



Sustainable Development

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INTERVIEW WITH JACQUES ASCHENBROICH



ON FEBRUARY 4, 2021, WE PUBLISHED OUR CARBON NEUTRALITY PLAN COVERING SCOPES 1, 2 AND 3 TO ACHIEVE CARBON NEUTRALITY BY 2050, AND A 45% REDUCTION IN OUR EMISSIONS BY 2030 COMPARED WITH 2019. FROM THIS YEAR, VALEO WILL WORK INTENSIVELY TO ROLL OUT ITS CARBON REDUCTION AMBITION AT ALL OF ITS SITES.

JACQUES ASCHENBROICH

Jacques Aschenbroich
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

After more than 11 years at the helm, what do you make of Valeo's sustainable development efforts?

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

Over the past 11 years, we have structured our product portfolio and strategic positioning to meet the major challenges of mobility – safer, low-carbon mobility. We anticipated the major transformations in our sector as early as 2009, realizing that reducing emissions would be a driver of growth. We went on to develop a comprehensive range of low- and high-voltage electrification technology for electrified vehicles, and the thermal management solutions that go with it. The recent surge in electrification backs up our strategic positioning, which has won the approval of our customers. In 2020, innovations accounted for 56% of order intake (including Valeo Siemens eAutomotive), and products that directly or indirectly contribute to cleaner and safer mobility accounted for 94% of original equipment sales.

As we have adapted our business model to these transformations in sustainable mobility, we have structured our sustainable development action step by step around transparency, non-financial risk management and the implementation of our employee, environmental and corporate citizenship policies.

This constant work, which is our driving force, has made Valeo one of the best automotive suppliers in terms of non-financial performance. In 2020, Valeo received the highest rating among its automotive supplier peers from non-financial rating agencies MSCI (AAA) and Sustainalytics, as well as from SAM and ISS-oekom (excluding tire manufacturers). The Group also maintained its leadership position in the Dow Jones Sustainability (DJSI) World index for the fifth year in a row.

Valeo once again ranked as the leading player in the automotive industry for 2020 in the Corporate Knights annual global ranking of the 100 most sustainable corporations, published in conjunction with the World Economic Forum in January 2021.

This work is in keeping with our adherence to the ten principles of the United Nations Global Compact since 2005. Our support for this initiative remains whole, and we have now also formalized our contribution to the United Nations Sustainable Development Goals.

How is the Group's sustainable development policy structured?

J.A. At Valeo, sustainable development is built on four key axes: innovation, environmental eco-efficiency, employees and commitment to corporate citizenship. It pervades all the areas where the Group interacts with stakeholders, both internally and outside the Group.

When I took over at Valeo, I wanted to give the Group a function and a department dedicated to sustainable development. Its role within the Group is to define the sustainable development policy and coordinate its implementation. Outside the Group, it is tasked with liaising with external stakeholders, be they our customers, our shareholders or analysts monitoring our performance in this area, all of which are becoming increasingly discerning. Other Group departments, including Research and Development, Risk Insurance, Health, Safety and Environment, Ethics and Compliance, Human Resources and Purchasing, Quality and Industrial also contribute directly to sustainable development in their respective fields, and have developed their own tools for taking action and assessing performance.

Since 2017, the Governance, Appointments & Corporate Social Responsibility Committee of the Valeo Board of Directors has carried out an annual assessment of the year's sustainable development policies and outcomes, based on a performance review with the operational directors leading the relevant initiatives. In addition, since 2020 a director, Ulrike Steinhart, has been responsible for monitoring CSR issues within the committee.

Our sustainable development policy also reflects our desire to assess and satisfy the demands of our employees, customers, suppliers and shareholders, as well as national and international regulators and supervisory bodies.

What were the highlights of 2020?

J.A. For 2020, I set three priorities: health and safety at work, gender diversity and reduction of our carbon footprint. The Covid-19 crisis emphasized the importance of these three pillars.

2020 was characterized by tireless work to ensure the health and safety of our employees, and significant efforts to develop an appropriate and quantifiable commitment to carbon neutrality by 2050, which we unveiled publicly on February 4, 2021.

In managing the Covid-19 health crisis, the Group's first priority was to ensure the health and safety of its employees in the workplace in order to maintain production as much as possible. With this in mind, highly stringent protocols were adopted, ahead of the nationwide protocols and partial lockdown measures implemented in many of the countries where the Group operates. From the earliest phases of the pandemic, we implemented strict, regularly audited measures, including requiring employees to wear a mask in all areas and under all circumstances at all our plants (anticipating local obligations by several months in some countries), enabling employees for whom it was an option to work from home, adapting workstations to comply with social distancing protocols (for positions requiring physical presence) and rotating teams.

These measures enabled all of Valeo's 187 sites to resume operations in 2020, and none have had to close again since then.

In addition, Valeo took part in many solidarity initiatives, such as donating masks. It also provided support for medical efforts, most importantly by contributing to the creation of a consortium of industrial groups in France alongside PSA and Schneider Electric, which enabled Air Liquide to produce 10,000 ventilators in three months. Valeo contributed its expertise in electronics, supplied critical components and facilitated the swift launch of new production lines. The consortium was able to deliver the 10,000 ventilators in France and several other European countries on schedule.

Our work in 2020 to reduce our carbon footprint involved building a Carbon Neutrality Plan for 2050 across Scopes 1, 2 and 3⁽¹⁾, published on February 4, 2021, with the interim target of a 45% reduction by 2030 compared with 2019. The plan covers our entire value chain, including emissions from our suppliers, our own operating activities and the end use of our products⁽²⁾. Valeo's 2030 commitment should be validated by the Science-Based Targets initiative (SBTi) in the first half of 2021. We plan to report on our progress toward our CO₂ emissions objectives annually. To embed this commitment in the day-to-day and operational reality of our activities, I wanted these objectives to be integrated into the variable compensation of the Group's 1,500 key managers.

We have revised our annualized targets for reducing our greenhouse gas emissions to include the emissions from the end use of our products, so as to be aligned with our commitment for 2030. In 2020, Valeo reduced its emissions by 9 MtCO₂eq. compared with 2019, i.e., a decrease of nearly 20%. These important outcomes should be seen in the light of the year we have just been through, marked by the contraction of our industrial activity and the automotive market in the first half of 2020.

What are the challenges for the coming years?

J.A. 2021 will be a year of unrelenting vigilance with regard to changes in the health situation and adaptation of our protocols to ensure the safety of all our employees.

Starting this year, Valeo is committed to carrying out considerable work to roll out its carbon reduction target at all of its sites worldwide, both in terms of production and its product portfolio (Scopes 1, 2 and 3, upstream and downstream). To meet customer and regulatory requirements, Valeo will continue to work with its suppliers on the CO₂ emissions reductions to be delivered each year by helping them undertake their own reduction programs in line with the Group's aims (Scope 3 upstream).

Moreover, Valeo is keen to play its part in fostering the commitment of its ecosystem in favor of sustainable development, and can act as a structuring partner in its host countries in that regard, by adding to local Research and Development efforts, by forging partnerships with local players and through open innovation.

The Covid-19 crisis backs up Valeo's strategic choices, both through a tremendous acceleration in electrification and the emergence of new forms of mobility tied to smart cities. This will reinforce transitions to a diverse range of mobility for people and goods, moving towards greater safety, digitalization and connectivity.

March 31, 2021

(1) See sustainable development glossary, page 295.

(2) See section 4.1.3 "Valeo's Carbon Neutrality Plan", page 206.

4.1 VALEO AND SUSTAINABLE DEVELOPMENT: GOVERNANCE, CHALLENGES AND POLICIES

Valeo publishes its non-financial information statement in its Universal Registration Document, and also presents the key points relating to its commitment to the circular economy (see boxed text “Valeo’s commitment to the circular economy”, page 262), in accordance with the applicable European and French frameworks⁽¹⁾. For the transparency and clarity of the non-financial information published

annually, Valeo has opted to keep an overview of its sustainable development policy in its 2020 Universal Registration Document.

Valeo also reports on the progress of its duty of care plan (see section 4.4 of this chapter, pages 253 to 256), in accordance with French legal requirements⁽²⁾.

4.1.1 Sustainable development governance

Sustainable development organization

Sustainable development policy spans all of the Group’s functions and networks and is designed to dovetail with Valeo’s business objectives and policies.

The Sustainable Development and External Affairs Department lays down policies and plays the role of pilot and coordinator for the Group’s various departments. It ensures the appropriate level of interface between the Group and external stakeholders in order to satisfy their growing requirements. The Human Resources, Health, Safety and Environment (HSE), Ethics and Compliance, Risk and Insurance and Research and Development departments and the Operational departments (Purchasing, Quality and Industrial) all contribute to Valeo’s sustainable development policy.

To support the management of risks related to sustainable development challenges (known as non-financial risks), the Sustainable Development Department performs dedicated mapping and reviews it annually, in conjunction with the Risk Management Department (see section 4.1.2 “Sustainable development challenges and non-financial risks”, page 201).

Since 2020, the Sustainable Development Department has also been in charge of the governance structure established for the launch, implementation and monitoring of Valeo’s Carbon Neutrality Plan for 2050. This steering committee brings together all the aforementioned departments and networks under the supervision of the Chairman and Chief Executive Officer and the Associate Chief Executive Officer. Its aim is to set annual objectives for the various contributing networks and to oversee the implementation of the Carbon Neutrality Plan.

A committee of the Board of Directors in charge of corporate social responsibility

The Governance, Appointments & Corporate Social Responsibility Committee has been given the following responsibilities in particular:

- reviewing the main thrusts of the Company and Group’s corporate social responsibility policy;
- identifying corporate social responsibility objectives and challenges;
- verifying the achievement of previously defined objectives;
- overseeing the gradual and increasing implementation of the corporate social responsibility policy, and assessing the Group’s contribution to sustainable development;
- in conjunction with the Audit & Risks Committee, gaining an understanding of the risks and issues involved in corporate social responsibility, and obtaining information about the resources the Group can call on to pursue its strategy in this area.

The Governance, Appointments & Corporate Social Responsibility Committee also examined the Group’s CSR and safety policy, as well as the non-discrimination and diversity policy. In this context, Ulrike Steinhorst was appointed to take charge of CSR matters on October 27, 2020.

The committee holds discussions with the Group Vice-President, Sustainable Development and External Affairs and the Group Senior Vice-President, Human Resources.

(1) Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations.

(2) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.

These discussions are an opportunity to:

- validate the main lines of action regarding:
 - product life cycle management and consideration of eco-responsible products obtained thanks to an eco-efficient industrial footprint,
 - health and safety at work, development of human capital, labor relations and corporate social responsibility, development of a healthy work environment, ethics, diversity and respect for individual and collective rights;
- review achievements during the year relating to:
 - selection and monitoring of non-financial risks,
 - the Group's response to customer demands concerning sustainable development,
 - the deployment of sustainable development principles in the purchasing policy,
 - prevention initiatives in the fight against fraud and corruption, and the establishment and roll out of the Whistleblowing System,

- integration and solidarity initiatives with the communities of the cities and regions where Valeo operates,
- Valeo's sustainable development practices and performance assessments by non-financial analysis agencies;
- assess the short- and medium-term priority actions on all of the issues reviewed.

For 2020, due to the particular health situation, these discussions were deferred until 2021 and replaced by a session dedicated to Valeo's Carbon Neutrality Plan at the Board of Directors' strategy seminar on November 11, 2020.

The corporate social responsibility and sustainable development objectives and performance indicators are summarized in the performance charts provided in section 4.2 "Non-financial performance objectives and indicators", page 219.

4.1.2 Sustainable development challenges and non-financial risks

In 2016, Valeo formalized a materiality analysis for the first time, allowing it to identify its main sustainable development challenges and to strengthen its action with its stakeholders (see section 4.5.1 "A commitment to sustainable development based on strong relationships with stakeholders", pages 256 to 258).

