on LinkedIn; they will open in 2016.

Outlook

Valeo each year builds new partnerships with world-renowned teaching and research teams. To support its international expansion, the Group seeks to reinforce its employer brand by raising its profile among students and professionals of technology sectors similar to those in which Valeo operates. This strategy offers the possibility of broadening the talent pool that could be motivated to join the Group in the future.

Training

Achievements

In 2015, the Group's spending on training amounted to 24,951,366 euros, down 10.7% compared with 2014. Training expenditure represented 1.24% of personnel expenses, excluding social security contributions (1.51% in 2014). In absolute terms, the numbers of training hours and trainees rose by 7.3% and 10.6% respectively year on year.

Measures taken to streamline training by organizing some training activities at the regional level, increasing the work of internal trainers and reducing absenteeism at meetings paid off, generating a significant drop in the average cost per hour, while nevertheless allowing an increase in the overall training effort.

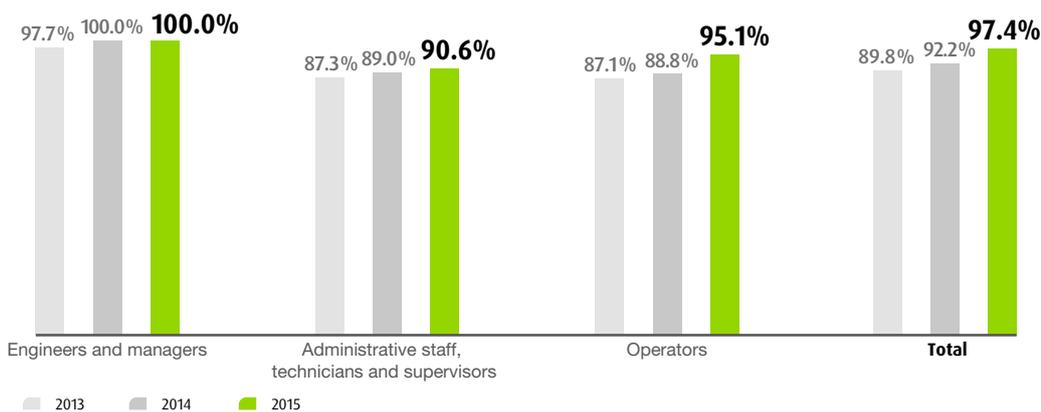
	2013	2014	2015
Number of training hours provided	1,304,090	1,382,154	1,484,824
Expenditure on training (in millions of euros)	25.1	27.9	24.9
Number of employees trained	59,992	65,603	72,591
Percentage of employees trained ⁽¹⁾	89.8%	92.2%	97.4%

(1) Calculation of the ratio: All employees trained during the year (including those no longer in the Group)/Total headcount at end-December.

The Group continued to extend its training policy to include as many employees as possible. In all, 97.4% of employees took part in at least one training session in 2015, compared with 92.2% in 2014. Once again, all engineers and managers

attended training, while the proportion rose to 90% for operators and 95% for administrative staff, technicians and supervisors.

Percentage of employees trained⁽²⁾



(2) Calculation of the ratio: All employees trained during the year (including those no longer in the Group)/Total headcount at end-December. This explains why the actual training rate for engineers and managers (106%) exceeds 100% as certain engineers and managers trained during the year left in 2015.

It should be noted that the above figures do not include on-the-job training provided by Valeo employees (mainly for operators).

4 SUSTAINABLE DEVELOPMENT

Valeo and its employees

Induction and job-instruction training fell to 58% in 2015 from 64% in 2014 as the Group's organization stabilized. Training initiatives dedicated to the development of cross-function competencies for internal mobility purposes or for advancement within one of the Group's Business Groups increased from 36% in 2014 to 42% in 2015.

For operators, 54% of Valeo sites have implemented measures aimed at identifying career paths specific to their category and creating value from their experience. 31% of sites have implemented a training program aimed at developing new competencies among this category of employees.

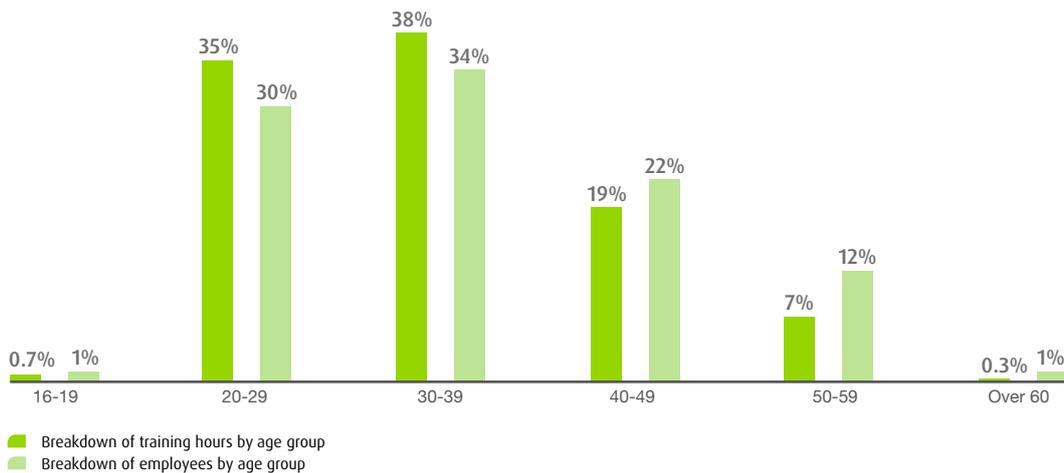
Average number of training hours per socio-professional category

	2013	2014	2015
Engineers and managers	36	38	36
Administrative staff, technicians and supervisors	26	27	29
Operators	14	11	10
TOTAL	22	21	20

To support the ramp-up of competencies of teams around the world, substantial training efforts are devoted to engineers and managers and administrative staff, technicians and supervisors.

For operators, training also includes a significant number of training hours conducted at the workstation, which are not included in the data presented above, thereby affecting the average number of hours of training.

Breakdown of total training hours by age group in 2015



The number of training hours is consistent with the breakdown by age group; however, it is important to note that the 20-29 year and 30-39 year age groups enjoy slightly better

access to training than other age groups due the amount of induction training received by members of these categories.

Breakdown of total training hours by subject category

Subject category	2015
General	55%
Professional	28%
Technical	17%

Breakdown of general training hours by subject category

Subject category	2015
Safety	26%
5 Axes	25%
Languages and intercultural awareness	14%
Induction	12%
Management	10%
Communication	5%
Multiskilling	3%
Office systems	1%
Environment	1%
Other	3%

Training requirements are analyzed based on competence assessments and overall trends in the business and organization. Individual Career Development Plans are drafted to support talent development in three stages: (i) theory, (ii) practical application, and (iii) tutoring and practice sharing.

To support Valeo's innovation and technological development policy, programs relating to materials, products and production systems and processes account for 17% of the total training hours dispensed in 2015. These programs, led by Group technical Experts or independent specialists, are constantly evolving under the guidance of the Research and Development and Industrial Departments and the Valeo Technical Institutes.

In line with previous years, Valeo continued its effort on safety training, which accounted for nearly 26% of the Group's general training hours. 53% of our employees also received safety training in 2015. The deployment of the Play Safe module by the Risk Insurance Environment and Human Resources networks and the continued deployment of specific Safety First training by the 5 Axes schools contributed to the increase in the number of employees trained.

The Group's training policy is based on several teaching resources in order to accommodate varying requirements in terms of time and geographical mobility, and to provide resources suited to the subjects addressed, the methods used and the individual pace of learning.

Alongside classroom training or distance learning (virtual classroom, visioconference or telephone courses) conducted by external instructors or Valeo Experts, field training initiatives have also been developed involving local management in order to increase operators' versatility and range of competencies. Special training is also given by the 5 Axes schools to enhance expertise in Valeo's specific working methods and tools.

The Group draws on the complementary nature of these training methods to provide effective instruction when designing its training courses, while also seeking to facilitate international growth and meet cross-cultural challenges.

The 5 Axes training path (representing 25% of general training hours), combined with induction programs for new hires (representing 12% of general training hours), embodies this multi-modal training policy. The 5 Axes path combines distance learning (e-learning, virtual classrooms), in-class training (a mix of traditional learning with practical experience and games) and projects mentored by managers, providing trainees with the competences and knowledge required for their work at Valeo.

The Compliance Program rolled out in 2012 also uses a combination of e-learning modules (two on anti-corruption and four on competition rules). It provides attendees with theoretical knowledge, as well as face-to-face training based on practical cases and allows them to discuss these issues with legal experts. This program was one of the Group's key training initiatives in 2015, with 3.5% of total training hours and 20,987 employees trained on the two new modules launched in 2015, i.e., 99% of the target population comprising all engineers and managers as well as other Group employees exposed to similar issues. As part of the annual update to the training program, two new e-learning modules on compliance and ethics will be added worldwide in the first half of 2016.

All training offered to managers at Valeo includes an e-learning activity (either upstream and/or post-training) and an in-class session, allowing trainees to experience real-life situations and improve personal development. Management training accounts for 10% of total general training hours, and includes modules designed to enhance managerial skills, as well as leadership development programs operated in partnership with the European Center for Continuing Education (CEDEP) in Europe, Asia and the Americas.

4

Growth in both tutored and untutored e-learning modules stabilized in 2015, particularly those relating to the Group's corporate culture (including compliance modules). More than 153,000 hours of training were given on Valeo C@mpus, the Group's e-learning platform in 2015.

The Group's international scale and the growth of its business outside France underline the importance of language and cultural diversity training (14% of general training hours in 2015). A newly created module designed to develop insight into intercultural relations has allowed this dimension to be given greater weighting on sites with a high level of cultural diversity.

Training programs falling under the "Professional" category (28% of the Group's total training hours in 2015) cover the professional training given through the Business Group Academies (Purchasing, Quality, Research & Development, Human Resources, Projects, Industrial, Finance, SQA, etc.) by in-house instructors or Valeo Experts, or through external organizations selected by the Group's functional networks. For example, this category includes training on Quality and the Valeo Production System, in addition to design-to-cost modules.

Several digital projects were developed in 2015 to create multimodal training pathways. Valeo Services notably created the "VS Sales & Marketing Academy", while the "Challenger Sales" program was launched to support the development of the professional skills of the sales force.

Anticipating change

Challenges and Approach

Valeo's success hinges on attracting top international performers in fast-growing markets and emerging countries, and in fields of advanced technology, such as CO₂ emissions reduction and intuitive driving technologies. Skilled teams ensure that Valeo can offer its customers added-value support to their technical and regional development around the world.

To ensure that both internal and external recruitment is managed consistently and professionally, all managers are trained using a recruitment kit. This kit combines the various communication and recruitment tools developed by the Group, such as the Employer Brand, the Internal Mobility Charter and the Valeo Competences system, launched in 2004. A recruitment guide describes the Group's operating culture, and sets out the key messages to pass on to applicants. By offering a standard recruitment policy based on objective selection criteria, the recruitment guide helps to promote diversity at Valeo and to eliminate all forms of discrimination. A new tool to identify non-technical cross-function competencies has also been added to the kit, making it possible to focus the selection of applicants more closely on these specific skills.

Achievements

In 2015, Valeo hired 20,112 people worldwide, 9,175 of whom on permanent contracts, including more than 3,850 engineers and managers.

To improve the quality and speed of its hiring process, Valeo opened the www.valeo-karriere.de hiring management solution in Germany.

Valeo is firmly committed to strategic workforce planning. In the event of economic difficulties, it implements measures to delay and, wherever possible, avoid layoffs. These measures include granting leave or vacations, cutting overtime, reducing the number of temporary staff and subcontractors, and putting employees on short-time working arrangements or support training. When there is a clear need to optimize industrial performance, Valeo undertakes restructuring operations. In this case, the Group liaises regularly with trade unions and uses all available mechanisms to find alternative employment through calls for volunteers, internal redeployment, outplacement, takeover of the plant by another owner or reindustrialization of local labor pools.

Outlook

Valeo has plans to develop a comprehensive IT solution to manage the hiring process. It will be rolled out in all Group entities from 2016. The main objective will be to strengthen the employer brand while reducing hiring costs and the time needed to fill vacant positions. The application will also give candidates better visibility of job opportunities offered by Valeo.

Development of competencies

Challenges

Throughout the world, the Group seeks to develop the competencies of its employees in order to promote their commitment and to achieve its goal of operational excellence. The continuous improvement approach developed within the Group also allows teams to develop specific competencies that give Valeo entities a competitive edge. Moreover, developing the skills of its employees is a way for the Group to bolster their employability in a socially responsible approach.

Approach and achievements during the year

To prepare employees for success in their next career step, Valeo has established standard Individual Development Plans and career interviews for engineers and managers.

Complementing this approach, the Group this year completed the definition of career paths to achieve mobility within all of its main functions. This approach allows employees, their managers and Human Resources teams to identify development opportunities for each employee within the Valeo Group, and to be able to direct employees wishing to change jobs into positions more attune with their skills. These career paths are published in a Google application available internally and for external candidates.

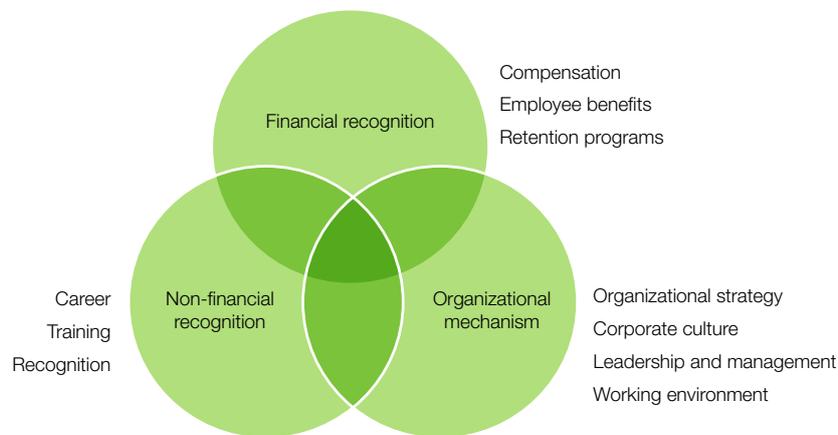
To offer attractive career prospects to the engineers and managers employed by Valeo, the Group aims to fill at least three out of four vacant positions internally.

A succession and development plan is drawn up each year, in order to identify the next stages in the career path of each engineer and manager. This plan is implemented by each Group entity via a committee responsible for making decisions on the internal candidates for open positions. The process was strengthened in 2011, when succession plans were drawn up in the main countries where the Group operates to promote the development and mobility of local talent.

Moreover, during their mid-year or year-end appraisal, all engineers and managers are made aware of succession plans and the possible next steps in their career paths identified

Approach and achievements during the year

This strategy is based on three key concepts:



Through these three concepts, Valeo is committed both to recognizing and valuing talent, while retaining talented employees by virtue of an ambitious policy combining compensation, professional development and internal mobility.

Voluntary headcount turnover represents the number of voluntary departures of engineers and managers expressed as a percentage of the total number of engineers and managers on the payroll (retirements and contract terminations are not taken into account). Engineers and managers turnover is analyzed in detail every month, by Business Group, network, function, age, country, gender, level in the organization and length of service. The aim of this analysis is to identify the reasons for departures and initiate measures to address them.

by management and Human Resources teams. Steps in the career path are identified on the basis of the aspirations of the employee and the expectations of managers. Managers receive special "SDP feedback" training to communicate this information clearly.

Using this dynamic policy and tools, nearly 3,400 engineers and managers benefited from career opportunities in 2015, the average length of service of Valeo engineers and managers being eight years.

Retaining talent

Challenges

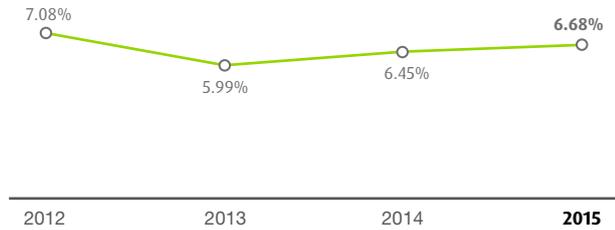
The Group relies mainly on its teams and Experts to support its organic growth and ensure the continuity of its relationships with its major customers worldwide.

To this end, it is essential to be able to develop a strategy to promote and retain talent in line with the short- and medium-term objectives of all activities and host countries. This strategy is backed up by action to identify, develop and retain talent.

In 2015, the turnover of engineers and managers in the Group was 6.68%. It has been stable at close to 6.5% for three years. It was lowest in Spain (1.5%), France (4%) and Italy (4.2%).

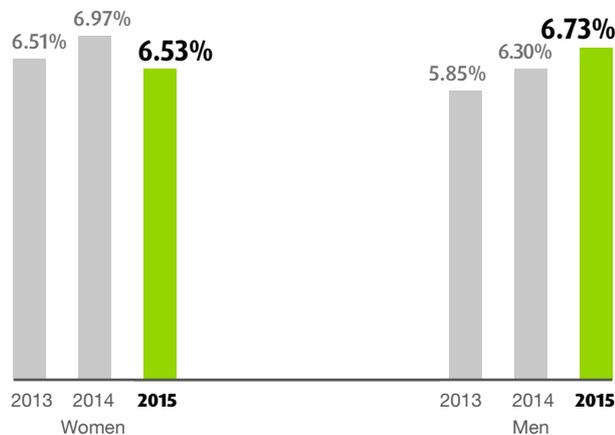
It is low in emerging countries such as China, where it was 8.7% (compared with 8.6% in 2014), and India, where it was 6.8% (compared with 5.6% in 2014). A global talent retention policy has been implemented, and has yielded results in these regions over the past few years. It was highest in the United Kingdom and Romania, where special measures will be taken to bring the rate down significantly.

Voluntary turnover of engineers and managers



Forging loyalty among teams is an essential part of ensuring operational excellence. The low rate of voluntary turnover demonstrates the commitment of the Group's engineers and managers, their confidence in the Company's strategy and their adherence to the Valeo Values.

Turnover of engineers and managers by gender



The two main reasons cited by both men and women when resigning are visibility on their career paths and compensation. To boost loyalty and reduce turnover on a long-term basis, Valeo has decided that career paths should be discussed during mid-year (or year-end) appraisal meetings with engineers and managers.

Valeo also conducts regular competitiveness analysis of salaries in major markets to ensure the appropriateness of pay scales in the countries where the Group operates.

To ensure a good balance between work and personal life, Valeo has implemented a global Well-Being at Work policy and is testing home-working.

Experts – Transfer of competencies

Challenges

Strengthening technical expertise is central to Valeo's innovation strategy. The investment made each year by the Group in its network of Experts does more than allow

technological monitoring to be structured and Research and Development efforts to be coordinated; it streamlines the transmission of knowledge within the Group's sites throughout the world. The role played by the Experts is critical in today's highly competitive environment and in a context of vigorous international expansion.

Furthermore, Valeo each year offers international career opportunities in the form of assignments or expatriations to ensure both the transfer of competencies to new locations or the strengthening of some essential skills to support the growth of our activities internationally.

Approach and achievements during the year

Each year, the Group appoints Experts to provide support for prospective new products and the development of industrial processes. In 2015, 94 new Experts were appointed internationally; China led the way, with a big increase in its number of Experts (72% of appointments were in countries other than France). The number of women appointed as Experts also increased to 6% of the total population in 2015.

Experts also play a vital role in the transmission of knowledge and competencies. Over 830 Valeo Experts worldwide take part in the Valeo Technical Institutes to deliver training programs and prepare educational materials used in classroom or online training modules.

In 2015, technical subjects accounted for nearly 250,000 hours of training (of which 17,000 under online modules, an increase of 41% compared with 2014) and 16.8% of the Group's total training hours.

To facilitate exchange in respect of culture, technology and working methods, and to offer international career opportunities, the Group must be able to send almost 100 experienced managers abroad every year. In order to be effective, Valeo's international mobility policy must be both competitive on the employment market and contribute to the optimization of costs associated with these moves. To this end, the Group has developed a shared services center for managing international mobility, which ensures a high level of support for expatriates and their families.

Outlook

Valeo continues to develop its population of Experts, especially in countries where Research and Development team numbers continue to rise (such as China and Egypt for instance). Valeo also encourages the promotion of the role of Expert within its organization, fostering the creation of new educational content and new technical training courses developed with the assistance of the Valeo Technical Institutes.

In addition, the Group is working on the creation of a group of Technical Specialists, who will facilitate the transfer of competencies within Valeo sites and teams on critical products, processes or technologies for the Group's Business Groups.

4.4.5 Diversity

Challenges

Valeo firmly believes in the importance and relevance of broader diversity at all levels and in every profession within the Company, not only as a question of social responsibility, but also as a tool for performance. Considered a key factor for sustainable growth, diversity is an integral part of the Valeo culture.

Diversity also contributes to the Group's attractiveness, both with clients and among partners or employees wishing to work in a responsible and innovative company.

Approach

To meet these challenges, a Diversity Committee was established in 2012 at the initiative of General Management. Chaired by the Group Senior Vice-President, Human Resources, the Committee has four specialized committees: Gender, Disability, Social and Cultural, and Generational. They comprise employees from different countries and different functions, and are led by four managers with diverse backgrounds, tasked with making suggestions for improvement.

Building on this organization, the Group is committed to the following objectives:

- make diversity and the principle of non-discrimination a priority;
- encourage local actions and policies to promote diversity in all its forms;
- inform employees about the Group's commitment and communicate on the actions undertaken.

In 2015, the work of the four Diversity Committees gave managers a better understanding of the strategic importance of diversity. Thus, once the Group's Diversity guidelines had been laid down and deployed, numerous initiatives were taken around the world.

Each country now has a diversity component in its strategic medium-term Human Resources plan, which applies Group strategy while adapting it to the local culture. Demonstrating this commitment, the Recruitment Guide has integrated these guidelines to assist people involved in the recruitment process and to factor in all forms of diversity, starting with the applicant search and selection process. Fresh impetus has also been given in respect of training: in 2015, 2,006 employees completed e-learning training on the theme of diversity.

In early 2015, diversity committees were established in each country and at different levels of operational management, with a diversity leader, generally the site Human Resources manager.

Lastly, a diversity portal has been developed to centralize initiatives in the Group's various plants.

Achievements and performance during the year

Composition of governance bodies

The French law of January 27, 2011 on the balanced representation of women and men on boards of directors and supervisory boards imposes greater diversity in the composition of such bodies.

Since April 2015, Valeo's Board of Directors has had four women members: Caroline Maury Devine, Sophie Dutordoir, Noëlle Lenoir and Ulrike Steinhorst.

Women currently hold 30% of the seats on the Board of Directors. This means that the Group is in compliance with the first threshold (20% of women directors) stipulated by the French law of January 27, 2011 as regards the representation of women on its Board of Directors.

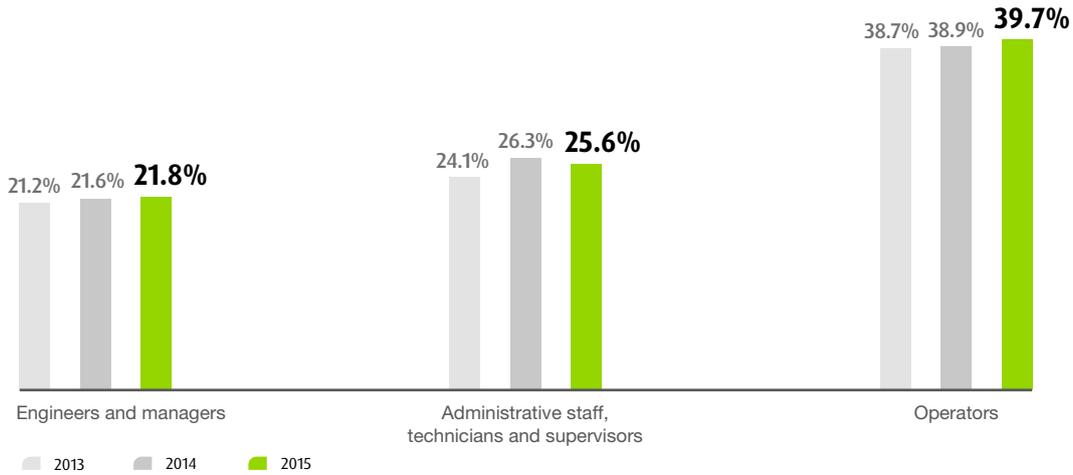
In accordance with the law of January 27, 2011, the percentage of women directors at Valeo is set to reach 40% in 2017. This rate will be reached after the Shareholders' Meeting of May 26, 2016 if the shareholders approve the appointment of Mari-Noëlle Jégo-Laveissière and Véronique Weill to the Board of Directors, on the recommendation of the Appointment, Compensation & Governance Committee.

In 2015, the Valeo Operations Committee had 15 members, two of whom were women: Catherine Delhaye (Chief Ethics and Compliance Officer) and Fabienne de Brébisson (Head of Communications).

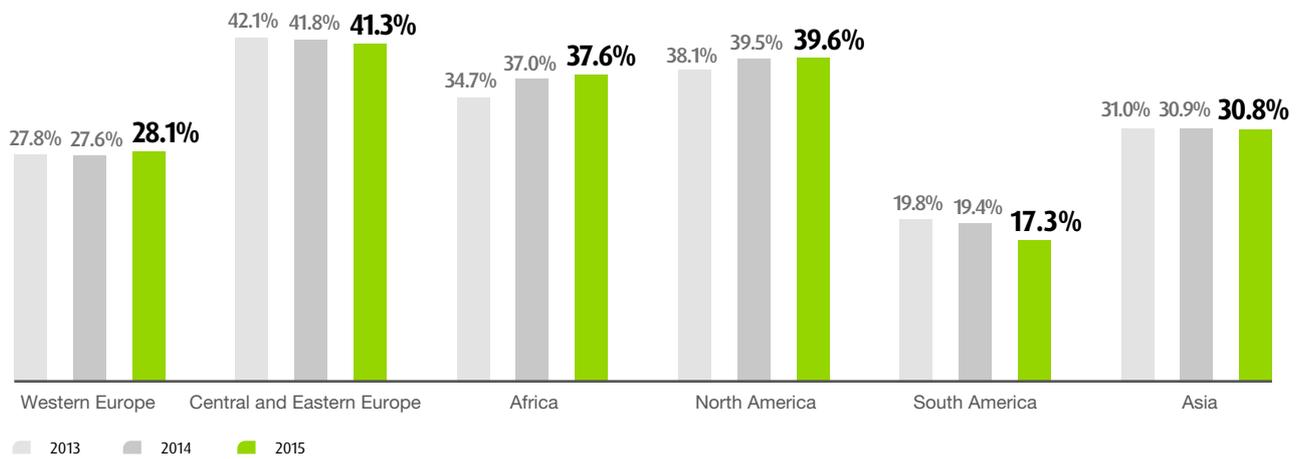
Gender diversity

Based on a continuous improvement approach, the Group aims to emphasize the competencies and development of women and men both internally and during the hiring process. Valeo is committed to respecting, in comparable situations, equality between men and women in terms of career development, training, compensation, etc. It should be noted however that women are less represented than men in the automotive sector.

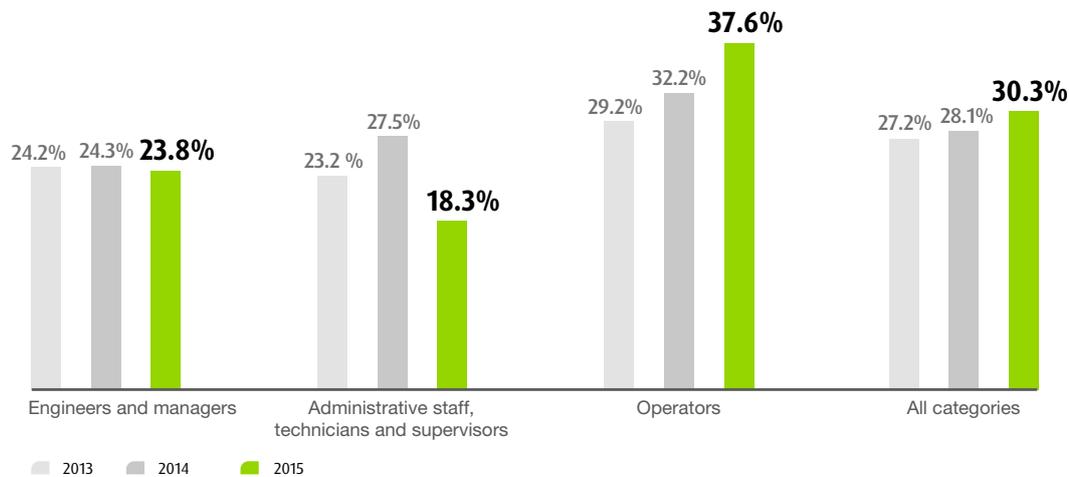
Breakdown of women by socio-professional category



Breakdown of women by geographic area (registered headcount)



Proportion of women among new hires on permanent contracts over three years



In 2015, 178 initiatives were taken in Valeo plants worldwide to promote equality between men and women. This means that 80% of Valeo Group plants took at least one initiative in favor of gender equality.

The first major focus of 2015 was to promote the visibility of women at different levels of the organization

The Valeo Women Connected network provides a platform for dialog and communication dedicated to promoting networks formed by the women of Valeo, bringing together women (and men) at all levels of the organization with a view to identifying and encouraging talent internally by providing information on possible career paths and professional development options.

To coincide with International Women's Day, the Valeo Women Connected network met in Paris on March 6, 2015 for a luncheon debate attracting more than 50 women from different networks for an open discussion with Axel Maschka, Valeo Senior Vice-President, Sales & Business Development.

The second major focus was to raise the profile of women outside the Group

To reflect its commitment and build its reputation in terms of gender equality, Valeo moved forward with the project launched in 2013 in partnership with Companieros and the engineering schools ENSAM, ENSAE, Supélec, UTC and Ecole Centrale de Nantes, the purpose of which is to educate students on gender issues using an interactive platform, turning students into diversity advocates from the outset of their career.

In addition, to ensure the promotion of engineering careers among girls in high school, Valeo continued its partnership with *Elles Bougent* by participating in the actions undertaken by the association. Many initiatives were taken during each quarter of 2015:

- participation in a women's networking and careers forum at the *Journée Sciences de l'Ingénieur au Féminin* event for young women taking engineering sciences in high schools;
- Valeo female mentors – with twice as many women participating in the program in 2015 (51 mentors) – showed their involvement and dedication: on-site initiatives were organized by the Thermal Systems Business Group along with meet and share events with the mentors.

The third major focus was to strengthen hiring policy in respect of women

The Group's recruitment guide was updated to integrate gender diversity factors.

Programs designed specifically to strengthen gender and cultural diversity were launched in 2014 and continued in 2015. The Powertrain Systems Business Group implemented the five-year "W.In – Women In" program, which aims to recruit 40 young women and prepare them to become future managers, in seven countries (China, India, France, Turkey, Poland, Egypt and Mexico).

The recruitment process is broken down into two phases. The first began in September 2014; it was followed by a second starting in 2015. The goal is to improve gender and cultural diversity to strengthen talent in order to underpin Valeo's competitiveness and boost growth. These talented young women will join such fields as Research and Development, production and project teams, where women remain underrepresented.

The fourth major focus was to bolster women's leadership skills at Valeo

To achieve a more even balance in management and leadership, personal development processes now systematically integrate gender balance issues. In 2014, the Group decided to include an additional step by setting up a mentoring program with *Idem per Idem*, a specialized consulting firm. In 2014, 15 female Group managers enrolled in a 12-month program to develop their leadership skills alongside a specially trained mentor from the Group's General Management.

The initial positive feedback from both mentors and mentees prompted the Group to launch a new program in 2015 to build expertise and reverse stereotypes. In 2015, 15 mentor/mentee pairs followed this specific program.