Additionally, in compliance with the French and European legal framework, Valeo mapped out its non-financial risks in 2018. This mapping is subject to an annual review and now serves to support the management of sustainable development policies. It allows priority actions to be targeted.

Materiality matrix plotting the Group's sustainable development challenges

The materiality analysis serves to compare Valeo's internal ambitions in respect of sustainable development with its stakeholders' expectations. The analysis is based on:

- a series of interviews with Valeo's various departments (Industrial, Purchasing, Health, Safety and Environment (HSE), Research

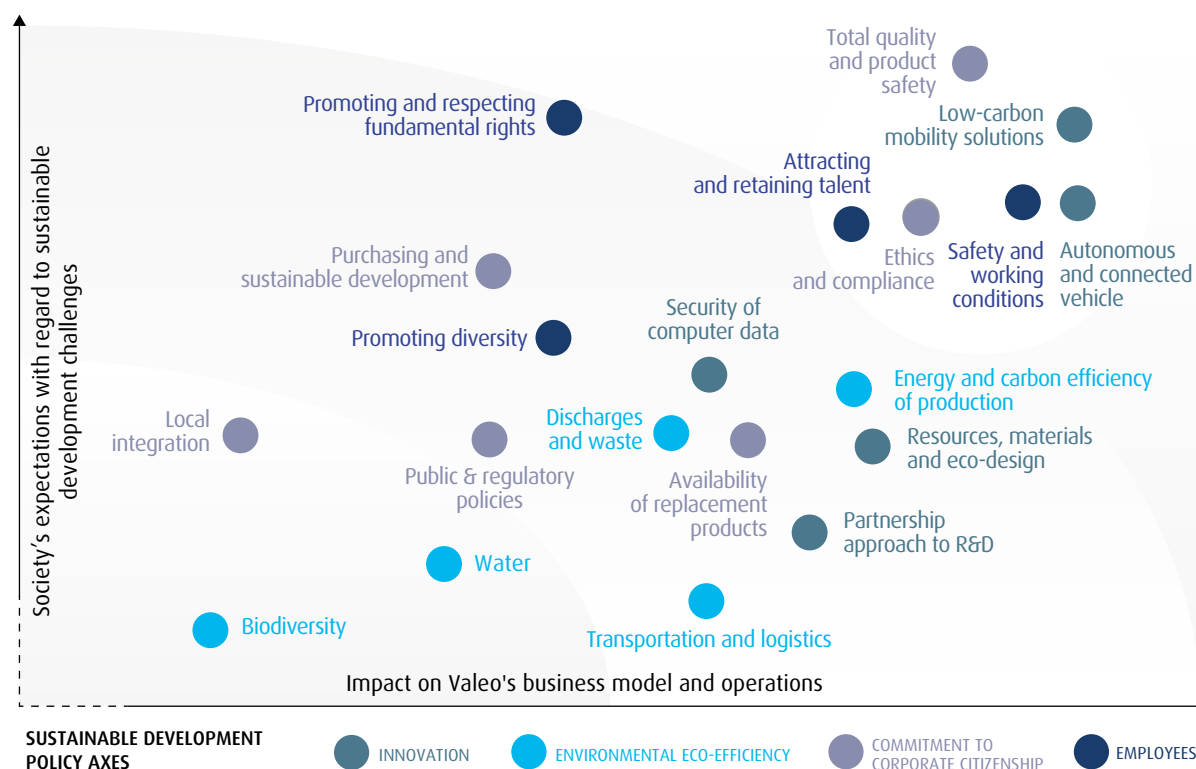
and Development, Human Resources, Sales and Business Development) and country management teams;

- a documentary review (non-financial questionnaires, survey results, etc.);
- specific requests from the Group's stakeholders in respect of sustainable development (automakers, civil society, specialist press, non-financial analysts, etc.) and interviews with them.

The materiality matrix is built on the following four axes: **innovation, environmental eco-efficiency, employees and commitment to corporate citizenship**. A total of 20 challenges have been identified (see below).

The matrix was first rolled out in 2016. Subsequently, three challenges were updated in 2017 ("Promoting and respecting fundamental rights", "Attracting and retaining talent" and "Promoting diversity"). The challenges in the matrix remained unchanged in 2020.

► MATERIALITY MATRIX PLOTTING THE GROUP'S SUSTAINABLE DEVELOPMENT CHALLENGES



The matrix serves to compare, for the challenges identified, the expectations of stakeholders and their impact on the Group's activity, in order to:

- enable stakeholders to better comprehend their interactions with Valeo;
- give Research and Development (R&D), environmental, labor-related and social data sharper focus on key issues of significance for the Group and its stakeholders;
- reinforce the relevance and quality of information put forward by the Group.

Non-financial risks

Valeo analyzes its non-financial risks, in compliance with the French legal framework, to improve the transparency of its non-financial reporting. The analysis of non-financial risks begun by Valeo in 2018 is the joint work of the Risk Management and Sustainable Development and External Affairs departments.

For 2020, Valeo has identified the following seven main risks (classified in accordance with Valeo's four sustainable development axes).

Sustainable development axes	Risks	
Innovation	Risk of non-compliance with environmental product regulations	Pages 229 to 235
Environmental eco-efficiency	Risk associated with accidental pollution of water and/or soil	Pages 235 to 238
	Health and safety risk	Pages 238 to 241
Employees	Risk related to attracting talent	Pages 241 to 243
	Risk related to developing and retaining talent	Pages 244 to 247
	Risk of individual corruption	Pages 248 to 249
Commitment to corporate citizenship	Risk related to suppliers' sustainable development practices	Pages 249 to 253

Management of these risks is described in section 4.3.3 "Valeo's non-financial risks", pages 228 to 253.

Recognition of Valeo's commitment to sustainable development

Valeo has for several years seen its non-financial performance acknowledged by the main rating agencies in this area, reflecting the successful cross-functional deployment of sustainable development efforts and related communications that respect the principles of transparency, discipline and relevance.

Organization	Rating
Carbon Disclosure Project (CDP)	A (highest score possible on the CDP rating scale)
MSCI ESG Rating	AAA, Industry leader, ranked no. 1 among automotive suppliers
ISS-oekom	B-, prime, Industry leader, ranked no. 1 among automotive suppliers, excluding tire manufacturers ⁽¹⁾
S&P Global Corporate Sustainability Assessment (CSA)	76/100, ranked no. 1 among automotive suppliers, excluding tire manufacturers
Sustainalytics	Negligible risk, ranked no. 1 among automotive suppliers
Corporate Knights	Ranked no. 1 in the automotive sector (automotive suppliers and automakers)

(1) Status conferred by the rating agency in 2019.

In 2020, Valeo was the highest rated automotive supplier by the non-financial rating agencies MSCI (AAA), CDP (A), Sustainalytics ("Negligible risk") and the S&P Global Corporate Sustainability Assessment (76/100).

Rating agency MSCI awarded Valeo the highest score possible (AAA) under its evaluation system. This positions Valeo at the very top of the ranking in the group of automotive equipment manufacturers. The score reflects an excellent assessment of the transparency of information and clear positioning in terms of work to control the risks identified in the sector.

The CDP (Carbon Disclosure Project) platform awarded Valeo an A in 2020, the highest possible score. This reflects the transparency and relevance of its action plans to reduce CO₂ emissions. Only 273 companies reached this level in 2020, out of more than 9,500 companies evaluated by the CDP.

S&P Global Corporate Sustainability Assessment (CSA) (formerly SAM CSA) assessed Valeo's sustainable development initiatives (governance, risks, R&D, environment, labor issues, and corporate citizenship, etc.). With a rating of 76/100 in 2020, Valeo ranked first among automotive suppliers excluding tire manufacturers **for the fifth consecutive year**. As a result, Valeo was included in the DJSI (Dow Jones Sustainability Index) World for the fifth consecutive year. Its continued presence in this index and its results in recent years testify to the relevance of the cross-functional approach to sustainable development at Valeo.

In 2020, Valeo obtained the best ESG risk management assessment ("negligible risk") among automotive suppliers from rating agency **Sustainalytics**. This outcome validates the risk management policies and tools implemented by Valeo for several years.

Valeo was once again **the leading automotive company in the Corporate Knights "Global 100" 2021 sustainability ranking of the world's largest public companies** published in conjunction with the World Economic Forum, which was held virtually this year, replicating the performance achieved in 2019 (published in Davos in January 2020).

In addition to these ratings assigned by rating agencies, Valeo featured in several non-financial indices, in particular:

- Dow Jones Sustainability Index (DJSI) World index;
- Ethibel Sustainability Index (ESI) Excellence Europe;
- Euronext Vigeo Europe 120;
- Euronext Vigeo Eurozone 120;
- FTSE4Good Index Series;
- STOXX® Global ESG Leaders.

Valeo and the United Nations Sustainable Development Goals

The Group's sustainable development initiatives are in line with the United Nations Sustainable Development Goals (SDGs), which include eradicating poverty, promoting development and protecting the planet.

Depending on the countries in which Valeo operates, the Group undertakes to contribute to the following SDGs and targets:

SDG 4 "QUALITY EDUCATION"



- Target 4.3 "By 2030, ensure equal access for all women and men to affordable quality technical, vocational or tertiary education, including university"
 - Valeo pays particular attention to training its teams at all levels of the organization (see section 4.3.3 "Risk related to attracting talent", page 241).
 - Key outcome: in 2020, 82,195 employees took part in at least one training course during the year, representing 83.1% of the registered headcount.
- Target 4.4 "By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship"
 - Valeo places great importance on continuous education and access to quality technical training for all, allowing it to support the professional ambitions of each Valeo employee (see section 4.3.3 "Risk related to attracting talent", page 241).
 - Key outcome: in 2020, more than 318,698 hours of technical and scientific training were provided at Valeo.

SDG 5 "GENDER EQUALITY"



- Target 5.1 "End all forms of discrimination against women and girls everywhere"
 - Valeo has implemented an extensive program to promote gender diversity, dating back to 2011. Each year, Valeo's sites implement awareness-raising and support initiatives for women at work, notably by encouraging the use of adapted work schedules and workstations (see section 4.5.4 "Respecting and promoting diversity", page 275).
 - Key outcome: the 2020 gender equality index was 82.6/100⁽¹⁾.
- Target 5.5 "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life"
 - Valeo has implemented an extensive program to promote gender diversity, dating back to 2011, with the aim of promoting the place of women among Managers and Professionals, as well as among operational and management positions; Valeo has set itself the goal of having 32% women on the management committees by 2030 (see section 4.5.4 "Respecting and promoting diversity", page 275).
 - Key outcome: in 2020, the proportion of women on the management committees was 19.5%.

SDG 8 "DECENT WORK AND ECONOMIC GROWTH"



- Target 8.7 "Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms"
 - Valeo has a comprehensive program to promote respect for fundamental rights, protect against forced labor, and prohibit child labor, based notably on the Valeo Code of Ethics, which prohibits such practices and behaviors. Valeo requires all its suppliers to adhere to the Valeo Business Partner Code of Conduct, which includes provisions for the elimination of forced labor (see section 4.5.4 "Promoting and respecting fundamental rights", page 280).
 - Key outcome: in 2020, 75% of the registered headcount operated under a collective agreement (see section 4.5.4 "Promoting and respecting fundamental rights", page 280).

(1) This index is based on the evaluation of five criteria: the pay gap between men and women; the gap in the distribution of individual pay rises between men and women; the gap in the distribution of promotions; the percentage of female employees who received a pay rise after returning from maternity leave; and the percentage of women in the ten highest paid positions. It only covers Managers and Professionals.

SDG 9 "INDUSTRY, INNOVATION AND INFRASTRUCTURE"



- Target 9.5 "Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of Research and Development workers per 1 million people and public and private research and development spending"
 - Valeo is a major industrial and technological player in the automotive and mobility sectors. Thanks to its global footprint, the Group is continuing its development efforts in the area of production, technology and training in various countries (see section 4.5.2 "A comprehensive and partnership-based approach to Research, Development and Innovation (R&D&I)", page 259).
 - Key outcome: in 2020, Valeo filed more than 1,174 patents and invested 10.1% of its sales in Research and Development.