Disability diversity

Promoting the employment of people with disabilities is a principle and a priority for the Valeo Group, as part of a process of equal access to employment and an approach designed to spur economic efficiency.

In France

The second three-year agreement for the professional and social integration of people with disabilities signed in France on June 3, 2015 reaffirms Valeo's commitment to its corporate social responsibility and diversity policies.

The agreement has the following five objectives:

- recruit people with disabilities;
- maintain and develop employment;
- improve integration and training;
- talk openly about disability and raise the awareness of all stakeholders;
- step up cooperation with the sheltered sector.

In 2015, Valeo moved forward in its initiatives to help people with disabilities, with the aim of significantly improving employment rates at Group level on a long-term basis. As such, the employment rate was 6.07% at the end of 2015.

Recruit people with disabilities

Between 2012 and 2014 (duration of the first three-year agreement), 48 disabled workers were hired at Valeo out of the 105 targeted in the agreement. In 2015, 19 people with disabilities joined Valeo. These figures reflect the particularly challenging competitive and economic environment in France and the difficulty in aligning Valeo's job vacancies – often requiring engineering or advanced technical expertise in Research and Development – with the profiles of disabled job seekers.

In 2015, Valeo renewed its various partnerships aimed at helping French plants hire people with disabilities in numbers more consistent with the Company's expectations:

- partnerships with recruitment firms specializing in disabled workers (Défi RH and JLO Emploi);
- partnership with *Tremplin*, an association specialized in the integration of people with disabilities;
- partnership with Multiposting, a company offering multiposting solutions for job offers and internships online.

To intensify its policy of hiring people with disabilities, Valeo launched its "Projet Alternance" in partnership with JLO Conseil and Agefiph in 2015. Building on the conviction that combined work-study programs are the key to success, this project has three objectives:

- analyze sites' recruitment and work-study needs;
- identify levers that can be used to promote work-study positions for disabled workers;
- identify obstacles/apprehension existing in relation to work-study programs.

Valeo has partnered with *Tremplin*, an association that works with the disability missions of French schools to offer support for young students with disabilities (from different schools and all levels from high school to PhD), helping them find job vacancies within the Group.

Maintain and develop employment

All Group entities have taken steps to keep people with disabilities in employment. 30 initiatives designed to keep people with disabilities in employment were introduced in 2015.

Talk openly about disability and raise the awareness of all stakeholders

In 2015, Valeo sought to intensify its policy of employing people with disabilities initiated in 2013, offering awareness raising to all of its French employees. This process gave each employee fundamental knowledge about disability (definitions, legal framework, types of disability and popular misconceptions).

In-house instructors were selected and trained at each French entity to ensure that this awareness campaign would be implemented successfully. By the end of December 2015, 80% of Valeo's workforce in France had been made aware of disability (the goal is for 100% of employees in France to have had the training by the end of 2016).

To support these measures, a large-scale communication campaign was implemented throughout the year to promote disability diversity. The campaign featured two Operation Disability Diversity calendars, a leaflet describing the different types of disability and the Week for the Employment of People with Disabilities (*Semaine pour l'emploi des personnes en situation de handicap* – SEPH) focusing on imperceptible disabilities.

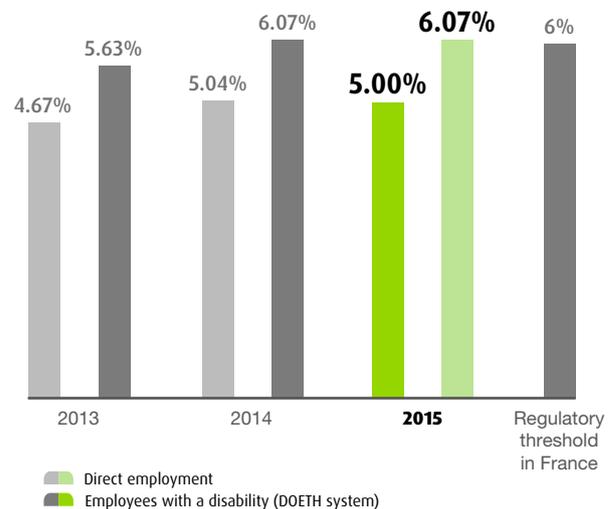
This awareness approach is gradually increasing employees' confidence in the Company's approach.

Step up cooperation with the sheltered sector

In 2015, 162 people⁽¹⁾ (206 in 2014) were employed through organizations that help people with disabilities back into work through the sheltered sector. They were all counted in the employment rate.

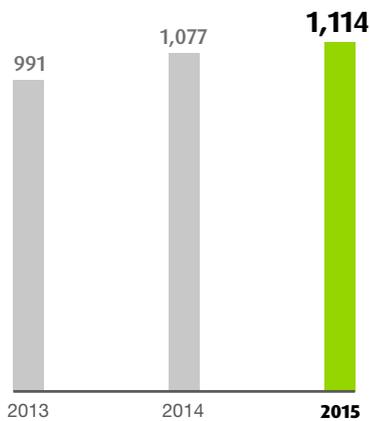
In 2010, Valeo's Annemasse site established a partnership with a sheltered sector organization based in Vétraz-Monthoux. This partnership has seen 16 workers with disabilities take their place in the plant's production units, thereby becoming an integral part of the manufacturing process.

Percentage of Valeo employees with disabilities in France



(1) One unit equals the full-time equivalent of a disabled employee billed to a Valeo company in France by an ESAT or an EA.

Internationally
Number of Valeo employees with disabilities worldwide (direct employment)



The definition of disability used is that which applies in the countries where the Group is based.

In 2013, a group of international projects was established within Valeo to expand the disability policy to the global scope from the beginning of 2014. In 2015, the Group continued the implementation of the global disability policy dubbed "DiversAbility", which comes with six objectives:

- manage the network of points of contact in each plant, as well as the coordinators present within the Business Groups and countries;
- launch an awareness campaign on the integration of people with disabilities in the workplace targeting all staff at all sites;
- design and implement a training and awareness plan for all stakeholders affected by disabilities at each site;
- achieve, in all countries, a level of 1.5% of workers with disabilities (if national legislation requires a percentage higher than 1.5%, the target will be the legal rate);
- adapt workstations and premises, hire, train and promote employees with disabilities, so as to keep employees with disabilities in their jobs;
- increase by 5% per annum sales with companies specializing in facilitating the employment of people with disabilities until they reach 50% of the legal requirement or the minimum rate set by Valeo.

Percentage of sites having implemented disability initiatives



Outstanding actions in 2015

- In 2015, Valeo's Guangzhou site in China established a partnership with a school for deaf students. This partnership resulted in the employment of 11 employees in the Valeo plant.
- In December 2015, 25 people with disabilities joined the Valeo teams in Chennai, India, following the implementation of a successful partnership with the Youth 4 Jobs foundation.

Generational diversity

Aware of the aging population in some plants and some countries, and anxious to meet the challenges of growth, Valeo has set itself a dual goal. The Group strives to attract young talent, before training it and fostering its motivation

through tutoring and mentoring. At the same time, it takes care to foster an environment in which four generations can work together as the retirement age recedes and members of so-called generation Z arrive on the labor market.

Between the youngest generation and seniors, the challenge is to preserve and transmit know-how, which must be preserved to support the Group's growth ambitions and ensure its sustainability.

Professional integration of young people

In 2015 Valeo maintained close relations with higher education establishments, notably by nurturing selective partnerships with world-renowned schools and universities, and fostering diversity within its workforce.

The numerous events held as part of employer brand promotion activities in 2015 (see section 4.4.4 “Employer brand”, pages 206 to 207) allowed us to make contact with many future graduates of engineering schools or universities worldwide.

These initiatives in favor of youth employment and the integration of young people in the workplace allowed the Group to welcome: 1,490 interns, 892 apprentices and trainees and 130 VIE program applicants. The five countries that took on the highest number of interns, trainees and people on VIE programs were France, Mexico, Brazil, Germany and Poland. At the end of their various contracts, 451 young people were hired (18% of people entering the Group in 2015).

Lastly, national initiatives resulted in the implementation of apprenticeship training programs designed in conjunction with local schools or universities. Examples of such programs include YES in China (200 positions available) and DRHW in Germany (130 apprenticeship positions offered, notably in Baden-Württemberg) and Spain (20 apprentices at Martos).

Valeo sponsors *Elles Bougent*, an association that promotes scientific careers among female high school and university students by organizing business presentation events with the active involvement of Valeo mentors.

Valeo also takes part in the *Engagement Jeunes* platform, which seeks to promote the employment of apprentices nearing the end of their training.

Policy toward older workers

Valeo is committed to employing older workers, and this is an important plank of its career development policy. It is also central to its policy for encouraging diversity. Hiring older workers gives access to valuable know-how, while making it possible to anticipate changes, pass on skills and expertise, and promote integration among all generations at Group entities.

Longer working lives give employees genuine opportunities for personal development. It is important to sustain job motivation among employees and develop each employee’s employability throughout their career by providing them with the means to build up competencies or, if they wish, to change career paths.

In 2015, Valeo had a total of 9,415 employees aged over 50 worldwide (compared with 8,935 in 2014 and 8,376 in 2013). This represented 13% of the registered headcount in 2015, including 2,902 employees aged over 50 in France (compared with 2,766 in 2014 and 2,768 in 2013), or 24% of the registered headcount. This increase resulted from a hiring policy that allowed the Group to hire 341 employees aged 50 and over in 2015, a total of 3.7% of recruitment on permanent contracts over the period.

Intergenerational contracts

The hiring of young people and the employability of older workers are the foundations of Valeo’s policy in respect of intergenerational diversity.

France

In 2015, action was taken in favor of strategic workforce planning, gender equality and intergenerational contracts, in all the Group’s French companies.

These agreements or action plans are intended to promote:

- the hiring and professional induction of young people within the Company;
- the hiring, retaining and retraining of qualified older employees;
- interaction between these two groups.

Internationally

The special working group set up to promote intergenerational diversity at Valeo continued its work worldwide, by means of monthly conference calls.

It focused its work on the following areas:

- cultural differences in perception and legal aspects related to the notion of “young” and “older” in different countries;
- possible differences in the expectations in respect of their professional development and work-life balance of members of what are commonly referred to as the baby boom (born between 1946 and 1964), X (1965 and 1980) and Y (1981 and 1995) generations;
- the fit between the needs expressed or expected by each generation and their level of satisfaction;
- shared aspects that unite the various generations within Valeo, especially those belonging to the same sector of activity and having the same company values;
- maintaining motivation throughout employees’ careers, regardless of age;
- mentoring of older employees by younger managers and tutoring;
- gradual integration of the replacement of older employees in succession plans as retirement approaches;
- adapting workstations to take into account aging employees;
- reasons for the departure of employees and the retention policy;
- creation of a training and awareness module devoted to intergenerational diversity.

In 2015, 75% of Valeo plants took action to promote intergenerational diversity.

Cultural and social diversity within the Group

The Group's operations in 30 countries provide a strong basis for diversity, respect for which requires a grasp of the cultural environment of Valeo's host countries.

Chinese, French, Mexican, Polish, German, Spanish, Thai, American, South Korean and Czech are the ten most widely represented nationalities within the Group. The countries where Valeo has the largest number of different nationalities are France (73 nationalities), Germany (63), the United States (38), Ireland (36) and the Czech Republic (30).

Valeo has 344 expatriates within its ranks. The five countries receiving the most expatriates are China (59 expatriates), France (46), the United States (34), Thailand (34) and Japan (26). Furthermore, 29% of site managers are not nationals of the country in which their site is located.

Valeo recognizes cultural and social diversity as a real factor of performance that should be nurtured and structured. As such, Valeo has set itself two objectives globally:

- succeed in naturally accommodating multicultural teams through the respect and acceptance of differences of origin, religion, perceptions and feelings;
- ensure the cohesion and efficiency of multicultural teams and avoid potential conflicts by training management in this regard.

The management of cultural and social diversity has been assigned to the various National Directorates so as to ensure a better grasp of the sensitive issues and the priorities appropriate to each country. Actions taken in each country must naturally be fully consistent with the Group's overall policy. As such, under the impetus of the Cultural Diversity Committee, many actions were taken to promote cultural diversity at Valeo in 2015.

Valeo has set itself the objective of raising the awareness of its employees in respect of cultural and social diversity:

- launch of the internal portal dedicated to cultural and social diversity to monitor the policy in each country where Valeo operates;
- completion of a communication plan and information campaign for May 21, Unesco's World Day for Cultural Diversity for Dialogue and Development, since 2001;

- distribution to the national Human Resources network of a booklet, unique to each country, dedicated to cultural diversity.

Valeo has set itself the objective of training its teams in response to specific needs:

- in 2014, the Cultural Diversity Committee drew up and launched four pilot training sessions in France, Egypt, Ireland and Germany. In 2015, these intercultural training sessions were deployed among project team members working regularly with multicultural teams;
- more than 2,000 Group employees completed online training modules (a total of 1,282 hours of training) to give them a better understanding of the issues related to this form of diversity.

Valeo has set itself the goal of promoting and fostering the integration of young people from disadvantaged neighborhoods in the workplace.

In 2014, Valeo's Créteil site joined the "Our Neighborhoods Have Talent" (*Nos Quartiers ont des Talents*) association and its sponsorship program. Founded in 2005, the association aims to help young graduates with a least four years' post-secondary education from priority neighborhoods and/or situations of hardship. The Créteil site has become heavily involved with the association, and had 21 active sponsors on the site at the end of 2015.

Outlook

The four specific committees, Gender, Disability, Social and Cultural, and Generational, aim to continue the promotion of diversity by encouraging initiatives rolled out locally throughout the Group:

- ensure the proper functioning of steering committees within the Business Groups and countries;
- continue the process of gradually rolling out diversity policies on all sites and in all countries where Valeo operates;
- promote innovative diversity initiatives by emphasizing cooperation between the axes;
- ensure the full use of internal communication tools and best practices;
- communicate externally on Valeo's achievements in this field.

4.5 Commitment to corporate citizenship

A global business and major stakeholder in the automotive sector in the countries where it operates, Valeo is a social actor by virtue of the importance it attaches to its operational excellence and the quality of its products, vehicle and user safety on the road, rules of ethics and compliance, its relationship with its supplier base, the availability of original

equipment spares, and its institutional relations with local communities.

Attentive to the demands of its stakeholders, Valeo has sought to understand and respond to these key issues, notably by including them in its 2015 materiality matrix.

4.5.1 Total quality and product safety

Challenges

The quality of products sold and safety for end users of vehicles is a major challenge for the automotive industry.

Approach and achievements during the year

To ensure the safety and quality of its products, the Group relies on the organization and resources described in Chapter 1.

The Group's ambition in terms of quality and product safety is based on:

- a total quality requirement: the daily obsession of all Group employees and the focal point of the 5 Axes methodology (see Chapter 1, section 1.1.5 "The 5 Axes", page 16 and section 1.2.3 "Operations Department", pages 29 to 31), the quality of Valeo products is the key ingredient in their safety. In 2015, the Group's quality level remained high, with a level of customer returns of 4.2 parts per million products delivered. In an environment of high growth and intense innovation, these results are testimony to the Group's ability to manage its growth;
- compliance with regulations on the disposal of hazardous materials (see section 4.2.3 "Resources, materials and eco-design", pages 156 to 159), including the deployment of a methodology for the implementation of the REACH regulation;
- the design, development and manufacture of products that help reinforce the safety of vehicle users:
 - many innovations designed to reduce emissions of polluting gases into the atmosphere are offered to automakers. Valeo developed the first passenger compartment air conditioning filter with anti-allergenic properties in Europe. The filter serves to limit the level of allergens in the vehicle, along with dust, harmful gases and smells,
 - the Group has made driver safety a major focus for development. The increasing use of cameras and ultrasonic sensors mean that vehicles are getting better at anticipating dangerous situations with the help of "intelligent" systems that enable drivers to make better decisions in terms of safety.