SDG 11 "SUSTAINABLE CITIES AND COMMUNITIES"



- Target 11.2 "By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons"
 - Valeo aims to develop solutions for cleaner, safer and smarter mobility (see Integrated Report, page 33 and section 1.3 "Operational organization", page 52).
 - Key outcome: in 2020, 60% of Valeo's sales contributed directly or indirectly to reducing CO₂ emissions, and 46% to safer mobility (12% of sales contributed to both reduction of CO₂ emissions and to safer mobility).

SDG 12 "RESPONSIBLE CONSUMPTION AND PRODUCTION"



- Target 12.2 "By 2030, achieve sustainable management and efficient use of natural resources"
 - Valeo has implemented an eco-design approach for its products and reduced its production-related consumption of water and energy (see section 4.5.3 "Environmental commitments", page 262). This approach is aimed at reducing the consumption of raw materials (metal, plastic, etc.) and replacing materials impacting the carbon footprint of the end-product (vehicle) with greener substitutes (see section 4.3.3 "Risk of non-compliance with environmental product regulations", page 229).
 - Key outcome: in 2020, Valeo reduced its water consumption (in absolute terms) by 11% compared with 2019. Moreover, Valeo ceased consuming fluorinated solvents in 2020.
- Target 12.5 "By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse"
 - As part of a structured environmental plan, Valeo aims to reduce its landfilled and non-recycled waste generation (see section 4.3.3 "Risk associated with accidental pollution of water and/or soil", page 235).
 - Key outcome: in 2020, the production of waste generated by the Group decreased by 47 kt in absolute terms compared with 2019, in particular due to the decline in activity.

SDG 13 "CLIMATE ACTION"



- Target 13.1 "Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries"
 - Valeo is committed to carbon neutrality by 2050 and aims to achieve 45% of this objective by 2030 (see section 4.1.3 "Valeo's Carbon Neutrality Plan for 2050", page 206). The Group also aims to have 40% of its sites certified for energy management (ISO 50001) by 2025 (see section 4.5.3 "Evaluation and certification processes", page 262).
 - Key outcome: in 2020, Valeo reduced its GHG emissions (Scopes 1 and 2)⁽¹⁾ by 27% compared with 2019 and by 25% compared with 2015. Valeo met its annual objective of reducing CO₂ emissions from the end use of its products (Scope 3 downstream), which amounted to 30.8 MtCO₂eq. in 2020, compared with 39 Mt in 2019. Valeo has certified 20% of its sites to ISO 50001.

(1) See sustainable development glossary, page 295.

4.1.3 Valeo's Carbon Neutrality Plan for 2050

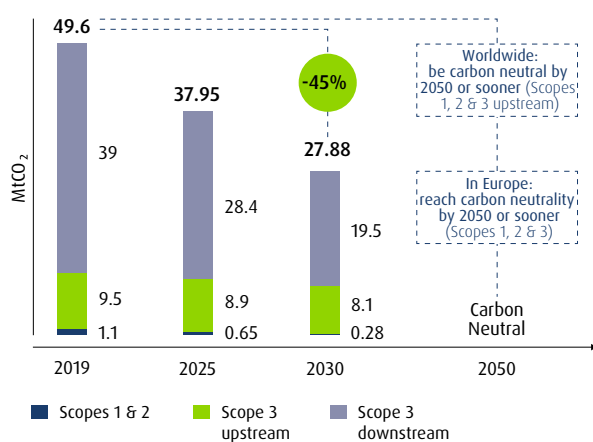
Valeo, a signatory of the "Business Ambition for 1.5°C" campaign, has committed to achieving carbon neutrality by 2050

On February 4, 2021, Valeo, with the aim of reaffirming its strategic positioning in terms of products that contribute to the reduction of CO₂ emissions, presented a Carbon Neutrality Plan for 2050 covering its entire value chain – including its suppliers, its own operating activities and the end use of its products (direct and indirect emissions, i.e., Scope 1, 2 and 3 emissions) – with the goal of reducing its emissions in absolute terms by 45% in 2030 compared with 2019.

Valeo is committed to:

- being carbon neutral by 2050 in all of its operating activities and across its supply chain worldwide (Scopes 1 & 2 and Scope 3 upstream), and achieving 100% carbon neutrality in Europe (Scopes 1, 2 and 3, including the end use of its products);
- completing a plan by 2030 to reduce the emissions related to its operating activities (Scopes 1 and 2) by 75%, and those related to its supply chain and the end use of its products (Scope 3) by 15% compared with 2019. Taking into account the CO₂ emissions avoided thanks to its technologies that contribute to cleaner mobility, the Group will achieve a 50% net reduction in emissions related to the use of its products, enabling it to reduce its emissions in absolute terms by 45% compared with 2019.

► CARBON NEUTRALITY BY 2050



The objectives set are in line with the reduction needed to cap global warming at 1.5°C⁽¹⁾, the highest level of ambition of the Science Based Targets initiative (SBTi), in keeping with the Paris climate agreement (COP 21). Within that framework, Valeo is a signatory of the "Business Ambition for 1.5°C" campaign that brings together companies committed to achieving carbon neutrality.

Keen to incorporate the impact of the benefits generated by Valeo's electrification solutions on CO₂ emissions reduction (Scope 3 downstream – see section 4.3.3 "CO₂ emissions related to the use of Valeo products (Scope 3)", page 230), the Group chose to develop an objective that takes this reality into account. Due to the complexity of inter-sectoral harmonization, the methodology developed by the Science Based Targets initiative (SBTi) does not currently allow for emissions avoided by the products sold by companies to be taken into account. However, this does not call into question their positive contribution. Accordingly, the CO₂ emissions reduction commitment submitted by Valeo to the SBTi does not include the carbon benefits of the use of its technologies (Scope 3 downstream). In the interests of transparency, Valeo plans to publish its progress with regard to its Carbon Neutrality Plan each year, specifying the results obtained in terms of reducing emissions in accordance with both the SBTi approach and the methodology developed by Valeo (including the benefits linked to the use of its products).

The plan consists of reducing Valeo's carbon footprint across its entire value chain from 49.6 million metric tons in 2019 to 27.9 million metric tons in 2030, representing a reduction of 21.7 million metric tons of CO₂ or 45%:

- emissions related to its operating activities will be reduced from 1.1 million to 0.3 million metric tons of CO₂ (Scopes 1 and 2);
- emissions related to its supply chain will decrease from 9.5 million to 8.1 million metric tons of CO₂ (Scope 3 upstream);
- emissions related to the end use of the technologies sold by the Group (Scope 3 downstream) will fall from 39 to 19.5 million tons of CO₂, taking into account emissions avoided thanks to the electrification and CO₂ emissions reduction technologies developed by Valeo.

(1) Valeo's published commitment to the SBTi is a plan to reduce by 2030 the emissions related to its operating activities (Scopes 1 and 2) by 75%, and those related to its supply chain and the end use of its products (Scope 3) by 15% compared with 2019. These objectives are based on a 1.5°C scenario for Scopes 1 & 2, and a 2°C scenario for Scope 3. Under the SBTi guidelines, the reference scenario considered is for Scopes 1 and 2.

Action plans to support CO₂ emissions reduction across all emission scopes

By 2030, Valeo will have invested more than 400 million euros in reducing emissions related to its operating activities (Scopes 1 and 2). These investments will be used to upgrade the Group's sites to enable the current 100 most carbon-intensive facilities to obtain ISO 50001 (energy management) certification and become high-energy efficiency sites by 2030. Upgrades will include the development of eco-friendly buildings, the widespread use of LED lighting and the integration of heat recovery systems.

The proportion of renewable energy in the Group's energy consumption will increase from 5.5% in 2019 to 80% by 2030, with a threshold of 50% by 2025. A number of sites are already piloting renewable energy alternatives, including three Group sites in Chennai (India), where 90% of consumption is wind-powered, and sites in Sanand (India) and Bad Rodach (Germany), which use their own solar energy facilities to produce 30% and 20% of the energy they consume, respectively.

Valeo has also set the same CO₂ emissions objectives for its suppliers. The use of materials with low carbon intensity will be increased, and monitoring of CO₂ emissions will be included in design specifications by suppliers.

To reduce CO₂ emissions related to the end use of products, Valeo will continue to expand its range of technologies that contribute to low-carbon mobility, in particular solutions for vehicle electrification, a field in which the Group is currently

world leader. The Group will also continue its efforts to use lighter materials and alternative technologies to reduce product weight.

Lastly, Valeo has calculated the benefit for the planet from its electrification technologies for the very first time. By 2030, they will help to avoid 19.5 million metric tons of CO₂ emissions annually (see section 4.3.3 "Risk of non-compliance with environmental product regulations", page 229).

To monitor the plan, Valeo has set annualized CO₂ emissions reduction objectives (for each department concerned), backed by action plans for the internal networks contributing to them (Industrial, HSE, Purchasing, Transport and Logistics, R&D, Marketing and Sales). The achievement of these objectives will be presented to the General Management at quarterly reviews, and from 2021 will be one of the criteria for the variable compensation of more than 1,500 senior executives.

Data on the plan's progress will be reported each year in the Universal Registration Document and in Valeo's responses to the Carbon Disclosure Project (CDP) non-financial questionnaire. Starting with 2020, CO₂ emissions data on all the items covered by the Carbon Neutrality Plan have been included in the annual review of non-financial data carried out by the independent third-party (ITP), which is itself independent of the Statutory Auditors, in accordance with the French law on the disclosure of non-financial information by corporations⁽¹⁾ see section 4.8 "Independent third party's report on the consolidated non-financial information statement", page 296).

⁽¹⁾ Decree No. 2017-1265 of August 9, 2017 issued for the application of government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations.

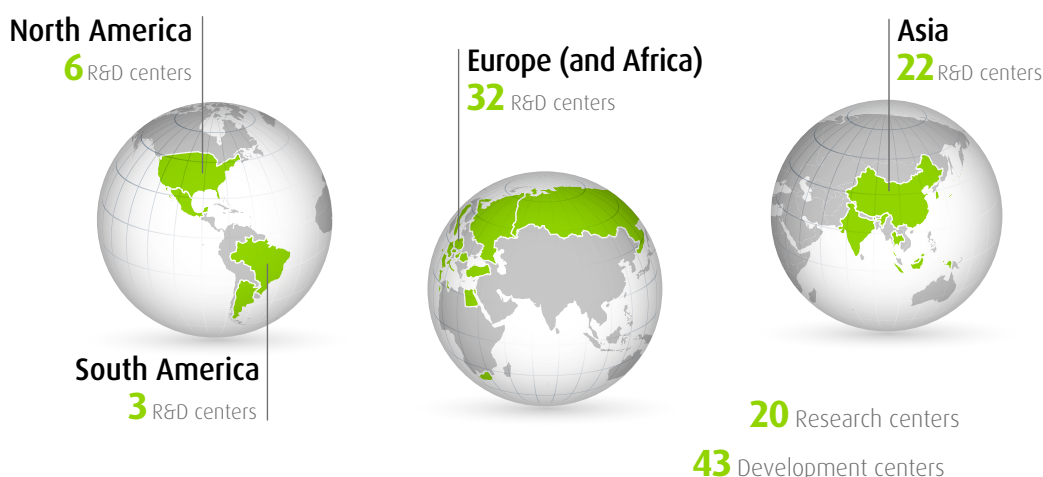
4.1.4 Sustainable development policies

At Valeo, sustainable development is built on four key axes – innovation, environmental eco-efficiency, employees and commitment to corporate citizenship – plus a range of associated policies.