The Group builds and manages quality through:

- the 5 Axes system centered on customer satisfaction. This is what cements our corporate culture. Three new roadmaps were created in 2015 within the Total Quality Axe. The goal is to achieve excellence in understanding customer expectations during the development and series production phases of products, and to regularly measure improvement through satisfaction surveys. The Quality network is responsible for making the 5 Axes methodology and the related tools available to managers, overseeing its deployment in each entity, performing site audit work and ensuring continuous improvement of the system;
- the Quick Response Quality Control (QRQC) culture, focused on problem-solving, ensures that every incident is factually documented by resident quality engineers by systematically comparing good parts and defective parts and by verifying the relevance of the standards (QRQC step 1). Speed of reaction, clarity of communication and validation of each problem-solving step are verified in real time in the shared Valeo Incident Management (VIM) system. A warning system gives management visibility and provides teams with the necessary support. Each problem is associated with at least one lesson learned to guarantee that standards are continuously improved. What is learned locally is shared across the Group to accelerate progress (QRQC step 2). Lastly, emphasis is placed on QRQC step 3, which aims to transform every manager into a certified QRQC trainer able to coach his or her teams;
- state-of-the-art methodologies and standards, consistently associated with a process of continuous improvement in the areas of:
 - product/process development (generic FMEA, failure mode, effects and criticality analysis; RAISE, robustness, accountability, innovation, standardization and evaluation),
 - driving projects (review process by the Technical Committee),
 - integration of suppliers (StEDE, Standards Existence, Deployment and Enforcement; standardized CCLs, or Commodity Control Lists),

- quality control in production (Standard Process Control Plan), and
- monitoring the performance guarantee (advanced detection of guarantee alerts).

The Quality Network is present in GEEDS, the Group's shared center of expertise, which develops the necessary expertise in existing businesses and high-growth businesses such as electronics, software and calculation of predicted reliability. The Quality network sustains the Group's rapid growth by training new employees worldwide. The Quality Academy enables each new arrival to be given suitable training.

Valeo is committed to improving vehicle user safety and has obtained funding for an all-weather vision project with Safran. Known as the AWARE Project (All Weather All Roads Enhanced

Vision), it received funding under the seventeenth call for projects of France's Single Interministerial Fund (*Fonds unique interministériel* - FUI). The purpose of this project, led by ULIS, is to develop a prototype all-weather sensor (especially in rain and fog) adapted to the future needs of the automotive market, the market for emergency vehicles and the aviation market. Work started on the project in June 2014, and is expected to run for three years. Other corporate partners in the project are IAC, Nexyad and Oktal. The academic partners are CEA-LETI (electronics and information technology laboratory, a division of France's Commission for Atomic Energy and New Energies), CEREMA (Center for Studies and Expertise on Risks, the Environment, Mobility and Development) and Ifsttar (French Institute of Science and Technology for Transportation, Land and Networks).

4.5.2 Ethics and compliance

Challenges

Due to its global presence and its growing number of employees, Valeo has established an Ethics and Compliance Department, which has set up a specific and comprehensive Compliance Program to fight both corruption and anti-competitive practices.

Approach

The program entails integrating and applying a clear set of internal rules designed to:

- respond to Valeo's determination to comply with regulations and issue reminders of prohibited practices;
- define the conditions and prerequisites for acceptable conduct regarding business relationships and alliances;
- implement them and check their effectiveness in preventing and detecting risks.

The program set up by the Ethics and Compliance Department addresses the whole of the Valeo workforce, with particular emphasis on engineers and managers in their interaction with business and technical partners.

It is based on strict business ethics and compliance requirements.

It involves a set of instructions and decision-making aids designed to prevent corruption and anti-competitive behaviors and practices. In 2015, Valeo updated and expanded a number of the systems it originally set up in 2012. The result is a permanent process of awareness raising, training and prevention.

A program combating corruption and anti-competitive practices

Since its establishment, the Group's ethics and compliance policy has had the dual aim of fighting corruption and anti-competitive practices. Compliant with the highest international standards, it is based on a set of features and tools designed to raise awareness and train people on the relevant risks, and to manage them on a global scale.

A comprehensive framework

The Code of Ethics, first introduced in 1997, then updated in 2005 and 2015, is available to all employees and subcontractors in 22 languages. It is the primary reference for personnel education and awareness and forms the cornerstone of the Group's ethics and compliance policy.

Since 2012, the Ethics and Compliance Program has also included Valeo rules on combating corruption and anti-competitive practices, which are circulated along with manuals, definitions, practical examples, guides and short films designed to help Valeo personnel apply them in their everyday work.

These resources are made available Group-wide and:

- are regularly updated to cover specific situations liable to arise in a major international group;
- take into account the legal specificities of the various countries in which the Group has operations;
- aim to provide decision-making assistance, helping employees recognize non-compliance risks and determine who to contact in the event of doubt or difficulty, ensuring appropriate decision-making; and
- are permanently accessible via the Ethics & Compliance intranet portal, with most available in 13 languages.

Practical, accessible education

Active awareness of ethics and compliance issues is an integral part of team and project management, and a key component of an awareness program supported by senior management and managers in the field.

In 2014, to improve the access, understanding and commitment of personnel on ethics and compliance issues, a “Compliance Champion Team” was set up, coordinated by the Chief Ethics and Compliance Officer. The team comprises experienced managers respected by their peers and their teams for their knowledge in these matters within their networks, their functions and their countries.

These 70 Compliance Champions keep their teams informed about the program, provide guidance on ethics and compliance issues, and act as ambassadors for the program.

The Valeo alert line: detection, prevention and alert

Lastly, in 2014, Valeo adopted a worldwide alert line enabling personnel to alert management, through various channels (phone interviews, internet portal, email, letters), about actual or potential non-compliance with regulations or internal rules on anti-competitive practices and the fight against corruption and fraud.

The line is open to all personnel in all countries, in all of the Valeo Group’s languages. It offers anonymity if requested, and is free of charge. It is run by a specialist third-party company and guarantees confidentiality and anonymity compliant with regulations.

Alert processing is coordinated by the Chief Ethics and Compliance Officer in liaison with the Internal Audit Department and an Alerts Committee that was set up with the alert line in 2014, in accordance with a standard procedure.

Business relationships with third parties or intermediaries representing Valeo

Third parties liable to represent Valeo undergo a rigorous selection procedure with a view to forming long-lasting, trust-based partnerships. To this end, a strict procedure has been implemented.

In 2013, the Ethics and Compliance Department introduced an awareness-raising program specifically addressing third parties, to ensure that Valeo standards are known as requirements that are shared and recognized by Valeo’s various partners.

Two awareness handbooks have been prepared for third parties:

- the first is designed to raise their awareness about competition law and Valeo’s Compliance Program;
- the second addresses intermediaries and aims to raise their awareness about corruption risks and the fight against corruption at Valeo.

In 2014, Valeo introduced an e-learning program to provide all third parties representing Valeo with a full understanding of the Group’s expectations on integrity and the fight against anti-competitive practices and corruption.

These many initiatives seek to establish long-lasting, trust-based business relationships. Non-compliance with these rules represents grounds for withdrawal from all contractual relationships.

Achievements in 2015

Valeo pressed ahead with its extensive ethics and compliance training program, training virtually the entire target population, comprising all engineers and managers as well as other Group employees exposed to similar issues and the year’s new arrivals, i.e., 20,987 people (99% of the target population). Any failure in respect of these training obligations in 2015 was subject to strict monitoring by the Group’s Human Resources services and the Compliance Department, with mandatory catch-up sessions.

Similarly, awareness training on the specific compliance programs, procedures and tools continued among various teams, notably through the country management teams, participants in the CEDEP training program (see section 4.4.4 “Training”, page 209) and the Compliance Champions.

New initiatives resulted in the deployment of updated and reinforced resources for 2015:

- the Code of Ethics was revised, expanded and updated in 2015. Available to teams in 22 languages, it was issued worldwide in strict compliance with labor relations principles and regulations. The official launch by the Chief Executive Officer took place in September 2015;
- a Privacy, Image and Social Media Policy was established to protect confidential information concerning Valeo, its employees, customers and partners, as well as the image and reputation of the Group. It was gradually circulated over the past year in partnership with the Communications network;
- a charter on the use of computer and electronic communication resources aimed at protecting intellectual property and information systems, and ensuring the safety and integrity of Valeo’s networks and resources was also updated and rolled out in 2015, in partnership with the IT teams.

For relations with third parties and/or intermediaries representing Valeo, the system was supplemented in 2015 by the Valeo Business Partner Code, which Valeo’s prospective partners must accept before a business relationship can commence.

Outlook

Following the extensive updating of tools and programs in 2014 and 2015, 2016 will be devoted primarily to cementing the new charters (information systems, image and media) firmly

at the core of operations, introducing new ethical leadership training and continuing training established in 2012 on the fight against anti-competitive practices and corruption.

4.5.3 Application of sustainable development principles in purchasing processes

Key figures in 2015

- 1,186 suppliers account for 95% of the amount attributable to direct purchases (manufacturing purchases);
- 615 suppliers are French;
- 50 suppliers account for 25% of the amount attributable to indirect purchases (maintenance, subcontracting, travel, supplies, etc.).

Challenges

Sustainable development in the purchasing policy of tier-one suppliers: a prerequisite on the part of automakers, and one that Valeo meets

Anticipating the growing demand from automakers, Valeo has organized itself by:

- systematically responding to requests from all automakers through self-assessment questionnaires;
- organizing meetings with the Sustainable Development and Purchasing departments of different automakers.

Therefore, since 2010, Valeo has created a special dialog on this issue with certain customers, based on:

- verification of sustainable development practices within its own chain of suppliers;
- presentation and validation of Valeo's sustainable development methodology at "Tech Days";
- performance of sustainable development audits of Valeo sites by the automaker's teams (since January 2016).

Purchasing location aligned with consumption area

Purchasing policy is one of the levers of the Group's operational excellence. It has the following characteristics.

Breakdown of direct purchases by geographic area of origin



Breakdown of direct purchases by geographic area of consumption



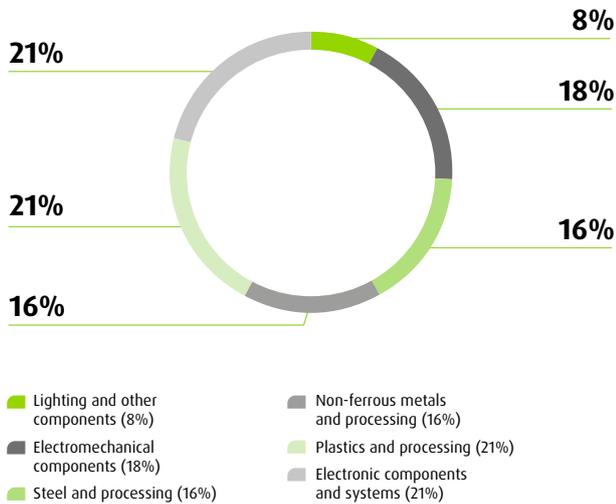
Due to its historical presence in Europe, Valeo consumes 51% of its purchases in this region, where 45% of its suppliers are located. As a direct result of the Group's growth strategy in emerging countries, Asia ranks second, in terms of both consumption (29%) and number of suppliers (40%).

The geographic breakdown of purchases by area of consumption and area of origin shows that the Group generally favors a location strategy compatible with the demands of economic competitiveness, and that it participates in local economic integration. This strategy applies across all of the regions in which Valeo operates, and allows the Group to:

- reduce transportation-related CO₂ emissions;
- support local employment by developing competences;
- meet the expectations of local stakeholders (customers, local and national governments) that increasingly encourage local integration.

Furthermore, the policy to reduce risks, in particular of currency fluctuations, has led Valeo to favor local suppliers that comply with its supplier selection criteria.

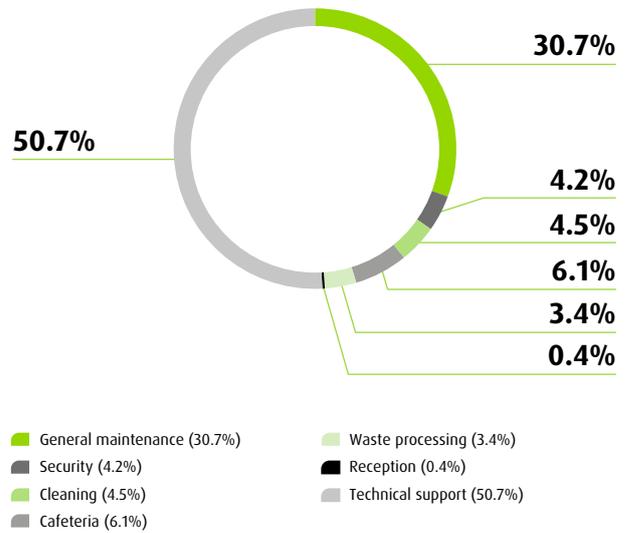
Breakdown of 2015 purchases by commodity



The Group’s purchases can be divided into six main categories of components or systems, referred to as commodities. Strategic decisions relating to these categories (steel and processing, non-ferrous metals and processing, plastics and processing, electronic components and systems, electromechanical components, and indirect purchases) are centralized at Group level, where they are each managed by a designated Commodity Manager.

Subcontracting

Total subcontracting expenditure by category



Valeo engages subcontractors to perform specific services at its many sites. As a result, the Group ensures that its subsidiaries comply with the provisions of national labor law and ILO conventions in their dealings with their subcontractors, requiring them to share the provisions of the Valeo Code of Ethics with their subcontractors, and in particular the articles concerning fundamental human rights.

Subcontracting amounted to over 336 million euros in purchases in 2015. Technical support services are significant, accounting for nearly 51% of this expenditure due to the IT services provided by outside companies (hardware, networks, services, computer applications). General maintenance costs represent nearly 31% of expenditure due to the industrial nature of Valeo’s activities.

Approach

Structure of the Purchasing function at Valeo and supplier relations

As a tier-one⁽¹⁾ automotive supplier, Valeo is at the heart of the automotive industry supply chain. While representing an order-giver to tier-two and lower-tier suppliers, the Group is also a supplier of technologies or systems to automakers.

(1) The tier corresponds to the automotive supplier’s position relative to the automakers, thus a tier-one supplier delivers directly to the automaker and a tier-two supplier delivers to the tier-one automotive supplier.

In dealing with its suppliers, the Group places priority on:

- **quality;**
- **industrial sites;**
- **competitiveness.**

This is achieved in accordance with standards and laws in force while also meeting Valeo's sustainable development, ethics and compliance requirements.

Management of the supplier list

The Group's Purchasing Department is based on two major priorities:

- commodity/segment (product family), focusing on specific commodity purchasing strategies;
- project and mass production, focusing on day-to-day operations (initiation of projects using cost-effective parts, implementation of technical manufacturing efficiencies, diversification of suppliers).

Purchasing departments in each of the Group's regions (Europe, Middle East, Africa, China, India, Japan, ASEAN⁽¹⁾, North America and South America) interact continuously with the commodity/segment to ensure that efficient, meaningful purchasing strategies are applied.

Becoming a Valeo supplier

Selection and award meetings chaired by the global **segment** buyers are held to screen all proposals from suppliers based on a number of objective and rigorous award criteria.

The criteria for selecting suppliers and awarding bids and contracts include:

- economic factors;
- financial risks;
- logistics;
- corporate governance;
- environmental issues and protection;
- social issues (respect for human rights, environmental protection and employee health and safety).

Over 90% of the mandatory items in the supplier qualification questionnaire relate to non-economic criteria. For instance, **sustainable development criteria are given a weighting of 20% in the supplier's final score**, and any failure to meet these criteria automatically disqualifies suppliers from Valeo's supplier list.