Research and Development policy for safer, low-carbon mobility

A global Research and Development organization based on a platform structure and a global network of expertise and skills

► GLOBAL RESEARCH AND DEVELOPMENT MAPPING IN 2020



Valeo's R&D is functionally and operationally structured around 20 research centers (fundamental research and advanced engineering) and 43 development centers (customer project launch teams). This organization is supported by the Group's significant gross Research and Development expenditure of 1,660 million euros in 2020, representing 10.1% of its sales.

Among its research centers, Valeo founded an artificial intelligence center in Paris in 2017, combining academic research and industrial development. It has also run a Technical Center for Mobility in San Mateo, California since 2016.

In 2020, Valeo's Research and Development teams managed a combined total of 2,911 projects, compared with 3,270 in 2019, a direct result of the global health crisis and the slowdown in activity on certain projects.

In addition to this functional organization, Valeo has structured its product organization into 12 key technological platforms. They allow products to be developed very quickly using a range of technological building blocks, including hardware and software. The resulting solutions are manufactured on a very large scale, which helps to reduce their cost, but with the flexibility necessary to adapt them to the wide range of needs of vehicle manufacturers. The result is that a single product, like a 48V motor for instance, can take several forms for multiple uses. The aim is to be able to serve several customers with the same platform, based on a high level of standardization – up to 85% for certain technologies.

The 12 new "platforms" break down as follows:

- five relating to vehicle electrification (48V machines, 48/12V converters, battery cooling systems, cabin thermal management, heat pumps);

- three from the Valeo Siemens eAutomotive joint venture for high-voltage (over 60V) electrical products (machine, inverter and chargers);
- four in the field of driving assistance (front cameras, driver monitoring systems, new generation Valeo SCALA® laser scanners and smart modules known as "PODs" combining sensors with their cooling and cleaning systems).

These technological platforms provide Valeo with a competitive edge by imposing high barriers to entry, and will allow the Group to sharply increase its average content per vehicle and deepen its resilience in a rapidly changing environment.

Lastly, at the global level, Valeo relies on a large network of researchers, engineers and technicians working in Research and Development, representing 18,480 people worldwide at the end of 2020, a significant proportion of whom are located in France (3,830).

Its global reach also builds on its own network of Experts, which has three levels: Expert, Senior Expert and Master Expert. It has a total of 1,373 Experts (products and production processes), an increase of 64% compared with the 835 registered when the network was created in 2014. 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 explaining them to newcomers. They are a driving force within the team, and are expected to spread their expertise throughout the network (see section 4.3.3 of this chapter, "Valeo's non-financial risks", paragraph "Risk related to developing and retaining talent", pages 244 to 247).

Solutions for safer, low-carbon mobility

Both the automotive world and mobility more broadly are undergoing a paradigm shift (see Integrated Report, “Environment in (r)evolution”, page 20).

Taking advantage of its technological positioning, Valeo aims to use its 12 platforms to meet the great demands placed on automotive mobility by positioning its products in line with the two major challenges of mobility in today’s world:

- CO₂ emissions reduction, where Valeo relies on its large portfolio of products and solutions for electrification, enabling it to cover all types of vehicles;
- road safety and accident reduction, a notion often referred to as “zero vision”, where Valeo draws on its unique expertise in ADAS (advanced driver-assistance systems) and autonomous systems to increase the autonomy of the vehicle while providing safety to the driver and third-party road users.

Valeo also positions itself as an actor in the transformation of many uses of mobility, in particular urban mobility:

- in new mobility, with the emergence of various forms of micro-mobility (electric scooters, electric bikes, three-wheelers, etc.) in cities. This is one of Valeo’s key strategic focuses to accelerate its expansion in the small urban electric vehicle segment in emerging markets and in the electric bikes segment. The Valeo Smart e-Bike System is the first solution in the world to integrate both an electric motor and an adaptive automatic transmission in the pedal assembly. With this new electric assistance system, the bike adapts to the cyclist, and not the other way around. The gears change automatically and the algorithms instantly adapt to the amount of electric assistance the cyclist needs;
- in public transportation, where Valeo offers multiple solutions in the field of air conditioning systems for buses and coaches. Valeo’s innovations provide practical, efficient solutions, regardless of the weather, the size of the vehicle, its powertrain type, or the nature (whether urban, peri-urban or long-haul) and duration of its journey. Valeo has developed emission-free heating and air conditioning solutions, as well as roof air conditioning systems (especially electric), using a heat pump, for hybrid and electric buses;
- in last-mile delivery, with the joint development of electric and autonomous delivery vehicles (droids) in partnership with Meituan Dianping, China’s leading e-commerce service platform. The vehicle is powered by an all-electric 48V system, and can find its way all by itself thanks to its Valeo perception systems. It is perfectly suited to zero emission urban areas.

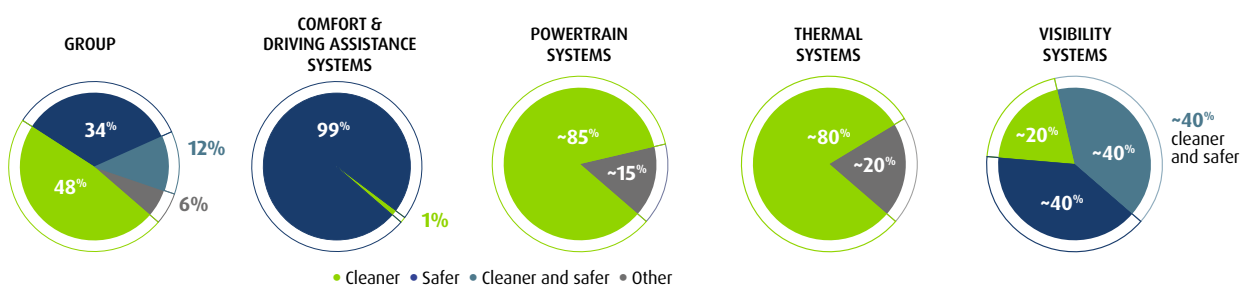


Value creation focused on CO₂ emissions reduction and safer mobility

Valeo has long specialized in designing systems that help reduce CO₂ emissions. In 2020, products that directly or indirectly contribute to reducing CO₂ emissions accordingly accounted for more than 60% of Valeo’s original equipment sales. Products contributing to safer mobility accounted for 46% of sales (see below for details by Business Group).

► GREENER AND SAFER MOBILITY IS CENTRAL TO VALEO’S STRATEGY

As a % of original equipment sales.



It is generally estimated that:

- one in three vehicles worldwide is fitted with a Valeo product that helps to reduce CO₂ emissions;
- nearly four in every ten new vehicles produced worldwide in 2022 will be fitted with mild hybrid electrical systems (up to 48V);
- two out of three vehicles equipped with high-voltage electrical systems launched by European automakers between 2019 and 2022 will be equipped with Valeo solutions;

- one in four vehicles produced worldwide is fitted with a Valeo ADAS. More details on the contribution of Valeo’s products to the threefold revolution can be found in Chapter 1 (section 1.3.1 “Comfort & Driving Assistance Systems”, pages 53 to 56; section 1.3.2 “Powertrain Systems”, pages 57 to 59; section 1.3.3 “Thermal Systems”, pages 60 to 64; section 1.3.4 “Visibility Systems”, pages 65 to 68).

Environmental policy

For nearly 30 years, Valeo has demonstrated its commitment to limiting the impact of its activities on the environment. The Group sets out its commitments in its Environmental Charter, drawn up by the Health, Safety and Environment (HSE) Department. 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;
- eliminate the use of substances that are hazardous to the environment or health;
- improve energy performance in line with ISO 50001;
- 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;
- increase purchases of low-carbon electricity.

Industrial mapping of Valeo sites

In 2020, Valeo saw the number of its production sites change, with groupings at the Changchun (China) and Jingzhou (China) sites and the opening of a new site in San Luis Potosi (Mexico) in the Thermal Systems Business Group, the opening of the Atsugi-Shi site (Japan), the closure of the Saitama site (Japan) in the Visibility Systems Business Group, and the opening of a second site in Rakovník (Czech Republic) in the Comfort and Driving Assistance Systems Business Group. In 2020, Valeo had 187 production sites, including 151 industrial sites included in the reporting of Valeo Group indicators (see section 4.6.1 "Sustainable development reporting methodology", page 287).

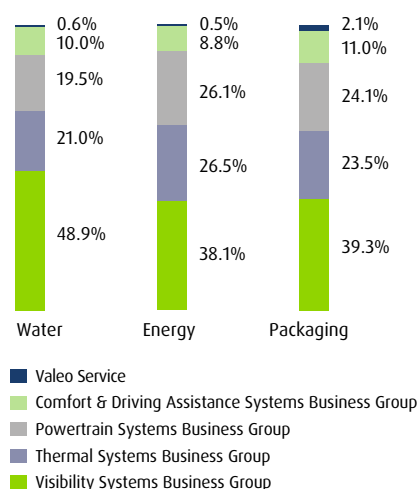
The mapping of the Group's 151 industrial sites has been updated in the table below.

	Number of sites	Comfort & Driving Assistance Systems	Powertrain Systems	Thermal Systems	Visibility Systems	Valeo Service
Manufacturing	151	20	39	41	43	8
Assembly/installation	132	20	34	36	39	3
Processing	95	12	32	25	25	1
Injection molding	69	12	9	16	32	0
Heat treatment (ovens, furnaces)	95	14	28	21	32	0
Painting/varnishing	63	11	12	8	32	0
Welding	79	10	26	23	20	0
Use of vanishing oils (VOC-emitting*)	29	2	5	19	3	0
Degreasing (surface cleaning)	64	6	18	18	22	0
Surface treatment (altering the surface properties of a part)	47	4	9	12	22	0

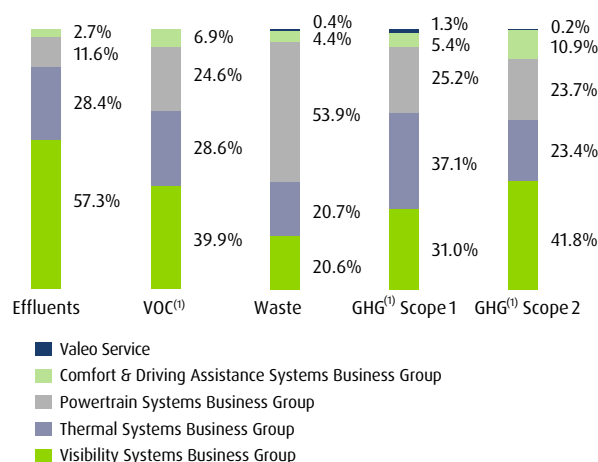
* See sustainable development glossary, page 295.

The Group's main consumption items and emissions by type of activity

► BREAKDOWN OF RESOURCE CONSUMPTION



► BREAKDOWN OF EMISSIONS, DISCHARGES AND WASTE



(1) See sustainable development glossary, page 295.

The charts above show that the Visibility Systems Business Group remains the largest consumer of resources (water, energy, packaging) and also the most liable to generate effluents and CO₂ emissions (Scope 2). They also show that the Powertrain Systems Business Group is the biggest producer of waste by weight.

Under the impetus of the Sustainable Development Department and the Health, Safety and Environment (HSE) Department, the Group has drawn up a **new five-year plan for the period to 2025**, covering greenhouse gas (GHG)⁽¹⁾ emissions and resource

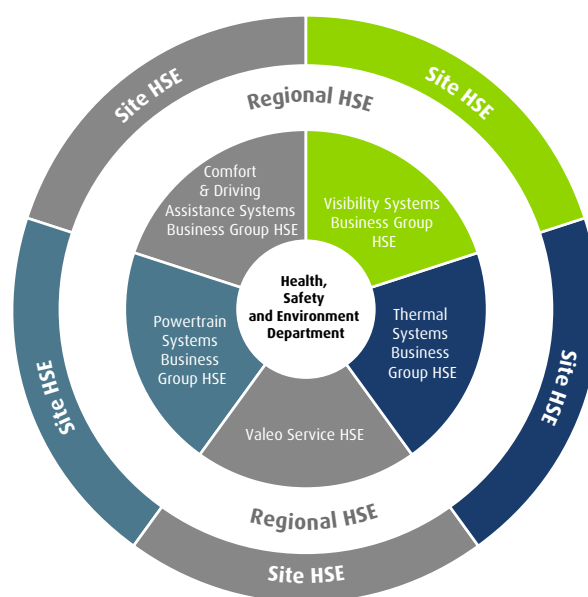
consumption indicators. This plan is a step towards achieving carbon neutrality by 2050 (CAP50) (see section 4.2, paragraph "Valeo's sustainable development plan for 2025", page 221). Each of the Group's Business Groups will be autonomous as regards the human and material resources devoted to the work needed to achieve the new objectives set out in the five-year plan. The Group will hold quarterly steering committee meetings with all the Business Groups to monitor the initiatives taken as part of the carbon reduction plan.

Organization of the Health, Safety and Environment (HSE) network

The Health, Safety and Environment (HSE) Department develops policies for the health and safety of people. Its policies also cover environmental aspects as well as the security and safety of buildings and facilities, drawing on standards and tools to carry out its work. The rollout of these standards and tools is in turn based on **an organization broken down by Business Groups, regions and sites**: around 400 people are therefore responsible for meeting the commitments of the Group's environmental policy and achieving its goals, and are involved in the daily management of the Group's HSE challenges.

The Health, Safety and Environment (HSE) Department reports to the Industrial Department and works closely with the Human Resources Department.

The **HSE managers of the Business Groups** and Valeo Service aim to promote standards and best practices between the sites of their respective Business Group and to promote the implementation of operational directives and investment requests in order to reduce the environmental footprint.



(1) See sustainable development glossary, page 295.

Since 2018, the network's organization has been strengthened by the appointment of **HSE managers** in several **regions**. They each supervise a maximum of 15 sites to allow them to effectively relay messages, providing regular expertise and operational assistance to help provide better control of Group standards and tools.

At the beginning of 2020, in the midst of the Covid-19 health crisis, Valeo set up a **Health Committee** in each country, with the participation of an **HSE coordinator** to ensure the rollout and monitoring of the Reinforced Health Protocol at the country level, and to prepare our sites as much as possible for the onset and then management of the pandemic. The HSE network will endeavor to perpetuate this role of coordination as part of the Group's safety and environmental initiatives.

Lastly, the **Site HSE manager** is tasked with implementing 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 on compliance with internal and external requirements.

Demanding risk-control standards

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 facilities.

The Risk Management Manual includes a specific chapter on **crisis prevention and emergency response plans**. Several years ago, Valeo established the Valeo Emergency and Recovery Management (VERM) system to assist in the design and implementation of emergency response, crisis management and business recovery plans. The tool establishes mandatory drills for on-site events such as fire, explosions, virus contamination and accidental pollution, leaving each site scope to identify other relevant scenarios such as earthquakes or floods.

Each site is then required to implement procedures, response sheets or lists of contacts to use in the event of a crisis, for each phase from triggering the alert to business recovery, including intervention and securing people and the site.

In 2020, it proved particularly useful in preparing all of our sites for the management of Covid-19 infections.

Environmental expenditure and investment

Operating expenses relating to the environment amounted to 17.4 million euros in 2020. They include the cost of waste treatment, analysis of effluents, operation of internal treatment plants and environmental studies. In addition to these expenses, 1.3 million euros was spent to clean up active sites.

In 2020, Valeo invested 6.0 million euros in environmental protection at its active sites. This includes the cost of installing air treatment systems, fitting retention tanks for better management of hazardous materials and creating waste storage areas.

Employee policy

This year, the Group's employee policy was characterized by the management of the pandemic. The Human Resources Department endeavored to meet the Group's two priorities, namely protecting the health of all employees and ensuring business continuity. It worked in two stages, with short-term and longer-term actions.

As soon as the crisis emerged in China, the Group established a strict and demanding health protocol. It enabled all sites to operate as normal, while ensuring maximum protection for all employees. The protocol was audited, mandatory, and applicable systematically and consistently at all Valeo sites worldwide, whether in plants, R&D centers or head offices.

At the height of the crisis, variabilization resulted in the termination of temporary contracts (fixed-term and temporary staff) and the introduction of short-time working measures at all sites. In countries where this was possible, Valeo obtained government aid to support short-time working.

From a longer-term perspective, each country conducted competitiveness agreement negotiations in order to preserve the competitiveness of the Group's activities locally, as well as employment. In France, Valeo signed a majority competitiveness and collective performance agreement with the CFE-CGC and FO trade unions. The Group has made a solid commitment to keep all sites open and to refrain from any mandatory redundancies in France over the next two years. The cost-saving measures agreed included a wage freeze, harmonization of retirement conditions and measures to optimize working hours.

The Human Resources Department's priorities are shown in the materiality matrix (see section 4.1.2 of this chapter "Sustainable development challenges and non-financial risks", pages 201 to 205). They form the foundations of the Group's actions in respect of:

- safety and working conditions;
- attracting and retaining talent;
- promoting diversity;
- respecting and promoting fundamental rights.

Based on these four priorities, the Group has identified **three main risks**:

- health and safety (see section 4.3.3 "Valeo's non-financial risks", paragraph "Health and safety risk", pages 238 to 241);
- attracting talent (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to attracting talent", pages 241 to 243);
- developing and retaining talent (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to developing and retaining talent", pages 244 to 247);

and **three forms of commitment**:

- quality of life at work (see section 4.5.4 “Employee-related commitments”, paragraph “Quality of life at work”, page 274);

- promoting diversity (see section 4.5.4 “Employee-related commitments”, paragraph “Respecting and promoting diversity”, page 275);
- respecting and promoting fundamental rights (see section 4.5.4 “Employee-related commitments”, paragraph “Promoting and respecting fundamental rights”, page 280).

Change in Valeo’s headcount

► CHANGE IN THE TOTAL HEADCOUNT OVER THREE YEARS

Headcount at December 31	2018	2019	2020	Change (2020/2019)
Managers and Professionals	31,683	32,013	30,562	-4.5%
Technicians ⁽¹⁾	17,542	16,203	15,488	-4.4%
Operators	53,211	55,202	52,818	-4.3%
Registered headcount⁽²⁾	102,436	103,418	98,868	-4.4%
Interim staff	11,164	11,282	11,432	1.3%
TOTAL HEADCOUNT	113,600	114,700	110,300	-3.8%
• of which:				
• Permanent staff	84,200	86,000	84,638	-1.6%
• Non-permanent staff (fixed-term and interim)	29,400	28,700	25,698	-10.5%
Average headcount⁽³⁾	114,125	114,525	108,425	-5.3%

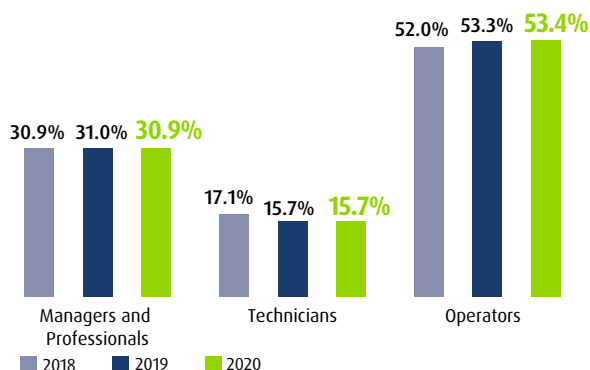
(1) Employees on internships, Volontariat International en Entreprise (VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are counted as technicians.

(2) The registered headcount corresponds to permanent and fixed-term employees.

(3) The average headcount is the sum of the Group’s total headcount in each quarter divided by 4.

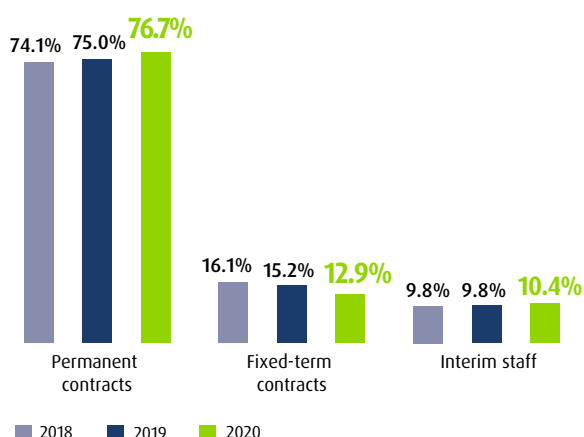
At December 31, 2020, Valeo had 110,300 employees, 3.8% fewer than in 2019.

► BREAKDOWN OF REGISTERED HEADCOUNT BY SOCIO-PROFESSIONAL CATEGORY



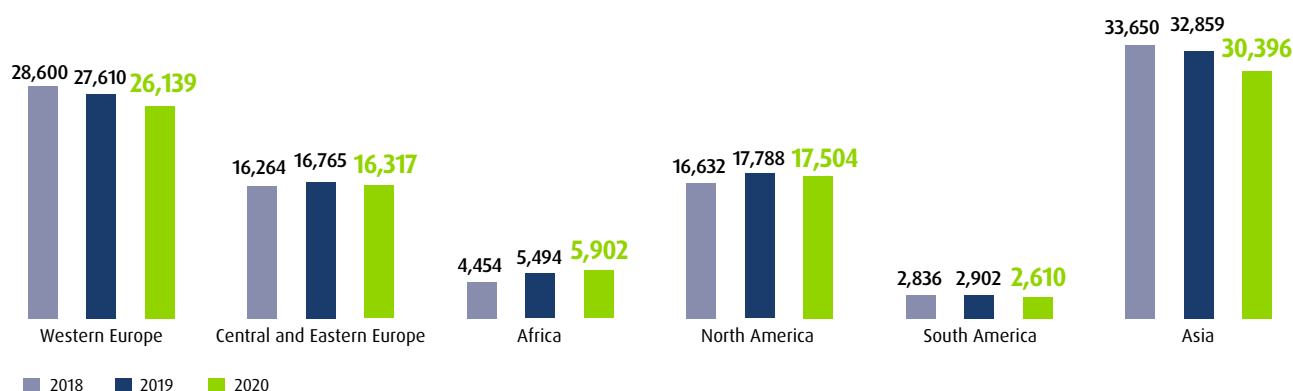
One of the major challenges for Valeo in 2020 was the variabilization of the workforce in the wake of the global pandemic and its economic consequences. While the Group’s total headcount actually fell by 3.8% in 2020, the respective share of Managers and Professionals, technicians and operators in the registered headcount was stable. This illustrates the Group’s strategy of avoiding mandatory redundancies.

► BREAKDOWN OF REGISTERED HEADCOUNT BY CONTRACT TYPE



The automotive market is cyclical, and considerable flexibility is required to constantly adapt production capacity to fluctuating demand from customers around the world. That is why Valeo employed interim staff (fixed-term and interim contracts) representing 23.3% of its total workforce in December 2020. The rate was halved at the height of the crisis. The 2.3-point decline in fixed-term contracts is the direct consequence of cost variabilization measures. In a period of uncertain activity, the use of temporary contracts was preferable to the use of fixed-term contracts, which are less flexible. The proportion of permanent contracts in the total headcount increased by 1.7 points between 2019 and 2020. The increase is a direct result of the Group's decision not to carry out a large-scale redundancy plan, in particular thanks to the measures negotiated in competitiveness agreements at country level, including short-time working measures. The decline in voluntary turnover in this unstable economic environment also had a positive impact on permanent contracts.