Before any supply agreement is awarded, suppliers must qualify based on the following process:

- each supplier is required to complete a detailed questionnaire to enable Valeo to identify potential risks and to determine the overall level of risk. Based on these evaluations,

Valeo checks the main requirements, highlights potential weaknesses and decides whether it needs to examine certain issues further during a visit to the supplier's plant. If so, an audit team composed of Group buyers, quality specialists and engineers, is selected and sent to the site to verify the supplier's statements. Following the site visit, the team decides whether or not the supplier can be included on the list, possibly following the implementation of an improvement plan, jointly agreed with the supplier;

- after the meeting of the selection committee and the award, the supplier is officially listed, and the specific requirements for the deliverable components are set out in Valeo's specifications. A Supplier Quality Engineer from the project team monitors the development and industrialization of components and guides the supplier through the final component qualification. If necessary, Valeo's laboratories review the intermediate design stages, run tests and take any special measures required. In any event, Valeo always performs an on-site audit.

In order to be included on the list, all suppliers must meet Valeo's ethics, integrity and sustainable development requirements. In 2015, these obligations were combined in the Business Partner Code of Conduct. This document incorporates all the fundamental principles of the UN Global Compact, the Valeo Code of Ethics and the fundamental principles of human rights, including the freedom of association, the elimination of forced labor, the fight against corruption and workplace health and safety. Any supplier that fails to respect these rules of conduct is likely to be sanctioned, ranging from temporary suspension from new Valeo projects to definitive exclusion from the supplier list. No sanctions of this type were imposed in 2015.

Without calling into question the principles of the Supplier Commitment for Sustainable Development (SCSD) deployed to the incumbent supplier base and supported by Valeo's adherence to the Global Compact principles, the Group is now rolling down its Ethics and Compliance and sustainable development commitments to all of its suppliers, using the same methods, with its Business Partner Code of Conduct (BPCC).

Valeo's supplier list breaks down into several categories based on the supplier's performance level in a given product family. In the event of critical performance or non-compliance with Valeo requirements, a supplier can be placed on "probation" for a maximum of one year with the enforcement of an action plan. If the probation period is not successful, the supplier may not be retained in the supplier panel.

(1) ASEAN: Association of Southeast Asian Nations.

New suppliers are also placed on probation for at least two years. During this period, the number of projects assigned remains under strict supervision to protect the supplier against the risk of becoming overly dependent on Valeo.

With this system, Valeo aims to better control its supply chain while building trusting relationships with its suppliers through cooperation on remedial action or improvement programs that are aimed at preventing or limiting operating risks.

Achievements

Progress in suppliers' sustainable development practices

In 2013, as part of the Group's policy to reinforce the support offered to its suppliers along the entire supply chain, the Sustainable Development & Public Affairs, Purchasing and Quality Departments ran a survey on corporate social responsibility choices, across a representative sample of suppliers, representing 750 million euros in sales with Valeo. In 2015, this evaluation was reinforced and extended to major suppliers accounting for 60% of Valeo's production purchasing. The suppliers that responded to the survey represent a purchasing amount of more than a tenth of the total amount across the sample.

The survey results showed that, in addition to meeting Valeo's CSR requirements, nearly three-quarters of the respondent suppliers also have their own CSR policy based on a charter, a code of conduct, best practices and a set of guidelines. A large majority of Valeo suppliers responding to the survey have initiated voluntary certification and labeling programs for their environmental policies⁽¹⁾.

For more than two-thirds of the survey respondents, commitment to sustainable development and CSR also involves communicating their own sustainable development and CSR standards to their pool of suppliers.

With this type of questionnaire, Valeo hopes to transmit its CSR experience to its suppliers by communicating quality and responsibility requirements, which are important aspects in risk management, and to set an example to encourage its suppliers to apply the same principles throughout the supply chain.

North American diversity programs applied to suppliers

The diversity programs in North America (United States and Canada) concerning minorities have added the criteria for the integration of women and minorities in business of Minority Business Enterprises (MBE) and Women's Business Enterprises (WBE) to evaluation criteria for US and Canadian suppliers. These criteria apply to both the supplier qualification processes and the selection and award meetings held to review entities located in North America. In 2015, Valeo developed sales with **over 50 suppliers that meet the WBE or MBE diversity criteria.**

Conflict minerals

In 2013, Valeo's Purchasing Department aligned its sourcing processes with the American Dodd-Frank Wall Street Reform and Consumer Protection Act of July 21, 2010 on conflict minerals (title XV) in a joint effort to end the financing of violent conflict in the Democratic Republic of the Congo (DRC) and neighboring countries, which is financed in part by mining and the mineral trade. Valeo requires all of its suppliers to comply with the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.

A specific initiative introduced in conjunction with the Research and Development Department allows the Group to better identify potential sources of conflict minerals. Thus, in 2015, 71% of the suppliers identified using this initiative provided the Group with a certified report on conflict minerals using the Conflict Mineral Reporting Template (CMRT) developed by the Conflict-Free Sourcing Initiative (CFSI).

To help suppliers to apply the Group's ethics and compliance principles, the Purchasing and the Ethics and Compliance Departments have provided manuals on Valeo's website to raise awareness about both the substantial legal risks of anti-competitive practices and corruption and about Valeo's compliance policies and requirements.

(1) Notably ISO 14001 and/or equivalent certifications.

Automotive sector working group on Corporate Social Responsibility in France

Since 2012, Valeo has participated in the CSR working group set up by professional organizations of French automakers and automotive suppliers. The participants include France's two major automakers and tier-one⁽¹⁾ automotive suppliers. The principle objective is to take stock of the CSR practices currently implemented by each member company and to harmonize them in order to make them easier to apply throughout the industry. A major part of the work focuses on responsible purchasing policies – the procedures and methods employed by the members to monitor and support suppliers – with a view to standardizing practices and ultimately developing a set of industry guidelines.

Signing the Charter of Intercompany Relations

Following the initiative of the French ministry of economy and finance aimed at improving relations between large order-givers and their suppliers (micro enterprises and SMEs), Valeo signed the Charter of Intercompany Relations on January 10, 2012, now known as the Responsible Supplier Relationships Charter.

The aim is to construct balanced long-term relationships between the large corporations and their suppliers, with each party acknowledging and respecting the rights and obligations of the other.

The charter requires that each signatory appoints a supplier representative to act as an internal mediator to facilitate the settlement of any disputes with suppliers and to help develop healthy long-term relationships. The internal mediator was appointed on March 13, 2012.

At the end of January 2015, over 500 companies had signed the charter, representing nearly 400 billion euros of purchases.

Ongoing sustainability commitment through the Automotive Suppliers' Modernization Fund (FMEA) Tier 2⁽¹⁾, renamed the Automotive Future Fund (*Fonds Avenir Automobile – FAA*).

Since the FMEA Tier 2 was set up in 2010, Valeo has been involved, alongside Bpifrance and other automotive suppliers (Bosch France, Faurecia, Hutchinson, Plastic Omnium), in providing the fund with capital, selecting automotive suppliers and assisting the fund in acquiring minority stakes in their share capital to support them in their growth and investments. The fund was set up to take non-controlling interests in automotive companies engaged in industrial projects and creating value.

In this way, the fund gives these companies medium- and long-term visibility and consolidates the automotive value chain while strengthening a number of these SMEs, which depend heavily on orders from automakers and tier-one automotive suppliers. This initiative has helped limit fractures in the industry supply chain in France.

The fund's assets stand at 50 million euros, contributed in equal measures by automotive suppliers and Bpifrance. Valeo has contributed 2.1 million euros.

As part of the work conducted in 2015, the FMEA Tier 2 was renamed Automotive Future Fund. It is involved in the governance of 11 companies in which it has previously invested, and which need a stronger industrial foothold in a competitive international environment. The fund continues to work on selecting potential SMEs whose core businesses are turned toward the automotive industry of the future.

⁽¹⁾ The tier corresponds to the automotive supplier's position relative to the automakers, thus a tier-one supplier delivers directly to the automaker and a tier-two supplier delivers to the tier-one automotive supplier.

4.5.4 Availability of replacement products

Challenges and approach

As a player in the aftermarket through Valeo Service, and with its strong presence in emerging countries, the Group's positioning is based on its determination to market products at

the best price, over and above its multiproduct, multiregion and multichannel strategy, without compromising the environment.

Valeo Service is described at greater length in Chapter 1, section 1.3.5 "Aftermarket products and services", pages 55 to 58).

Valeo, a participant in the remanufacturing market

Through its remanufacturing activity, Valeo is placing its OEM parts design and manufacturing expertise at the service of the remanufacturing market, for which the Group has developed a high-quality, environmentally respectful range of products. Valeo only offers remanufactured products, as opposed to reused, repaired, rebuilt, refurbished, reworked or reconditioned products, and uses quality processes and standards to ensure the quality of the products offered for sale⁽¹⁾.

Valeo offers two ranges of parts – one new and one remanufactured. Remanufactured systems are mainly alternators and starters as well as clutches and climate control compressors.

Valeo has set up an efficient system called e-CORPS to collect used parts. The system permits the immediate identification of product references (type of part, origin, size, production year, etc.). Once parts have been retrieved, Valeo disassembles, inspects and cleans them, and subjects them to electrical and electronic tests. Valeo then initiates a remanufacturing process, which most importantly involves eliminating any traces of hazardous substances to guarantee personal protection. With more than 40 testing points for rotating machines on test benches, Valeo meets the standards of the original equipment market, and tests all remanufactured products before packaging them for sale on the aftermarket.

This industrial expertise has enabled Valeo to offer a full range and selection of remanufactured parts, and thereby to champion environmental protection in the remanufacturing market.

4.5.5 Public and regulatory policies

Challenges

A major innovative player in the automotive industry operating in many countries, Valeo is an important group for the life of certain areas.

Approach and achievements during the year

Relations with professional associations

As an independent, global tier-one⁽²⁾ automotive equipment supplier, Valeo is a member of the main organizations that represent the interests of initial-fit and aftermarket equipment suppliers on the world's main automotive markets:

- in Europe: CLEPA (European Association of Automotive Suppliers);

- in the United States: OESA (Original Equipment Supplier Association);
- in France: FIEV (*Fédération des Industries des Équipements pour Véhicules*);
- in Germany: VDA (*Verband der Automobilindustrie*);
- in Spain: Sernauto (*Asociación Española de Fabricantes de Equipos y Componentes para Automoción*);
- in Italy: ANFIA (*Associazione Nazionale Fra Industrie Automobilistiche*);
- in Japan: JAPIA (Japan Autoparts Industries Association);
- in Brazil: Sindipeças (*Sindicato Nacional da Indústria de Componentes para Veículos Automotores*).

Valeo's interests are expressed through these organizations and are the only activities that could be qualified as "lobbying".

(1) The definition of remanufactured products is common to the entire industry (ACEA, APRA, CLEPA, FIRM, VDA): "A remanufactured part fulfills a function which is at least the equivalent to the original part. It is restored from an existing part (core), using standardized industrial processes in line with specific technical specifications. A remanufactured part is given the same warranty as a new part, and it clearly identifies the part as a remanufactured part and the remanufacturer".

(2) The tier corresponds to the automotive supplier's position relative to the automakers, thus a tier-one supplier delivers directly to the automaker and a tier-two supplier delivers to the tier-one automotive supplier.

Relationships with public bodies

Valeo develops institutional relationships with relevant administrations (at international, national and local level), through regular dialogs, such as:

- dialog with international organizations (UN Global Compact, OECD, World Bank);
- consultations on request:
 - from the European Commission (Directorates-General for Industry, Research, Transport, and the Environment),
 - from ministries of industry (France, China, Spain), the economy (France, Poland, Japan, Germany), research (France, China), Energy (France, United States), transportation (France, Germany, United States), and employment (all countries where there are Valeo sites);

- co-construction/co-management of jointly financed projects, especially through participation in the governance bodies of European Union public-private partnerships (European Green Vehicle Initiative Association – EGVI);
- participation in the construction of roadmaps, under Valeo’s co-chairmanship (since 2014) of ETRAC, the European Commission technology platform (see section 4.2.4 “European Road Transport Research Advisory Council (ETRAC)”, page 160).

Institutional relationships are coordinated under the responsibility of three people at Head Office, and relayed locally, as required, by management in the country or region concerned. Valeo did not call upon public affairs consultancy services in 2015.

In addition, in accordance with its Code of Ethics, Valeo does not make any donations or give any support to political parties in any countries where the Group operates.

4.5.6 Voluntary commitment to local communities

Challenges

Consistent with its size and worldwide scope, Valeo takes a firm stance on responsibility and commitment in its relationships with its many and varied stakeholders.

The quality of the initiatives implemented at Valeo's sites is a major factor in Valeo's corporate citizenship endeavor. The table below lists the main initiatives undertaken in 2015.

Main corporate citizenship initiatives at Valeo sites

Commitment	Partners	Examples of initiatives
Aid for local communities	Local populations	<ul style="list-style-type: none"> ■ Donations to local populations ■ Donations for disabled people, orphanages, etc.
Support for Valeo employees in difficulty	Valeo employees and families	<ul style="list-style-type: none"> ■ Aid for families of employees in financial difficulty ■ Support for employment of disabled persons ■ Public transportation
Development of local human capital	Local populations/Valeo Group employees	Promotion of access to management positions

Approach and achievements during the year

Valeo sites, contributing to the local economic fabric

Valeo’s sites contribute to the economic and social fabric of the regions where the Group operates. Its sites have multiple impacts. They are consumers, employers, spending centers, local economic agents, and actors in the development of human capital, and the creation and attraction of new businesses through transfers of competencies.

Valeo has a policy of encouraging its sites to take responsibility and to support local initiatives around the world. Each site organizes local plant initiatives which reflect locally identified needs. With the assistance of the site Human Resources Departments, the site managers decide on actions that can be carried out to help the local population and employees. The Group suggests possible areas for study by sending out internal questionnaires and examples of best practice.

At the end of each year, Valeo takes stock of the actions undertaken at its sites. The most effective and useful initiatives are showcased via internal and external communication channels to encourage other sites to support the same sort of actions. For example, the “Valeonline Employee News” sent by email to Group employees highlights some of the outstanding site initiatives. Valeo also highlights local plant engagement in communication documents, such as the management report, by explaining and developing the purpose and results of their initiatives. For the second year running, each of Valeo's sites has run at least one corporate citizenship operation. These various initiatives seek to improve the living conditions for Valeo employees while also having a positive impact on the region’s local development.

Valeo, contributing to local development

Valeo sites and employees involved in local community operations

In 2015, more than 70% of employees at Valeo Group sites worldwide took part in volunteer operations to help local communities. Their contribution chiefly involved time spent on educational activities (see above) or as expert speakers at local seminars, schools and universities, as well as at technical training sessions. At over 40% of Valeo sites worldwide, these volunteer activities took place during working hours. This kind of initiative forms a part of the local community involvement programs at many Valeo sites.

For example, the Mioveni plant in Romania took part in the 2015 “Christmas in a shoe box” initiative, which consists of donations of simple, everyday products destined for financially disadvantaged or disabled children.

Valeo site donations to local cultural and educational activities

Each Valeo site determines its own donation policy, which is attuned to the specific local environment, its involvement in the fabric of the local economy and its own culture.

In general, donations for educational and cultural activities have developed at the Group’s various sites worldwide.

The Valeo China “Illuminating the Future” project

In 2015, Valeo China launched a nationwide project called “Illuminating the Future”, with four main thrusts:

- contribute to the education of disadvantaged children;
- help people with disabilities find jobs;
- promote career development among graduates and young people;
- implement measures to protect the environment.

A key initiative in the field of child education was the Valeo Library Project, with the establishment of ten libraries or reading rooms in schools attended by disadvantaged students throughout rural China. Each project was sponsored by volunteers from local Valeo sites (including Changchun, Foshan, Guangzhou, Nanjing, Shanghai, Shenyang, Shenzhen, Wuhan and Wuxi). A total of 7,500 books were donated.

Several activities to promote the integration and employment of people with disabilities also took place. They included visits to schools attended by children with autism or disabilities, as well as hiring and awareness campaigns.

Career development among young graduates involves on-campus hiring programs and the Valeo Career Day, where students are encouraged to visit Valeo sites and discover the various jobs and employment opportunities available within the Group.

Lastly, the protection of the environment and sustainable development are a constant concern for all sites, which regularly carry out tree planting, litter cleaning and energy savings initiatives with the active participation of all employees.

Support for Valeo site employees and their families

Family assistance and leisure activities

Employees’ benefits in kind impact the local economy. These benefits include financial assistance for holidays, sports and family leisure activities and for employees with children.

In Asia, where nearly one-third of all Valeo employees are located, more than 40% of sites offered their employees financial assistance in 2015 to fund leisure activities, sports

and holidays. Similarly, close to two-thirds of Valeo’s European sites provide financial assistance for employees with children.

Many sites, like Chennai in India, run special events for their employees’ children, with features including presentations of the site’s work along with artistic, cultural and leisure activities.

Solidarity fund for employees in financial difficulty

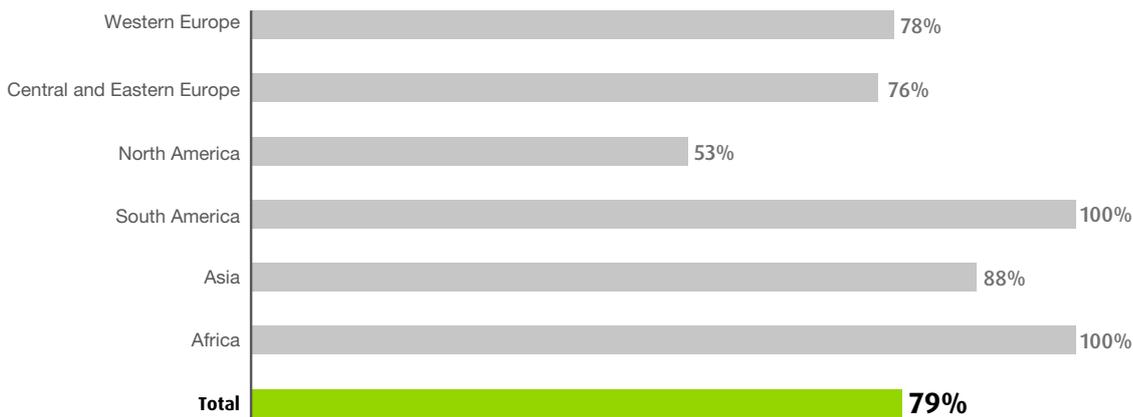
In line with Valeo's 5 Axes program, in which staff involvement serves as the basis for the Group's corporate culture, sites have developed solidarity initiatives between employees to

take action in special situations (illness, disaster, death, etc.). In Central and Eastern Europe, more than half of the sites (53%) set up special funds in 2015 for employees faced with all types of difficulties. More than a third (33%) of Valeo sites worldwide have done the same.

Valeo collective transportation: contribution to travel expenses and employee safety while commuting

Many Valeo sites have introduced a shuttle system to reduce the economic cost of employees' daily commute to the workplace and increase security (in particular to counter the risk of aggression suffered by women employees).

Proportion of sites contributing to employees' commuting expenses (all or part) and/or operating shuttles by geographic area in 2015



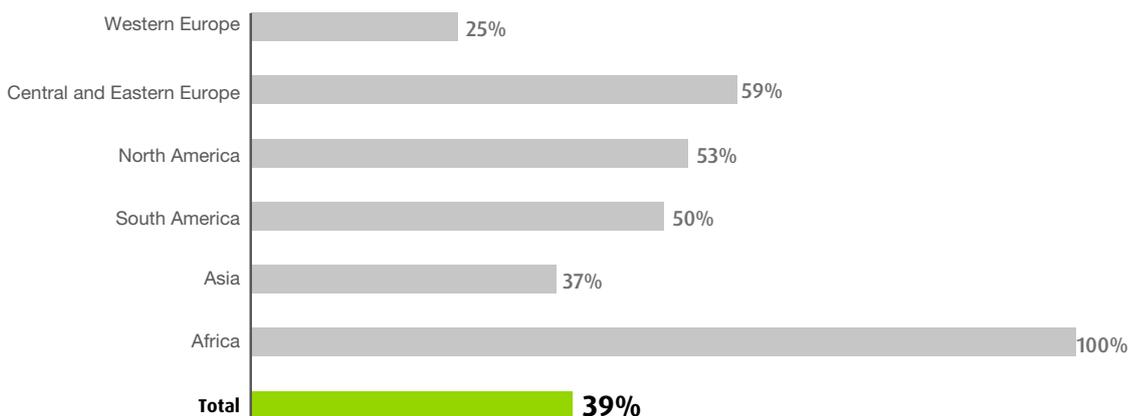
4

Valeo sites involved in dialog with local stakeholders

Open days at Valeo sites

To boost their local operations and their openness to members of local communities, a number of sites held open days to showcase their activities, company details and products to members of local communities.

Proportion of sites that held an open day in 2015



Supporting the roles of local players

Fostering the employability of disabled persons

Valeo sites have developed policies designed to increase the employability of people with disabilities and to support the development of companies operating in the sheltered sector.

At Group level, 33% of Valeo sites worked with organizations adapted to workers with disabilities (known under the French acronym ESAT) for their subcontracting needs in 2015. These business relationships help boost regional economies and promote the value of employees' individual profiles and competencies (see section 4.4.5 "Step up cooperation with the sheltered sector", page 216).

Valeo's historic link with the Garches Foundation

The Group is a founding member of *Institut Garches*, which was founded in 1988 and became a foundation in May 2005. The organization works to encourage the independence and professional and personal integration of people with motor disabilities. The foundation has put together a considerable

network of expertise, including doctors, heads of motor disability associations and heads of partner companies. Valeo works alongside professionals from the foundation's wheelchair selection and test center.

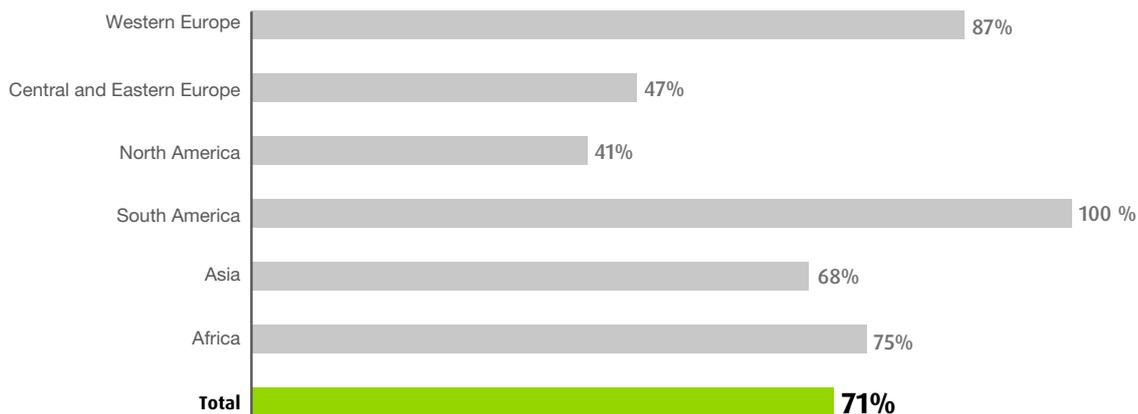
The Group's Research and Development Department thus launched a technological innovation program to build an obstacle detection system to fit into wheelchairs. The system will allow people who occasionally lose control of their movements to drive a wheelchair and offer them a certain degree of mobility. Research remains in the early phases, but promises considerable potential for a number of users.

Local management

In an effort to promote management with knowledge of the local culture and language, Valeo prefers to hire local managers. As a result, most Group site managers are from the country where they work.

In 2015, 100% of site managers in South America were nationals of the site country. In Asia, 68% were nationals of the country where they work.

Proportion of sites whose manager was from the local country in 2015



Valeo site dialog with local stakeholders

Depending on the specific local context, Valeo's dialog with stakeholders (see section 4.1.4 "A sustainable development policy based on strong relationships with stakeholders", pages 148 to 149) involves the key external stakeholders of the site's ecosystem. Many sites have established regular partnerships with research bodies, local universities or schools, as well as other major economic players.

Moreover, across the world, many sites engage in regular dialog on various projects with local authorities or other administrations. In 2015, more than half of the Group's sites were involved in such dialog. This was the case for more than half of Valeo sites in Western Europe, more than a third in North America, and close to two-thirds in Asia.

4.6 Methodology and international guidelines

4.6.1 Sustainable development reporting methodology

Environmental reporting methodology

In view of the lack of public guidelines applicable to the automotive supplier business, environmental indicators were reported in compliance with internal procedures developed by the Group. The main methodology rules used to prepare the indicators published in this Registration Document are described below.

Scope and consolidation

Scope

Published environmental data concern **all plants and distribution platforms** managed by Valeo worldwide, excluding research centers not located at production plants, administrative sites, vehicle front-end assembly sites located at or near the automaker site, and subsidiaries in which the Group has a non-controlling interest. In all, a total of **117 sites** report **environmental indicators**.

In order to publish data within the required time frame, Valeo considers that the reporting year begins on December 1 of the prior year and ends on November 30 of the reporting year.

Calculation of the ISO 14001, ISO 50001 and OHSAS 18001 certification indicators takes into account **all plants and distribution platforms** managed by Valeo worldwide, excluding research centers not located at production plants, administrative sites, vehicle front-end assembly sites located at or near the automaker site, and subsidiaries in which the Group has a non-controlling interest.

All new sites are required to obtain certification by the third year following their inclusion in the Group's scope. Accordingly, 122 sites were liable to obtain ISO 14001, ISO 50001 and OHSAS 18001 certification in 2015.

Changes in scope

Data for sites newly consolidated in a given year (i.e., new sites or sites in which the Group increases its interest and gains control) are only consolidated as of the following year.

Sites that have been sold or shut down during the reporting year are excluded entirely from that year's data. However, their data for previous years are retained.

Consolidation rules

The environmental impacts generated by sites which are up to 50% held or controlled by Valeo are included on the basis of a 50% share. The impacts of sites that are controlled or held at over 50% are included on the basis of a 100% share.

Most indicators are expressed in absolute value (total quantity) as well as a ratio to sales. The ratio per million euros is calculated by dividing total quantity by sales for the relevant sites.

Source of data

Environmental data are collected by a centralized online application (VRI⁽¹⁾) except for environmental indicators relating to the consumption of raw materials, ISO 14001, ISO 50001 and OHSAS 18001 certification and indirect greenhouse gas emissions relating to logistics and inputs. The other aforementioned data are collected from the relevant internal department and consolidated by the RIE department.

Financial data (sales) are sent directly by the Finance Department.

Controls and external verification

Consistency checks on data for each site in the scope are performed by the Business Groups' HSE managers, the RIE Department and an external service provider. These controls include reviews of year-on-year changes, comparisons between sites in the same Business Group, and an analysis of major events during the year. Furthermore, VRI applies automatic upstream controls designed to prevent data entry errors and allow sites to provide reporting information with regard to material differences versus previous years.

Certain environmental data are also subject to external verification by the Statutory Auditors.

Ernst & Young, an independent audit firm, performed an engagement to verify the environmental data which resulted in a report including a statement of completeness and an opinion as to the accuracy of the information contained therein.

(1) See section 4.3.1 "Centralized environmental reporting", page 171.

Methodological limits

Methodologies relating to certain environmental indicators may be limited due to:

- the absence of harmonized national or international definitions, especially on hazardous substances and waste;
- estimates used where measurements are not possible, for example for atmospheric VOC emissions;
- the limited availability of external data required in particular for calculating indirect greenhouse gas emissions (logistics and transportation).

Assembly plants for vehicle front-end modules located directly on manufacturers' sites cannot always report their waste quantities or water and electricity consumption.

Precise definitions of indicators included in VRI and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. These definitions and user guides are regularly updated and distributed to all contributors.

Reporting methodology for labor-related indicators

The labor-related indicators were prepared using the obligations and recommendations of Articles L.225-102-1 and R.225-105-1 of the French Commercial Code resulting from the "Grenelle 2" decree of April 24, 2012.

Scope and consolidation

Scope

The Group has elected to include its entire worldwide scope of consolidation (134 plants, 17 research centers, 35 development centers and 15 distribution platforms, located in the 30 countries where Valeo operates), except for the Fuzhou Niles Electronic Co. joint venture. As such, all countries and Business Groups are concerned, including Valeo Service.

In 2015, reporting on labor-related aspects is aligned with the financial reporting scope.

Valeo reports its labor-related indicators for the calendar year, i.e., January 1 to December 31 of the year in question.

Changes in scope of consolidation

Data for companies newly consolidated during the current year and presented at December 31 are included where such data are available.

Sites that have been sold or shut down during the reporting year are excluded entirely from that year's data. However, their data for previous years are retained.

Consolidation rules

All data for companies that are 100% consolidated by Valeo are reported in their entirety. Data for joint ventures are included based on the Group's percentage of interest.

Source of data

Labor-related indicators are collected by the Business Groups' Human Resources Departments, and are consolidated in QlikView, Access and Excel applications by the Group's Human Resources Department.

Financial data are sent directly by the Group Finance Department.

Controls and external verification

Consistency checks on data for each site in the scope are performed by the site and the Business Group Human Resources Department. Furthermore, the consolidation application applies automatic upstream controls designed to prevent data entry and consolidation errors and also to check for consistency.

All labor-related indicators have been audited by Ernst & Young and are also subject to external verification by the Statutory Auditors.

Precise definitions of indicators included in the Excel application and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. These definitions and user guides are regularly updated and distributed to all contributors.

Reporting methodology for social indicators

The social indicators were prepared in accordance with the obligations and recommendations of Articles L.225-102-1 and R.225-105-1 of the French Commercial Code, as well as the Global Reporting Initiative (GRI).

Scope and consolidation

The Group includes in its worldwide scope of consolidation the 134 plants, 17 research centers, 35 development centers and 15 distribution platforms located in the 30 countries where Valeo operates, except for the Fuzhou Niles Electronic Co. joint venture. As such, all countries and Business Groups are concerned, including Valeo Service.

Valeo reports its social indicators for the calendar year, i.e., January 1 to December 31 of the year in question.

Source of data

Social data are collected as follows:

- data on the local “Plants’ Initiatives” which allows the Group to monitor initiatives aimed at local populations and communities, are reported through an internal questionnaire system. As all the sites addressed responded to this questionnaire, the published data covers the Group’s entire scope of consolidation. The Group overhauled the Plants’ Initiatives questionnaire in 2015 to gain a fuller picture of some of the data and initiatives taken by the sites throughout the world;
- data concerning Valeo’s purchases and suppliers were collected and analyzed jointly by the Purchasing and Sustainable Development and External Relations Departments. The sustainable development performance of the Group’s suppliers was assessed based on a survey entitled “Supplier Evaluation on Sustainable Development Practices”, with an online questionnaire to be completed by the supplier. Valeo has established a representative sample of its main suppliers, covering 60% of the total value of the Group’s production purchasing;
- data concerning fair practices and compliance were prepared with the Ethics and Compliance Department. Quantified data on training on risks related to corruption and anti-competitive practices were collected by the Human Resources network, which regularly records and analyzes training data (see details of social reporting methodology).

Specifications

Megatrends studies quoted in section 4.2.1 “Megatrends and the vehicle of tomorrow”, pages 150 to 151, refer to forecasts on future passenger behavior. These surveys are carried out by the Marketing Department with stakeholders (consumers, associations, automakers) in order to improve forecasts of social trends among users. The Group’s Research and Development teams use these results to develop technology in line with market expectations. Valeo sells its products primarily to automakers and to a lesser extent, through Valeo Service, to end consumers through the aftermarket distribution network. The Group only rarely engages in advertising or promotional campaigns for the general public.

Controls and external verification

All social indicators in the report have been audited by Ernst & Young in the form of a statement of completeness and a limited assurance report, and are also subject to external verification by the Statutory Auditors.