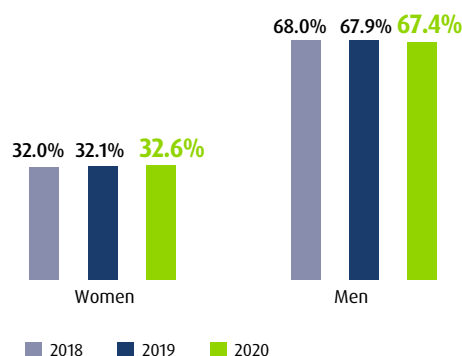
► BREAKDOWN OF REGISTERED HEADCOUNT BY GEOGRAPHIC AREA



In the context of the global pandemic, all geographic areas, with the exception of Africa, saw a decline in headcount. It was most significant in South America (10%) and Asia (7%) due to the poor economic situation in these areas. Africa experienced slower growth in its headcount, with an increase of 23% between 2018 and 2019 compared to 7% between 2019 and 2020. Morocco (Visibility Systems Business Group) and Egypt both continued to grow.

The proportion of women within the Group continues to increase, with a 0.5-point increase between 2019 and 2020. Despite the difficult economic climate, Valeo continues to set ambitious objectives in order to make progress in terms of diversity in the recruitment phase (see section 4.5.4 "Employee-related commitments", paragraph "Respecting and promoting diversity", page 275).

► BREAKDOWN OF REGISTERED HEADCOUNT BY GENDER



Strategy and organization

Human resources are central to Valeo's strategy, to support its positioning as a technological leader and its profitable growth.

Attracting and developing talent in an empowering environment based on strong values is a means of rising to the various current and future challenges.

In addition, the Human Resources Department defines and implements Corporate Social Responsibility and diversity objectives within a framework of quality social dialogue that strikes the best balance between financial requirements and employee satisfaction.

The Human Resources strategy is based on a comprehensive approach, taking into account specific cultural, economic and market conditions.

It is rolled out through the "One HR" organization, which is based on three pillars:

- close support for operational teams by dedicated Human Resources teams;
- expertise in specialized areas of Human Resources;
- the pooling of Human Resources to improve efficiency and quality of services.

This "three pillars" model is being developed at each level of the organization: in the Group Human Resources Department, in each Business Group, in each country and in certain Product Families and Product Lines.

A second phase in the transformation of the Human Resources organization has been launched to establish "Valeo Employee Services", which centralizes and optimizes all personnel administration tasks for a single country, in particular those relating to the management of employment contracts and training. The transformation also involves the digitalization of human resources processes.

Social policy

Valeo's social policy is structured around two key challenges:

- sustainable development requirements with regard to suppliers;
- a commitment to ecosystems and local populations.

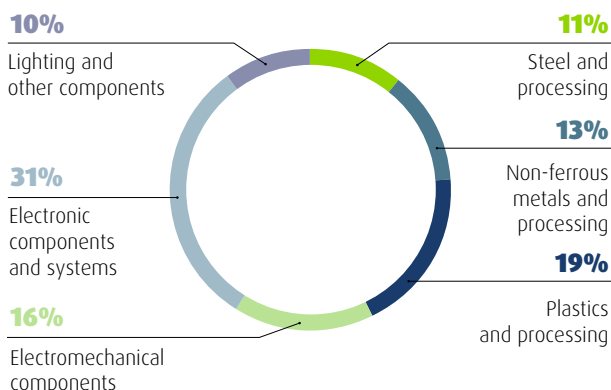
Sustainability requirements for Valeo's suppliers

The Valeo Group's main suppliers and purchases

KEY FIGURES IN 2020

- 1,137 suppliers account for 95% of the amount of direct purchases (manufacturing purchases);
- 540 suppliers are French;
- 50 suppliers account for 26% of the amount of indirect purchases (maintenance, subcontracting, travel, supplies, etc.).

BREAKDOWN OF PURCHASES BY COMMODITY IN 2020



The Group's purchases can be divided into six main components or systems, referred to as commodities: steel and processing, non-ferrous metals and processing, plastics and processing, electromechanical components, electronic components and systems, lighting components and other segments. Strategic decisions relating to these categories are centralized at Group level, where they are each managed by a designated Commodity Manager.

Directives for sustainability in the purchasing policy

Valeo's purchasing policy is built on three directives:

- quality and service, which aims to ensure optimal products, process and service quality;

- competitiveness, one of the key constraints in the automotive sector;
- innovation and advanced technology to support Valeo's strategic choices.

These three directives provide the framework for the goal of achieving sustainability in the purchasing policy, which involves:

- facilitating an understanding of the risks of a breakdown in the supply chain by taking into account a wider range of risk factors, known as sustainability factors (integrating the governance, social, environmental and fundamental rights dimensions, etc.);
- boosting suppliers' competitiveness by guiding them towards continuous improvement practices in terms of optimizing logistics and environmental costs, reducing energy costs, etc.;
- putting down deep roots in local ecosystems, applying a purchasing location policy at a regional level.

As part of Valeo's Carbon Neutrality Plan, the competitiveness of suppliers is being strengthened by paying greater attention to their ability to manage their overall carbon impact (sourcing, transformation, transport, end-of-life) and to set CO₂ emissions reduction targets for their own operations and those of their suppliers.

The first two aspects of the goal of promoting sustainability among Valeo's suppliers are discussed in section 4.3.3 of this chapter, "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", pages 249 to 253. The purchasing location policy is discussed below.

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 build balanced long-term relationships between large corporations and their suppliers, with the parties acknowledging and respecting each other's rights and obligations.

The charter requires that each signatory appoint 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.

Key initiatives in 2020

As in previous years, Valeo continued its in-depth assessment of its suppliers' work in the field of sustainable development, based on its annual self-assessment questionnaire on sustainable development choices, with a representative sample of suppliers covering 80% of the Group's production purchases in 2020.

2020 was also dedicated to the preparation of the Carbon Neutrality Plan and tools for aligning suppliers with Valeo's objective, particularly through supplier evaluations and audits. These tools were rolled out at the end of 2020.

A commitment to local ecosystems and their population

Valeo sites, actors in their regions

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 participate in creating and enhancing the appeal of businesses through transfers of competences.

Valeo has a policy of encouraging its sites to take responsibility and to support local initiatives around the world. To achieve this, Valeo has set the following two guidelines for each site:

- commit to building local ecosystems by:
 - forming partnerships with the world of education and local training,
 - participating in the structuring and existence of local research ecosystems;
- promote initiatives in favor of and alongside local populations.

For two years, Valeo has encouraged the Group's sites to establish academic partnerships at all levels. In 2020, 77% of sites established partnerships with local universities and engineering schools, and nearly 50% with primary and secondary schools.

Promote the commitment of Valeo's sites worldwide

Each site organizes local plant initiatives that reflect locally identified needs and are consistent with their capacities. With the assistance of the Human Resources Departments and Research and Development managers, the site managers decide on actions that can be carried out to help the local population and employees. The Group offers avenues for thought, backed by examples of best practice circulated internally and evaluated through questionnaires.

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, articles from the ValeOnline Newscenter, emailed to Group employees, discuss some of the outstanding site initiatives. Valeo also highlights local plant engagement in publications, such as the Management Report, by explaining and developing the purpose and results of their initiatives. For the fourth year running, all sites organized at least one corporate citizenship initiative. These various initiatives seek to improve working conditions for Valeo employees while also having a positive impact on the region's local development.

Compliance Programs

Due to the Group's global footprint and its growing number of employees, the Ethics and Compliance Department continued in 2020 its work to extend and strengthen its various programs to fight corruption and anti-competitive practices, and to promote compliance with economic sanctions and export controls, and the protection of personal data (**the Compliance Programs**).

The Group's Compliance Programs are designed to prevent a number of risks associated with inappropriate behavior. They are run by General Management and the Ethics and Compliance Office, endorsed by all management teams, and relayed worldwide by Compliance Champions, Data Protection Champions and Data Protection Officers.

Designed in line with the highest international standards, including France's Sapin II law, the Foreign Corrupt Practices Act (FCPA) and the General Data Protection Regulation (GDPR), the Compliance Programs break down into different principles, policies, instructions, recommendations, tools and training modules.

They are based on a Code of Ethics and risk mapping, and a set of internal rules that:

- concretely and operationally reflect Valeo's determination to comply with regulations and prevent identified risks;
- describe prohibited practices and lay down conditions and prerequisites governing certain business relationships and cooperative arrangements;
- establish procedures for implementing and monitoring the effectiveness of the Compliance Programs; and
- help to prevent and detect risks, and implement corrective action plans as appropriate.

The Compliance Programs come with a range of awareness and training campaigns aimed at newcomers, as well as Managers and Professionals, along with those people identified as the most exposed.

Training courses, whether generic or targeted in light of a particular need or activity, are subject to rigorous and systematic monitoring by Group's Human Resources Department and the Ethics and Compliance Office, with mandatory catch-up sessions. Awareness-raising involves recurring and regular communication campaigns.

The Compliance Programs are rolled out globally by the Ethics and Compliance Office, with the support of Compliance Champions, Data Protection Champions and Data Protection Officers, who are experienced executives known and acknowledged by their peers and their teams. Drawing on their detailed knowledge of the specificities of their network, country, Business Group or Activity, they help relay the entire program to their teams, and guide employees on these challenges, thereby contributing actively to its implementation at all levels of the organization.

This systematic and rigorous approach applies to the risks that Valeo, as an international group, is liable to encounter in the course of its operations.

In 2020, particular attention was paid to international economic sanctions, the fight against corruption, and the protection of personal data once again.

International economic sanctions were carefully monitored, and the relevant compliance programs were adjusted as necessary. Updates were rolled out with the support of the Operations Committee and the Compliance Champions as part of a regular communication and awareness campaign.

The possibility of developing business relationships with potential partners (customers, suppliers, etc.) located in or having links with countries targeted by international sanctions programs must be specifically authorized by a dedicated committee after a detailed analysis of the transactions has taken place.

The **Anti-Corruption Program** has been developed further in light of the recommendations of the French Anti-Corruption Agency. As such, the mapping of corruption risks broken down by country, function, and Business Group or Activity is regularly updated to take into account the risks identified in the Group's various operations, and by means of the whistleblowing mechanism and the various controls carried out by Internal Audit and Internal Control.

Furthermore, as fair trade practices, mutual respect and integrity between partners, customers, suppliers and other stakeholders are the foundations of long-term, successful and mutually-beneficial relationships, the rules are reflected in the Valeo Business Partner Code of Conduct. A free training program is also available to Valeo business partners. The Group is rigorous in its selection of third parties liable to represent it, with a view to forming honest and lasting partnerships, and meeting its obligations as regards both the fight against corruption and respect for international economic sanctions.

In 2020, the whistleblowing line set up in 2013 was replaced by a more user-friendly **Whistleblowing System**, accessible via a dedicated and secure platform, available free of charge 24/7, which allows employees and stakeholders to issue detailed, confidential and documented alerts by completing a predefined questionnaire in the language of their choice. The system is supplied by Valeo through a European service provider operating in Europe.

The new System is accessible on PC, smartphone or tablet, via a link or a QR code. It has been rolled out on a large scale across all Group sites and on valeo.com.

The **protection of personal data** has become a global issue and is subject to specific regulations in virtually all of the countries in which Valeo does business. The Data Protection Program, initially developed in accordance with the General Data Protection Regulation (GDPR), has accordingly been redesigned to meet international standards. It is now based on the Valeo Data Protection Principles (VDPPs), applicable worldwide, and specific principles that take local regulations into account.

The program was rolled out through a global communication and awareness campaign in 2020. In addition, in the current health situation, Valeo's Covid-19 protocol has been equipped with a very strict personal data protection system.

4.1.5 Risks and opportunities related to climate change (TCFD)

Valeo presents the following summary of its governance, analysis, risk management and indicator monitoring activities related to the fight against climate change, and is compliant with the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD).



CLIMATE CHANGE: VALEO'S RESILIENT BUSINESS MODEL AND RISK MANAGEMENT SYSTEM

In the face of climate change, its consequences on human and economic activity, and high levels of local pollution, councils and national governments are tightening their environmental regulations. These factors, as well as the quickening pace of social and technological change, have prompted profound technological renewal and change in business models across the automotive sector.