4.6.2 Cross-reference with national and international guidelines

GRI code	Description of the indicator	Art. 225 Grenelle 2	Chapters/Sections	Pages
STRATEGY AND ANALYSIS				
G4-1	● Statement on sustainable development and the Group's strategy by the Chief Executive Officer		4 – Interview with Jacques Aschenbroich	142
G4-2	● Main impacts, risks and opportunities		4.1 – Valeo and sustainable development: strategy, policy and organization	144
ORGANIZATIONAL PROFILE				
G4-3	● Name of the organization	-	7.1.1 – Company name and headquarters	390
G4-4	● Main brands, products and services	-	1.3 – Businesses	36
G4-5	● Headquarters	-	7.1.1 – Company name and headquarters	390
G4-6	● Countries where the organization operates and which are particularly concerned by the sustainable development issues addressed in the report	-	7.2 – Information on subsidiaries and affiliates	393
G4-7	● Ownership and legal form	-	7.1.2 – Legal structure and governing law 6.6.1 – Changes in share capital	396 379
G4-8	● Markets served (geographic breakdown, sectors served and types of customers and beneficiaries)	-	1.1.1 – Key figures in 2015 1.3 – Businesses	6 36
G4-9	● Scale of the reporting organization (number of employees, locations)	I. a) 1	1.1.1 – Key figures in 2015 1.3 – Businesses 4.4.1 – Total headcount 4.3.1 – Industrial mapping	6 36 189 165
G4-10	● Breakdown of employees by employment type, employment contract, geographic area and gender	I. a) 1	4.4.1 – Total headcount and breakdown of employees by gender, age and geographic area	189
G4-11	● Proportion of employees covered by collective bargaining agreements	I. c) 1	4.4.2 – Organization of labor relations	194
G4-12	● Description of the organization's supply chain	III. c) 2	4.1.4 – Valeo, a responsible partner 4.5.3 – Application of sustainable development principles in purchasing processes	148 223
G4-13	● Significant changes during the reporting period	-	1.2.1 – History and development of the Group 5.1.4 – Investments during the year 6.4 – Shareholders	25 259 371
G4-14	● Precautionary principle and actions in this area	II a) 4 II b) 1 II b) 2	4.3.1 – Resources devoted to the prevention of environmental risks and pollution 4.2.3 – Resources, materials and eco-design 4.3.3 – Discharges and waste 4.5.1 – Total quality and product safety	167 156 179 220
G4-15	● External charters, principles and initiatives supported	II a) 1	4 – Interview with Jacques Aschenbroich 4.4.1 – Human Resources policy	142 189
G4-16	● Membership of associations and/or advocacy organizations	II a) 1	4.1.4 – Valeo, a key driver of a sustainable automotive industry 4.5.5 – Public and regulatory policies	149 228

Legend:

General elements of information that are part of the core reporting option are in bold.

- Full indicator.
- Partial indicator.
- Indicator not applied.

GRI code	Description of the indicator	Art. 225 Grenelle 2	Chapters/Sections	Pages
RELEVANT ASPECTS AND SCOPES IDENTIFIED				
G4-17	● List of entities included in the consolidated financial statements and list of those not included in the report	-	4.6.1 – Sustainable development reporting methodology	223
G4-18	● Procedure for defining report content	-	4.1.1 – Valeo’s sustainable development policy	144
G4-19	● List of material aspects	-	4.1.1 – Sustainable development challenges at Valeo	145
G4-20	● Scope of each relevant issue inside the organization	-	4.2.1 – Valeo’s innovation policy 4.3.1 – Environmental policy 4.4.1 – Human Resources policy 4.5 – Commitment to corporate citizenship	150 165 189 220
G4-21	● Scope of each relevant issue outside the organization	-	4.2.1 – Valeo’s innovation policy 4.3.1 – Environmental policy 4.4.1 – Human Resources policy 4.5 – Commitment to corporate citizenship	150 165 189 220
G4-22	● Restatements of information provided in earlier reports	-	No restatements were made in 2015	-
G4-23	● Changes to the field of study and the scope	-	No substantial changes were observed in 2015	-
STAKEHOLDER ENGAGEMENT				
G4-24	● List of stakeholders	III. b) 1	4.1.4 – A sustainable development policy based on strong relationships with stakeholders	148
G4-25	● Criteria for the identification and selection of stakeholders	III. b) 1	4.1.4 – A multi-stakeholder approach	148
G4-26	● Stakeholder involvement	III. b) 1	4.1.4 – Types of dialog with stakeholders	148
G4-27	● Topics raised in dialog with stakeholders and how the organization has responded	III. b) 1	4.1.4 – Types of dialog with stakeholders	148
REPORT PROFILE				
G4-28	● Reporting period	-	4.6.1 – Sustainable development reporting methodology	233
G4-29	● Date of most recent previous report	-	03/27/2015	
G4-30	● Reporting cycle	-	4.6.1 – Sustainable development reporting methodology	233
G4-31	● Contact person	-	6.2 – Investor relations	370
G4-32	● “Compliance” option chosen and GRI G4 index	-	4.1.5 – Methodology 4.6.2 – Cross-reference with national and international guidelines	149 236
G4-33	● Independent verifier’s report	-	4.8 – Independent verifier’s report on consolidated social, environmental and societal information presented in the management report	248

Legend:
General elements of information that are part of the core reporting option are in bold.

- Full indicator.
- Partial indicator.
- Indicator not applied.

GRI code	Description of the indicator	Art. 225 Grenelle 2	Chapters/Sections	Pages
GOVERNANCE, COMMITMENTS AND ENGAGEMENT				
G4-34	● Governance structure	II a) 1	4.1.2 – Sustainable development governance and structure 3 – Corporate governance	146
G4-35	● Process of delegation of the powers of the highest governance body to officers and other senior executives on economic, environmental and social issues	II a) 1	1.2.2 – Operational excellence	27
G4-36	● Senior executives responsible for economic, environmental and social issues, and relationship with the Board of Directors	II a) 1	4.1.2 – Sustainable development governance and structure	146
G4-37	● Stakeholder consultation by the Board of Directors	III b) 1	7.1.10 – Shareholders' Meetings	391
G4-38	● Composition of the Board of Directors and its committees	-	3.2 – Composition of the Board of Directors, and preparation and organization of its work	80
G4-39	● Independence of the Chairman of the Board of Directors	-	3.2.1 – Composition of the Board of Directors	80
G4-40	● Process for determining the composition of the highest governing body and its specialized Committees, and the qualifications and expertise of its members	-	3.2.1 – Composition of the Board of Directors 3.2.2 – Preparation and organization of the Board of Directors' work	80 97
G4-41	● Process established by the Board of Directors to prevent and manage conflicts of interest; disclosure of conflicts of interest to stakeholders	-	3.2.3 – Declarations concerning the Group's corporate officers	109
G4-42	● Role of the Board of Directors and senior management in the development, approval and review of the tasks, values or mission statements, strategies, organizational policies and objectives relating to economic, environmental and social impacts	II a) 1	-	-
G4-43	● Measures taken to develop and improve the collective knowledge of the Board of Directors on economic, environmental and social issues	-	-	-
G4-44	● Evaluation of the Board of Directors on economic, environmental and social issues	-	4.1.2 – Review of the sustainable development policy by the Appointment, Compensation & Governance Committee	146
G4-45	● Role of the Board in the identification and management of economic, environmental and social impacts, risks and opportunities	II a) 1	3.2.2 – Preparation and organization of the Board of Directors' work	97
G4-46	● Role of the Board of Directors in reviewing the effectiveness of the organization's risk management processes in respect of economic, environmental and social issues	II a) 1	3.2.2 – Preparation and organization of the Board of Directors' work	97
G4-47	● Frequency of reviews of economic, environmental and social impacts, risks and opportunities by the Board of Directors	II a) 1	3.2.2 – Preparation and organization of the Board of Directors' work	97
G4-48	● Committee or highest-level position officially reviewing and approving the sustainable development report	II a) 1	4 – The sustainable development report is an integral part of the Management Report, reviewed and approved by the Board of Directors	-
G4-49	● Process for informing the Board of Directors of major complaints	III b) 1	7.1.10 – Shareholders' Meetings	391

*Legend:**General elements of information that are part of the core reporting option are in bold.*

- Full indicator.
- Partial indicator.
- Indicator not applied.

GRI code	Description of the indicator	Art. 225 Grenelle 2	Chapters/Sections	Pages
G4-50	○ Nature and total number of major complaints of which the Board of Directors was informed and the mechanism used to address and resolve them	-	-	-
G4-51	● Compensation policy of the members of the Board of Directors and senior executives; relationship between compensation and performance (including labor-related and environmental performance)	I. a) 3	3.3 – Compensation of executive corporate officers	117
G4-52	● Process of determining compensation and participation in compensation committees	-	3.3 – Compensation of executive corporate officers 3.2.2 – Preparation and organization of the Board of Directors' work	177 97
G4-53	● Method used to call on and take into account the views of stakeholders on compensation	III b) 1	7.1.10 – Shareholders' Meetings	391
G4-54	○ Ratio of the total annual compensation of the best-paid person in the organization to the total median annual compensation	I. a) 3	-	-
G4-55	○ Ratio of the percentage increase of the total annual compensation of the best-paid person in the organization to the percentage increase in the total median annual compensation	I. a) 3	-	-

INNOVATION

Material aspect: autonomous and connected vehicle and low-carbon mobility solutions

G4-DMA	● Managerial approach	II c) 3 II d) 1 II d) 2	4.2.2 – Solutions that contribute to CO ₂ emissions reduction and to autonomous and intuitive driving	154
G4-EN7	● Reduction in the energy needs of products and services	II c) 3	4.2.2 – Summary of the main innovations and their impacts	154

Material aspect: resources, materials and eco-design

G4-DMA	● Managerial approach	II b) 2 II c) 2	4.2.3 – Resources, materials and eco-design	159
G4-EN2	● Percentage of materials used that are recycled input materials (packaging only)	II c) 2	4.2.3 – Resources, materials and eco-design	159
G4-EN27	● Scope of initiatives to mitigate environmental impacts of products and services	II b) 2 II c) 2	4.2.3 – Consumption of raw materials 4.2.3 – Consumption of chemicals 4.2.3 – Percentage of materials used that are recycled input materials	159 159 159
G4-EN28	● Percentage of products sold and their packaging materials that are reclaimed by category	II b) 2 II c) 2	4.2.3 – Quantity of packaging materials recovered and reused internally	159

Material aspect: partnership approach to Research and Development

G4-DMA	● Managerial approach	III b) 2	4.2.4 – A partnership approach to Research and Development	159
G4-EC8	● Significant indirect economic impacts, including extent of impacts	III b) 2	4.2.4 – Valeo, an actor in the governance of institutional collaborative organizations 4.2.4 – Multifaceted academic partnerships	160 161

Legend:

General elements of information that are part of the core reporting option are in bold.

- Full indicator.
- Partial indicator.
- Indicator not applied.

GRI code	Description of the indicator	Art. 225 Grenelle 2	Chapters/Sections	Pages
ENVIRONMENTAL ECO-EFFICIENCY				
Material aspect: energy and greenhouse gas emissions				
G4-DMA	● Managerial approach	II c) 3.1 II c) 3.2	4.3.1 – Valeo’s environmental management organization 4.3.1 – ISO 5001 certification 4.3.2 – Reducing energy consumption 4.3.2 – Reducing greenhouse gas emissions	165 170 174 176
G4-EN3	● Direct energy consumption by primary energy source	II c) 3.1	4.3.2 – Total energy consumption by energy source and by geographic area	175
G4-EN4	● Indirect energy consumption by primary energy source	II c) 3.1	4.3.2 – Total Indirect energy consumption	175
G4-EN5	● Energy intensity	II c) 3.1	4.3.2 – Energy intensity in MWh/€m	174
G4-EN6	● Reduction in energy consumption	II c) 3.2	4.3.2 – Reduction of energy intensity	174
G4-EN15	● Direct greenhouse gas emissions (Scope 1)	II d) 1	4.3.2 – Scope 1 greenhouse gas emissions	177
G4-EN16	● Energy-related indirect greenhouse gas emissions (Scope 2)	II d) 1	4.3.2 – Scope 2 greenhouse gas emissions	177
G4-EN17	● Other indirect greenhouse gas emissions (Scope 3)	II d) 1	4.3.2 – Scope 3 greenhouse gas emissions	178
G4-EN18	● Intensity of greenhouse gas emissions	II d) 1	4.3.2 – Greenhouse gas emissions per million euros of sales	177
G4-EN19	● Reduction of greenhouse gas emissions	II d) 1	4.3.2 – The Group’s carbon footprint	178
Material aspect: waste and discharges				
G4-DMA	● Managerial approach	II.b) 1	4.3.3 – Discharges and waste 4.3.3 – Prevention of air emissions – Approach 4.3.3 – Prevention of discharges into the soil – Approach 4.3.3 – Discharges and waste – Approach	179 180 181
G4-EN20	● Emissions of ozone-depleting substances (ODS)	II.b) 1	4.3.3 – CFC and HCFC emissions	180
G4-EN21	● Emissions of nitrogen oxides (NO _x) and sulfur oxides (SO _x) and other significant air emissions	II.b) 1	4.3.3 – Atmospheric emissions of VOCs 4.3.3 – Atmospheric emissions of NO _x	179 180
G4-EN22	● Total water discharge by quality and destination	II.b) 1	4.3.5 – Total water discharge by sites	186
G4-EN23	● Total weight of waste by type and disposal method	II.b) 2	4.3.3 – Total quantities of waste generated, characteristics of waste and percentage of waste recycled	179
G4-EN24	● Total number and volume of significant spills	II.b) 1	4.3.3 – Prevention of discharges into the soil – Performance	181
G4-EN25	● Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention	II.b) 2	4.3.3 – Amount of hazardous waste generated, amount of recovered waste and waste exported	181
Material aspect: transportation and logistics				
G4-DMA	● Managerial approach	II.c) 3 II.d) 1	4.3.4 – Transportation and Logistics – Approach 4.3.4 – Packaging – Approach	183 185
G4-EN30	● Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce	II.c) 3 II.d) 1	4.3.3 – Greenhouse gas emissions related to logistics 4.3.3 – Greenhouse gas emissions related to business travel	183 183

Legend:

General elements of information that are part of the core reporting option are in bold.

- Full indicator.
- Partial indicator.
- Indicator not applied.

GRI code	Description of the indicator	Art. 225 Grenelle 2	Chapters/Sections	Pages
G4-EN1	● Consumption of raw materials (packaging only)	II c) 2	4.3.4 – Total consumption of packaging materials and breakdown by type of packaging	185
Material aspect: water				
G4-DMA	● Managerial approach	II c) 1	4.3.5 – Water	186
G4-EN8	● Total water withdrawal by source	II c) 1	4.3.5 – Total water consumption, by use, by geographic area and by source	186
G4-EN9	● Water sources significantly affected by withdrawal of water	II c) 1	4.3.5 – Water restrictions	186
G4-EN10	● Percentage and total volume of water recycled and reused	II c) 1	4.3.5 – Water reuse	187
Material aspect: biodiversity				
G4-DMA	● Managerial approach	II e) 1	4.3.6 – Biodiversity	188
G4-EN11	● Operational sites owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	II e) 1 II c) 4	4.3.6 – Sites located in or near protected areas	188
G4-EN12	○ Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	II e) 1	Not disclosed	
G4-EN13	● Habitats protected or restored	II e) 1	4.3.6 – Biodiversity	188
G4-EN14	○ Total number of threatened species on the IUCN global red list and its national equivalent and whose habitats are in areas affected by operations, by level of extinction risk	II e) 1	Not disclosed	

EMPLOYEES

Material aspect: health, safety and working conditions

G4-DMA	● Managerial approach	I. d) 1	4.4.2 – Occupational accidents and occupational illnesses 4.4.2 – Organization of working time 4.4.2 – Well-Being at Work	194 196 198
G4-LA5	● Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	I. d) 1	4.4.2 – Organization of social dialog – Percentage of sites that have formal employee representation bodies	194
G4-LA6	● Rates and types of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by geographic area and by gender	I. d) 3	4.4.2 – Frequency rate of accidents with and without lost time for the Group and for France 4.4.2 – Absenteeism rate for the Group and by geographic area 4.4.2 – Breakdown of absences by reason (including occupational diseases) and by geographic area	197 197 197
G4-LA7	● Employees exposed directly and frequently to illnesses related to their activity	I. d) 3	4.4.2 – Breakdown of absences due to occupational diseases by geographic area	197
G4-LA8	● Health and safety topics covered in formal agreements with trade unions	I. d) 2	4.4.2 – Number of health and safety agreements signed	201
Material aspect: commitment of teams				
G4-DMA	● Managerial approach	-	4.4.3 – Commitment of teams	203
-	● Response rate to the Employee Feedback Survey	-	4.4.3 – Commitment of teams	203

Legend:

General elements of information that are part of the core reporting option are in bold.

- Full indicator.
- Partial indicator.
- Indicator not applied.

GRI code	Description of the indicator	Art. 225 Grenelle 2	Chapters/Sections	Pages
Material aspect: attractiveness and talent development				
G4-DMA	● Managerial approach	I. e) 1	4.4.4 – Compensation 4.4.4 – Employer brand 4.4.4 – Training	204 206 207
G4-LA9	● Average number of training hours per year, broken down by employee, by gender and by professional category	I. e) 2	4.4.4 – Number of training hours provided 4.4.4 – Average hours of training per year per socio-professional category	207 207
G4-LA10	● Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	I. e) 1	4.4.4 – Skills development	210
Material aspect: diversity				
G4-DMA	● Managerial approach	I. f) 1 I. f) 2 I. f) 3	4.4.5 – Diversity 4.4.5 – Disability diversity 4.4.5 – Generational diversity 4.4.5 – Cultural and social diversity	213 215 217 219
G4-LA12	● Composition of governance bodies and breakdown of employees by professional category, by gender, by age group and other diversity indicators	I. f) 1 I. f) 2 I. a) 1	4.4.5 – Percentage of women on the Board and the Operations Committee 4.4.5 – Breakdown of women by socio-professional category 4.4.5 – Breakdown of women by geographic area 4.4.5 – Proportion of women among new hires on permanent contracts over three years 4.5.5 – Proportion of employees with disabilities in the world and in France 4.4.1 – Breakdown of registered headcount by gender	213 214 214 214 216 216
COMMITMENT TO CORPORATE CITIZENSHIP				
Material aspect: total quality and product safety				
G4-DMA	● Managerial approach	III d) 2	4.5.1 – Total quality and product safety	220
G4-PR1	● Percentage of important categories of goods and services for which health and safety impacts are assessed for improvement	III d) 2	4.5.1 – Product quality and safety approach	220
Material aspect: purchasing and sustainable development				
G4-DMA	● Managerial approach	III c) 1 III c) 2	4.5.3 – Application of sustainable development principles in purchasing processes	223
G4-EN32	● Percentage of new suppliers audited using environmental criteria	III c) 2	4.5.3 – Assessment of the sustainable development practices of suppliers and share of key suppliers evaluated	226
G4-LA14	● Percentage of new suppliers audited using criteria relating to employment practices	III c) 2	4.5.3 – Assessment of the sustainable development practices of suppliers and share of key suppliers evaluated	226
G4-S09	● Percentage of new suppliers audited using criteria relating to social impacts	III c) 2	4.5.3 – Assessment of the sustainable development practices of suppliers and share of key suppliers evaluated	226

Legend:

General elements of information that are part of the core reporting option are in bold.

- Full indicator.
- Partial indicator.
- Indicator not applied.

GRI code	Description of the indicator	Art. 225 Grenelle 2	Chapters/Sections	Pages
G4-HR10	● Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	III c) 2	4.5.3 – Becoming a Valeo supplier	226
G4-EC9	● Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	III c) 2	4.5.3 – Breakdown of purchases by area of origin and consumption area	223
Material aspect: ethics and compliance				
G4-DMA	● Managerial approach	III d) 1	4.5.2 – Ethics and compliance	221
G4-56	● Codes of conduct and ethics	III d) 1	4.5.2 – Ethics and compliance	221
G4-57	● Advisory mechanisms (ethical and law-abiding behavior)	III d) 1	4.5.2 – Practical, accessible education	222
G4-58	● Alert mechanisms (unethical and illegal behavior)	III d) 1	4.5.2 – The Valeo alert line: detection, prevention and alert	222
G4-S04	● Communication and training on policies and procedures in the fight against corruption	III d) 1	4.5.2 – A program combating corruption and anti-competitive practices	221
Material aspect: availability of replacement products				
G4-DMA	● Managerial approach	II a) 1 II b) 2	4.5.4 – Valeo, a participant in the remanufacturing market	228
G4-EN27	● Scope of initiatives to mitigate environmental impacts of products and services	II b) 2	4.5.4 – Valeo, a participant in the remanufacturing market	228
Material aspect: local integration				
G4-DMA	● Managerial approach	III a) 1 III a) 2	4.5.6 – Local management	229
G4-S01	● Percentage of sites that have established participation of local communities, impact assessments and development programs	III a) 2	4.5.6 – Commitment of sites and employees in favor of local community operations 4.5.5 – Proportion of sites that held an open day	230
G4-EC6	● Proportion of senior management hired from the local community on the main operation sites	III a) 1	4.5.6 – Proportion of sites whose manager was from the local country by geographic area	232

Legend:

General elements of information that are part of the core reporting option are in bold.

- Full indicator.
- Partial indicator.
- Indicator not applied.

4.7 Summary of Valeo's Research and Development and CSR performance

4.7.1 Summary of the Research and Development organization

The indicators shown below are not exhaustive.

	Unit	2013	2014	2015
Key Research and Development indicators				
Research and development expenditure, net (as a % of sales)		5.3% ⁽¹⁾	5.4%	5.5%
Research and Development headcount		9,200 ⁽¹⁾	10,400	11,620
Number of customer projects managed		2,200	2,300	2,500
Number of collaborative projects		>60	>50	>50
Number of patents filed		786	1,108	1,406
Proportion of innovation in the order intake		30%	35%	37%
Resources and eco-design indicators				
Consumption of heavy metals	metric tons	16.6	15.35	11.75
Consumption of heavy metals/Sales	kg/€m	1.4	1.22	0.84
Consumption of chlorinated solvents	metric tons	261	240.5	205.7
Consumption of chlorinated solvents/Sales	kg/€m	22.2	19.25	14.63
Consumption of CMR substances ⁽¹⁾	metric tons	265	168.1	361.6
Consumption of CMR substances/Sales	kg/€m	23.5	19.4	25.7
Consumption of recycled plastics	thousands of metric tons	9.8	9.6	9.5

(1) 2013 data have been restated to reflect the impact of IFRS 11 on the scope of consolidation.

4.7.2 Summary of environmental performance

The indicators are presented in the order that they appear in section 4.3.

	Unit	2012	2013	2014	2015
Scope⁽¹⁾					
Total sales across all sites in reporting scope	€m	11,626	11,779	12,492	14,056
Number of sites in reporting scope	-	126	122	118	117
General policy on environmental issues					
Number of sites able to obtain ISO 14001 and OHSAS 18001 certification ⁽¹⁾	-	121	116	128	122
ISO 14001-certified sites	%	96	94	95	98
ISO 50001-certified sites	%	-	2	5	8
OHSAS 18001-certified sites	%	88	88	90	94
Functional expenditure allocated to environment	€k	13,911	11,853	19,367	21,957
Capital expenditure allocated to environment, excluding cleanup costs	€k	1,884	4,343	2,613	2,995
Cleanup costs, sites in operation	€k	447	3,171	4,615	3,191
Total provisions allocated to environmental risks	€m	20	17	16.2	13.5
Number of fines and compensation awards	-	2	5	5	2
Amount of fines and compensation awards	€k	3	38	14	6
Number of environmental complaints	-	5	4	4	19
Reduce energy consumption and greenhouse gas emissions					
Total energy consumption	GWh	1,841	1,862	1,946	2,005
Proportion of electricity	%	70	70.8	74.9	74.9
Proportion of natural gas	%	27	27.0	23.3	23.2
Proportion of fuel oil	%	2	1.5	1.2	1.1
Proportion of other energy sources	%	1	0.7	0.6	0.8
Total energy consumption/Sales	MWh/€m	158	158	156	143
Direct energy consumption/Sales	MWh/€m	46	45	38	35
Indirect energy consumption/Sales	MWh/€m	112	113	118	108
Energy efficiency: expected gain	MWh	23,582	26,308	35,699	41,894
Direct greenhouse gas (GHG) emissions ⁽¹⁾	thousands of metric tons CO ₂	153.2	168.4	164.7	141.8
Indirect GHG emissions	thousands of metric tons CO ₂	506.4	534.1	627.7	663.8
Other relevant indirect GHG emissions	thousands of metric tons CO ₂	4,738	4,975	5,489	5,990
Discharges and waste					
Atmospheric NO _x emissions	metric tons	134	132	119	121
Atmospheric NO _x emissions/Sales	kg/€m	11.5	11.2	9.5	8.6
Atmospheric VOC emissions ⁽¹⁾	metric tons	1,360	1,369	1,444	1,590
Atmospheric VOC emissions/Sales	kg/€m	119	125	119	117
Atmospheric TCE emissions	metric tons	249	19.4	11.9	22.5
Atmospheric TCE emissions/Sales	kg/€m	21.5	1.6	0.95	1.6
Atmospheric lead emissions	kg	6	9.5	17	16

(1) See Sustainable Development Glossary, page 407.

Data may vary slightly with the rate of site response on specific indicators (see section 4.3.3 "Atmospheric emissions of VOCs", page 179).

4 SUSTAINABLE DEVELOPMENT

Summary of Valeo's Research and Development and CSR performance

	Unit	2012	2013	2014	2015
Atmospheric lead emissions/Sales	g/€m	0.5	0.8	1.36	1.14
Emissions of ozone-depleting substances	kg eq. CFC-11	478	567	632	608
Volume of industrial effluents treated	thousand cubic meters	604	807	816	724
Heavy metal content in these effluents	kg	55	269	253	24
Number of significant spills	-	0	1	1	0
Total waste generated	thousands of metric tons	197.3	199.9	213.7	231.0
Of which hazardous waste	%	12	10	9	9
Of which non-hazardous waste	%	88	90	91	91
Total waste generated/Sales	metric t/€m	17	17	17.1	16.4
Waste recovery rate	%	79	75	86	90
Total waste exported	metric tons	748	319	803	1,596
Ratio of total waste exported/Total waste generated	%	0.4	0.2	0.4	0.7
Transportation and Logistics					
Packaging materials consumption	thousands of metric tons	71.4	77.6	78.6	78.8
Proportion of plastic packaging	%	8	8	9.4	8.8
Proportion of cardboard packaging	%	63	63	57.7	63.4
Proportion of wood packaging	%	28	27	29.3	26.0
Proportion of other types of packaging	%	1	2	3.6	1.8
Packaging materials consumption/Sales	metric t/€m	6.1	6.6	6.3	5.6
Water					
Total water consumption	thousand cubic meters	2,502	2,484	2,731	2,784
Total water consumption/Sales	cu.m/€m	215	211	219	198

(1) See Sustainable Development Glossary, page 407.

Data may vary slightly with the rate of site response on specific indicators (see section 4.3.3 "Atmospheric emissions of VOCs", page 179).

4.7.3 Summary of labor-related indicators

The indicators shown below taken from the labor-related reporting are not exhaustive.

	2013	2014	2015
Valeo Group headcount			
Engineers and managers	16,831	18,458	20,410
Administrative staff, technicians and supervisors	9,436	10,189	10,141
Operators	40,548	42,518	43,956
Registered headcount	66,815	71,165	74,507
Temporary staff	7,368	7,254	8,293
TOTAL HEADCOUNT	74,183	78,419	82,800
Permanent staff	52,655	56,208	59,884
Non-permanent staff	21,258	22,211	22,916
Number of new hires on permanent contracts	8,278	7,125	9,175
Engineers and managers	2,252	3,127	3,855
Administrative staff, technicians and supervisors	856	896	684
Operators	5,170	3,102	4,636
Number of new hires on fixed-term contracts	9,233⁽²⁾	10,770	10,937
Engineers and managers	814	397	298
Administrative staff, technicians and supervisors	341	1,224	755
Operators	8,078	9,149	9,884
Departures			
Dismissals	2,697	4,006	4,766
of which layoffs	375	623	917
Resignations	4,498	4,668	5,440
Early retirement	52	80	57
Retirement	404	434	495
Number of part-time employees	1,170	1,209	1,196
Rate of absenteeism	2.06%	2.14%	2.12%
Breakdown of women by socio-professional category (%)			
Engineers and managers	21.2%	21.6%	21.8%
Administrative staff, technicians and supervisors	24.1%	26.3%	25.6%
Operators	38.7%	38.9%	39.7%
Number of lost-time occupational accidents per million hours worked, Group (FR1)	2.21	2.60	2.35
Number of occupational accidents, with or without lost time, per million hours worked, Group (FR2)	13.53	13.00	11.50
Number of days lost owing to an occupational accident per thousand hours worked, Group (severity rate)	0.07	0.08	0.07
Percentage of training hours devoted to safety	13%	15%	26%
Percentage of employees attending at least one training session devoted to safety	41%	48%	53%
Number of training hours provided	1,304,090	1,382,154	1,484,824
Expenditure on training (in millions of euros)	25.1	27.9	24.9
Number of employees trained	59,992	65,603	72,591
Number of employees with disabilities	991	1,077	1,114
Number of interns	1,403	1,321	1,490
Number of apprentices	935	867	892
Number of international corporate volunteers	126	133	130

4.8 Independent verifier's report on consolidated social, environmental and societal information presented in the management report

Year ended December 31, 2015

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our quality as an independent verifier accredited by the COFRAC⁽¹⁾, under the number 3-1050, and as a member of the network of one of the statutory auditors of the company Valeo, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31st 2015, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the company (hereafter referred to as the "Criteria"), and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria;

Our verification work was undertaken by a team of five people between September 2015 and February 2016 for an estimated duration of five weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, in accordance with the international standard ISAE 3000⁽²⁾.

1. Attestation of presence of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code (*Code de commerce*).

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial Code (*Code de commerce*).

Based on this work, we confirm the presence in the management report of the required CSR information.

⁽¹⁾ Accreditation details are visible on www.cofrac.fr

⁽²⁾ ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook interviews with the people responsible for the preparation of the CSR Information in the different departments (Group Risk Insurance Environment, Industrial relations, Public affairs and sustainability), in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important⁽¹⁾:

- at the level of the consolidated entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of sites that we selected⁽²⁾, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented on average 12% of the total workforce and between 19% and 25% of the quantitative environmental information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- For social informations, the reporting timeline limits internal control deployment. Work performed allowed to contain identified risks.

French original signed by:

Paris-La Défense, February 18th 2016

Independent Verifier
ERNST & YOUNG et Associés

Éric Mugnier
Sustainable Development Partner

Bruno Perrin
Partner

(1) **Quantitative environmental information (indicators):** number of ISO 14 001 certified sites, hazardous and non-hazardous wastes production in tons, valorisation rate, electric and thermal energy consumed in MWh, direct and indirect greenhouse gases emissions in tons, volatile organic compounds emissions in tons, and packaging material consumption in tons.

Qualitative Environmental and societal information: approaches to evaluation and certification, preventative measures, recycling and waste management, energy consumption, measures undertaken to improve energy efficiency and to promote the use of renewable energy, raw material consumption and measures undertaken to enhance resource efficiency; importance of subcontracting and the consideration of environmental and social issues in purchasing policies and relations with suppliers and subcontractors.

Quantitative social information (indicators): total headcount and breakdown, hiring and terminations, remunerations and their evolution, number of absence hours and absenteeism rate, frequency and severity rate of work accidents, total number of training hours.

Social information: employment, absenteeism, work accidents, training policies.

(2) THS Rayong (Thailand), PTS Daegu (Korea), THS Greensburg (United States), VIS Martos (Spain), PTS Limoges (France), social informations for CDA Veszprem (Hungary), VIS Foshan (China), THS San Luis Potosi (Mexico), PTS San Luis Potosi (Mexico).