In response to this transformation and as an industrial and technological player in the electric mobility market, Valeo has established a business model and risk management system that are consistent with the long-term objectives of progressive carbon neutrality for the mobility and transportation sector. Its business model and risk management are also in line with international methodology guidelines for addressing climate change risks⁽¹⁾, in particular the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)⁽²⁾. The use of this framework for the publication of financial and non-financial information is expected to increase in the coming years, in line with changes in the TCFD recommendations⁽³⁾.

1. Governance: an integral part of its governance, General Management and the Board of Directors are responsible for the Group's strategic positioning and risk management. Risk strategy and assessment is reviewed by the Governance, Appointments & Corporate Social Responsibility Committee and the Board of Directors. From this year, Valeo will take into account CO₂ emissions reduction and sustainable development criteria when determining the variable compensation of more than 1,500 senior executives (see Chapter 3, "Corporate Governance", page 101).

2. Strategy: anticipating these transformations in the automotive sector, Valeo has built a strategy in step with the gradual electrification of mobility, which incorporates transition risks and opportunities. Valeo has also adapted its production facilities to meet the requirements of reducing its carbon footprint and in response to the consequences of climate change (physical risks):

- Valeo's strategic decision to contribute to the transition to sustainable mobility has resulted in the progressive creation of a comprehensive technological portfolio of electrification solutions for all types of vehicles – from small urban vehicles to trucks, buses and other large vehicles. This choice, validated by automaker customers, is consistent with environmental regulations for vehicles

worldwide (see section 4.3.3 "Risk of non-compliance with environmental product regulations", pages 229 to 235). In 2020, products that directly or indirectly contribute to reducing CO₂ emissions accounted for 60% of Valeo's original equipment sales;

- the potential consequences of climate change are taken into account in the management of risks relating to industrial operations and processes (see section 2.1.1 "Risks related to changes in the technological environment", page 83).

Valeo's strategic choices and the diversity of its technological offer make its business model resilient to the varying pace of transition to low-carbon mobility. Valeo estimates that the automotive and new mobility markets will represent an addressable market of more than 130 billion euros in 2030 (see Integrated Report, "An environment in (r)evolution", page 20).

3. The management of risks: linked to the consequences of climate change, risk management is based on an analysis of financial, operational strategic and non-financial risks, which are reviewed and reassessed regularly. The internal risk management actions and tools are described annually (see Chapter 2, "Risks and Risk Management", page 81; Chapter 4, "Non-financial Information Statement", page 226), and reviewed and validated by the Risk Committee and the appropriate committee of the Board of Directors.

4. Objectives and indicators: the risk management, business model resilience (mainly the proportion of sales derived from products contributing to the reduction of CO₂ emissions) and CO₂ emissions indicators are presented annually (see section 4.2, "Non-financial performance objectives and indicators", page 219). In 2020, Valeo presented a Carbon Neutrality Plan for 2050, covering its entire value chain (including its suppliers, operational activities and products). Annual objectives and monitoring of their achievement were established in 2020, with indicators to be published each year from 2021 (see section 4.1.3 "Valeo's Carbon Neutrality Plan for 2050", page 206).

The methodological tools for modeling CO₂ emissions linked to the use of products have been reviewed as part of Valeo's Carbon Neutrality Plan. The methodology is presented in section 4.3.3 "CO₂ emissions related to the use of Valeo products (Scope 3)", page 230.

(1) In particular, the CDP questionnaire on climate change, assessing the transparency and sustainable development performance of enterprises, organizations and other bodies, which has developed one of the leading methodologies for monitoring risks and opportunities related to climate change.

(2) The TCFD is an international working group bringing together experts from major business sectors, banks and rating agencies, which has proposed a methodological framework for reporting risks and opportunities related to climate change. It was established at the initiative of the Financial Stability Board. Established as a forum in 1999 at the initiative of the G7, the Financial Stability Board (FSB) was institutionalized by the G20 heads of state and government at the 2009 London Summit. Its main purpose is to strengthen the international coordination of financial regulatory reform. To that end, the FSB monitors the implementation of reforms, notably through mutual assessments, by promoting cooperation between authorities and assessing financial sector vulnerabilities, including vulnerabilities to climate change.

(3) The TCFD regularly updates and extends the use of its initial guidelines (<https://www.fsb-tcfd.org/wp-content/uploads/2019/06/2019-TCFD-Status-Report-FINAL-053119.pdf>).

4.2 NON-FINANCIAL PERFORMANCE OBJECTIVES AND INDICATORS

Objectives and measurement of the Group's overall sustainable development performance (2015-2020)

Building on the commitments described above, Valeo's sustainable development policy is built on four key priorities, the achievements of which are described in this chapter:





- innovation;
- environmental eco-efficiency of solutions and products;
- employees;
- commitment to corporate citizenship.

These objectives are backed by tools for measuring performance in terms of labor-related, environmental and social responsibility, as well as compliance with competition law and the fight against corporate corruption.

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 following performance chart sets out the Group's main objectives and key performance indicators.

The objectives, which reflect the Group's priorities, have been formalized in a collaborative approach in partnership with the departments concerned and in line with the results of the materiality analysis.

► **PERFORMANCE CHART SHOWING THE KEY OBJECTIVES AND PERFORMANCE INDICATORS OF THE GROUP'S SUSTAINABLE DEVELOPMENT POLICY**

AXES	CHALLENGES	KEY INDICATORS	2015 RESULTS	2016 RESULTS	2017 RESULTS	2018 RESULTS	2019 RESULTS	2020 RESULTS	TARGETS (2020)	REFERENCE SECTIONS
 INNOVATION	Low-carbon mobility solutions/ Autonomous and connected vehicle	• Share of innovative products in order intake (% of order intake)	37%	50%	50%	53%	47% ⁽¹⁾	56% ⁽¹⁾	>40%	1.5.6 Page 79
		• Share of products contributing to the reduction of CO ₂ emissions (as a % of sales)	N/A	50%	50%	50%	57%	60%	N/A	4.1.4 Page 209
 ENVIRONMENTAL ECO-EFFICIENCY	Energy and carbon efficiency of production	• Energy consumption as a proportion of sales (MWh/€m) and change vs. 2015 (%)	143	137 -4%	134 -6%	140 -2%	142 -1%	163 +14%	132 -8%	4.5.3 Page 269
		• Direct (Scope 1) and indirect (Scope 2) emissions as a proportion of sales (tCO ₂ /€m) and change vs. 2015 (%)	56.3	56.6 +1%	55.6 -1%	59.2 +5%	57.6 +2%	42, 1 ⁽²⁾ -25%	51.8 -8%	4.5.3 Page 270
		• ISO 50001 energy management certification (% of sites)	8%	12%	13%	17%	18%	20%	20%	4.5.3 Page 263
	Discharges and waste	• Production of hazardous and non-hazardous waste as a proportion of sales (t/€m) and change vs. 2015 (%)	16.4	17 +4%	16.6 +1%	16.2 -1%	16.4 -%	17.4 +6%	15.6 -5%	4.3.3 Page 238
	Water	• Water consumption as a proportion of sales (cu.m/€m) and change vs. 2015 (%)	198	184 -7%	175 -12%	210 +6%	197 -1%	213 +8%	186 -6%	4.5.3 Page 265
 EMPLOYEES	Safety and working conditions	• FR1: frequency rate of occupational accidents with lost time (accidents with lost time/ million hours worked)	2.4	2.3	2	2.1	1.9	1.4	<2	4.3.3 Page 240
	Attracting and retaining talent	• Voluntary turnover of Managers and Professionals (% of M&P workforce)	6.7%	7.0%	7.3%	8.5%	8.0%	6.2%	≤7%	4.3.3 Page 247
	Promoting and respecting fundamental rights	• Share of employees who acknowledged receipt of the Code of Ethics and were trained on its content (% of the registered headcount)	N/A	95%	95%	99%	99.8%	99.0%	100.0%	4.3.3 Page 248
	Promoting diversity	• Share of women in new hires during the year (% of hires during the year)	32.4%	31.2%	32.0%	33.0%	34.9%	39.0%	35.0% ⁽³⁾	4.5.4 Page 276
 COMMITMENT TO CORPORATE CITIZENSHIP	Purchasing and sustainable development	• Share of production purchases for which the suppliers' sustainable development practices were assessed during the year (% of total purchases)	60%	63%	67%	77%	80%	80%	80%	4.3.3 Page 250
	Local integration	• Organization of initiatives and events by the Valeo sites with educational and vocational training institutions (% of sites)	N/A	N/A	48%	61%	68%	70%	80%	4.5.5 Page 283

(1) From 2019, the calculation takes into account Valeo Siemens eAutomotive.

(2) From 2020, to improve the accuracy of its Scope 2 emissions data, Valeo published them using the so-called "market-based" method, defined by the GHG Protocol (see sustainable development glossary, page 295).

(3) In 2018, Valeo achieved its 2020 objective, set in 2017, of ≥33%. The Group has accordingly decided to raise its "Promoting diversity" target with a more ambitious goal for 2020.

With respect to "environmental eco-efficiency", the Group reduced its direct CO₂ emissions by 25% compared with 2015, exceeding its initial 8% reduction objective, and achieved its objective of having 20% of sites ISO 50001 certified. The Group was not able to meet the objectives set for the other key indicators set out in the above table. While some indicators fell in absolute terms, their value as a proportion of sales did not follow the same trend due to the difficulty in variabilizing them, despite the slowdown in activity in 2020 (e.g., energy consumption is hard to reduce, and therefore remained stable).

While some indicators fell in absolute terms, their value as a proportion of sales did not follow the same trend due to the difficulty in variabilizing them, despite the slowdown in activity in 2020 (e.g., energy consumption is hard to reduce, and therefore remained stable).





Regarding "Employees", the Group met its objectives with respect to safety at work and attracting and retaining talent, and exceeded its objective in relation to promoting diversity.

For 2025, the Group has set itself ever more ambitious objectives, as set out in the table below.

2025 sustainable development plan

Following a review of the actions and outcomes of the 2016-2020 five-year plan, Valeo has set new sustainable development objectives for 2025, in line with its innovation, environmental eco-efficiency and commitment to labor and corporate citizenship axes. As 2020 was not a year of normal business for the Group, Valeo has chosen to use 2019 as the reference year for its new 2021-2025 five-year plan, rather than 2020.

The 2025 environmental objectives are aligned with the CO₂ emissions reduction trajectories for 2030 and 2050, in line with Valeo's Carbon Neutrality Plan announced on February 4, 2021 and described in 4.1.3 "Valeo's Carbon Neutrality Plan for 2050". As part of its Carbon Neutrality Plan and its intermediate target for 2030, Valeo discloses its annual emissions readings in absolute terms (in line with the target set in the SBTi commitment for 2030). Under the previous plan, the indicators were broken down by intensity (tCO₂/€m); for reasons of transparency and readability of information, these indicators have continued to be monitored.

AXES	CHALLENGES	KEY INDICATORS	2019 RESULTS ⁽¹⁾	2020 RESULTS	2021 OBJECTIVES	2025 OBJECTIVES	REFERENCE SECTIONS
 INNOVATION	Carbon Neutrality Plan and Low-Carbon Mobility Solutions	<ul style="list-style-type: none"> CO₂ emissions reduction across all operating activities, suppliers and the end use of its products (Scopes 1, 2 and 3) (<i>in MtCO₂</i>) 	49.6	39.7	48.1	45.1	4.3.3 page 230 4.5.3 pages 268 to 272
		<ul style="list-style-type: none"> Share of products contributing to the reduction of CO₂ emissions (<i>as a % of sales</i>) 	57%	60%	>50%	>50%	4.1.4 page 209
 ENVIRONMENTAL ECO-EFFICIENCY	Energy and carbon efficiency of production	<ul style="list-style-type: none"> Energy consumption as a proportion of sales (<i>MWh/€m</i>) and change vs. 2019 (%) 	142	163 +15%	140 -1%	134 -6%	4.5.3 page 269
		<ul style="list-style-type: none"> Direct (Scope 1) and indirect (Scope 2) emissions as a proportion of sales (<i>tCO₂/€m</i>) and change vs. 2019 (%) 	57.6	42.1 ⁽²⁾ -27%	50 -13%	42 -31%	4.5.3 page 270
		<ul style="list-style-type: none"> ISO 50001 energy management certification (<i>% of sites</i>) 	18%	20%	23%	40%	4.5.3 page 263
	Discharges and waste	<ul style="list-style-type: none"> Production of hazardous and non-hazardous waste as a proportion of sales (<i>t/€m</i>) and change vs. 2019 (%) 	16.4	17.4 6%	16.0 -2%	15.0 -9%	4.3.3 page 238
 EMPLOYEES	Water	<ul style="list-style-type: none"> Water consumption as a proportion of sales (<i>cu.m/€m</i>) and change vs. 2019 (%) 	197	213 8%	193 -2%	185 -6%	4.5.3 page 265
	Health and safety	<ul style="list-style-type: none"> Accident frequency rate 1 (FR1): number of accidents with lost time per million hours worked 	1.9	1.4	<1.9	<1.7	4.3.3 page 240
	Promoting diversity	<ul style="list-style-type: none"> Gender equality index 	82.0	82.6	85	90	4.5.4 page 276
	Skills	<ul style="list-style-type: none"> Number of hours of technical training (<i>in thousands of hours</i>) 	230	232	250	300	4.3.3 page 244
 COMMITMENT TO CORPORATE CITIZENSHIP	Quality of life at work	<ul style="list-style-type: none"> Rate of compliance with the "Building a well-being environment" roadmap⁽³⁾ 	61%	65%	70%	75%	4.5.4 page 275
	Purchasing and sustainable development	<ul style="list-style-type: none"> Share of production purchases for which the suppliers' sustainable development practices were assessed during the year (<i>% of total purchases</i>) 	80%	80%	81%	82%	4.3.3 page 250
	Local integration	<ul style="list-style-type: none"> Organization of initiatives and events by the Valeo sites with educational and vocational training institutions (<i>% of sites</i>) 	68%	70%	77%	85%	4.5.5 page 282
	Local communities	<ul style="list-style-type: none"> Share of sites participating in the "One Plant, One Initiative" program 	50%	55%	66%	100%	N/A

(1) 2019 is the reference year under the new 2020-2025 plan.

(2) From 2020, to improve the accuracy of its Scope 2 emissions data, Valeo published them using the so-called "market-based" method, defined by the GHG Protocol (see sustainable development glossary, page 295).

(3) To monitor progress on this roadmap, action plans are defined and audited by Valeo's internal auditors each year.

Non-financial performance indicators

Technological indicators

	Section	Unit	2018	2019	2020
KEY RESEARCH AND DEVELOPMENT INDICATORS					
Gross Research and Development expenditure (as a % of sales)	4.1.4		10.6%	10.5%	10.1%
Net Research and Development expenditure (as a % of sales)	4.1.4		8.2%	8.0%	10.3%
Research and Development headcount	4.1.4		19,800	19,900	18,480
Number of customer projects managed	4.1.4		3,000	3,270	2,911
Number of collaborative projects funded	4.5.2		>50	>50	>50
Number of patents filed	4.5.2		2,144	1,698	1,174
Proportion of innovative products ⁽²⁾ in the order intake	1.5.6		53%	47%	56%
RESOURCE AND ECO-DESIGN INDICATORS⁽³⁾					
Sales (reference)		€k	17,661	18,749	14,991
Consumption of heavy metals	4.3.3	t	9.8	11.5	3.8
Consumption of heavy metals/sales	4.3.3	kg/€m	0.6	0.6	0.3
Consumption of chlorinated solvents	4.5.3	t	114.0	1.04	0.0
Consumption of chlorinated solvents/sales	4.5.3	kg/€m	6.0	0.05	0.0
Consumption of CMR substances ⁽⁴⁾	4.3.3	t	130.0	140.6	118.0
Consumption of CMR substances ⁽⁴⁾ /sales	4.3.3	kg/€m	7.4	7.5	7.9
Consumption of recycled plastics	4.5.3	kt	12.3	9.0	3.5

(1) Excluding the Top Column Module (TCM) business.

(2) Products and technologies in series production for less than three years, excluding Valeo Siemens eAutomotive, FTE automotive and Valeo-Kapeec.

(3) Sales calculated for the period from October 1 of the prior year to September 30 of the year under review, as specified in the methodological note on pages 287 to 288.

(4) See sustainable development glossary, page 295.

Environmental indicators

	Section	Unit	2018	2019	2020
INDUSTRIAL MAPPING OF VALEO SITES⁽¹⁾					
Total sales across all sites in reporting scope ⁽²⁾	4.1.4	€m	17,661	18,749	14,991
Number of sites in reporting scope	4.1.4	-	140	153	151
GENERAL POLICY ON ENVIRONMENTAL ISSUES					
Number of sites able to obtain ISO 14001 and OHSAS 18001/ISO 45001 certification	4.5.3	-	140	153	151
ISO 14001-certified sites	4.5.3	%	92	87	100
OHSAS 18001/ISO 45001-certified sites	4.5.3	%	91	85	92
ISO 50001-certified sites	4.5.3	%	17	18	20
Functional expenditure allocated to environment	4.1.4	€k	21,022	22,756	17,438
Cleanup costs, sites in operation	4.1.4	€k	1,717	1,434	1,310
Amount of investments for the protection of the environment (excluding cleanup costs)	4.1.4	€k	5,843	6,469	5,986
Number of fines and compensation awards	4.2	0	1	1	7
Amount of fines and compensation awards	4.2	€k	63	44	24 ⁽³⁾
Total provisions allocated to environmental risks	4.2	€m	15	14	13 ⁽⁴⁾
Number of environmental complaints	4.2	-	12	4	11

(1) Data may vary slightly depending on the rate of site response on specific indicators (see section 4.6.1 "Sustainable development reporting methodology", pages 287 to 289).

(2) Sales calculated for the period from October 1 of the prior year to September 30 of the year under review, as specified in the methodological note on pages 287 to 288.

(3) Fine for prolonged storage of hazardous waste on site.

(4) Total environmental provisions at December 31, 2020.

	Section	Unit	2018	2019	2020
ACCIDENTAL POLLUTION OF WATER AND/OR SOIL					
Volume of industrial effluents treated	4.3.3	kcu.m	916	869	636
Heavy metal content in these effluents	4.3.3	kg	53	56	26
Number of significant spills	4.3.3	-	0	1	2
Total waste generated	4.3.3	kt	275.8	306.1	258.8
• of which hazardous waste	4.3.3	%	9	10	10
• of which non-hazardous waste	4.3.3	%	91	90	90
Total waste generated/sales	4.3.3	t/€m	16.2	16.4	17.4
Waste recovery rate	4.3.3	%	91	89	90
Total waste exported	4.3.3	t	2,464	2,207	1,434
Ratio of total waste exported/total waste generated	4.3.3	%	0.9	0.7	0.6
WATER MANAGEMENT					
Total water consumption	4.5.3	kcu.m	3,711	3,698	3,275
Total water consumption/sales	4.5.3	cu.m/€m	210	197	213
Water outages and restrictions	4.5.3	-	1	3	1
ATMOSPHERIC EMISSIONS AND DISCHARGES					
Atmospheric lead emissions	4.5.3	kg	36	224	77
Atmospheric lead emissions/sales	4.5.3	g/€m	2.04	11.94	5
Atmospheric TCE emissions	4.5.3	t	1.8	0.7	0
Atmospheric TCE emissions/sales	4.5.3	kg/€m	0	0.03	0
Quantity of ozone-depleting substances used	4.5.3	kg	27,793	18,092	14,627
Emissions of ozone-depleting substances	4.5.3	kg CFC-11	469	136	295
Atmospheric VOC emissions ⁽⁵⁾	4.5.3	t	2,174	1,905	1,973
Atmospheric VOC emissions ⁽⁵⁾ /sales	4.5.3	kg/€m	123	103	132
Atmospheric NO _x emissions	4.5.3	t	139	146	139
Atmospheric NO _x emissions/sales	4.5.3	kg/€m	7.9	7.81	9.29
REDUCING ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS					
Total energy consumption	4.5.3	GWh	2,476	2,657	2,455
• Proportion of electricity	4.5.3	%	76.6	76.8	76.3
• Proportion of natural gas	4.5.3	%	20.3	21.2	21.3
• Proportion of fuel oil	4.5.3	%	1.8	1.1	1.4
• Proportion of other energy sources	4.5.3	%	1.4	0.9	1.0
Total energy consumption/sales	4.5.3	MWh/€m	140	142	163
Direct energy consumption/sales	4.5.3	MWh/€m	32	32	37
Indirect energy consumption/sales	4.5.3	MWh/€m	108	110	126
Energy efficiency: expected gain	4.5.3	MWh	27,031	23,833	11,891
Direct greenhouse gas (GHG) emissions ⁽⁵⁾	4.5.3	ktCO ₂ eq.	175.3	186.9	170.6
Indirect GHG emissions ⁽⁵⁾⁽⁶⁾	4.5.3	ktCO ₂ eq.	870.5	954.5 ⁽⁶⁾	888.9 ⁽⁶⁾
Indirect GHG emissions with guarantee of origin ⁽⁵⁾⁽⁷⁾	4.5.3	ktCO ₂ eq.	870.5	892.2 ⁽⁷⁾	460.1 ⁽⁷⁾
Other relevant indirect GHG emissions ⁽⁵⁾	4.5.3	ktCO ₂ eq.	9,329	9,696	8,521
PACKAGING					
Packaging materials consumption		kt	100.6	94.2	81.5
• Proportion of plastic packaging	4.5.3	%	12.5	14.3	16.0
• Proportion of cardboard packaging	4.5.3	%	56	54.1	54.8
• Proportion of wood packaging	4.5.3	%	29.6	30	27.3
• Proportion of other types of packaging		%	1.9	1.7	1.9
Packaging materials consumption/sales		t/€m	5.7	5.1	5.4

(5) See sustainable development glossary, page 295.

(6) Data on indirect greenhouse gas emissions: this calculation does not take into account purchases of low-carbon energy with guarantee of origin.

(7) Data on indirect greenhouse gas emissions: this calculation includes the adjustment of the energy mix for purchases of decarbonized energy with guarantee of origin (use of residual emission factors), using the so-called "market-based" method, defined by the GHG Protocol (see sustainable development glossary, page 295).

Employee-related indicators

	Section	2018	2019	2020
CHANGE IN VALEO'S HEADCOUNT				
Managers and Professionals	4.1.4	31,683	32,013	30,562
Technicians ⁽¹⁾	4.1.4	17,542	16,203	15,488
Operators	4.1.4	53,211	55,202	52,818
Registered headcount⁽²⁾	4.1.4	102,436	103,418	98,868
Interim staff		11,164	11,282	11,432
Total headcount	4.1.4	113,600	114,700	110,300
Permanent staff		84,200	86,000	84,638
Non-permanent staff		29,400	28,700	25,698
Average headcount⁽³⁾	4.1.4	114,125	114,525	108,425
Breakdown of registered headcount by socio-professional category (%)				
• Managers and Professionals		30.9%	31.0%	30.9%
• Technicians ⁽¹⁾		17.1%	15.7%	15.7%
• Operators		52.0%	53.3%	53.4%
Breakdown of registered headcount by contract type (%)				
• Permanent contracts		74.1%	74.9%	76.7%
• Fixed-term contracts		16.1%	15.2%	12.9%
• Interim staff		9.8%	9.9%	10.4%
Breakdown of registered headcount by geographic area				
• Western Europe		28,600	27,610	26,139
• Central and Eastern Europe		16,264	16,765	16,317
• Africa		4,454	5,494	5,902
• North America		16,632	17,788	17,504
• South America		2,836	2,902	2,610
• Asia		33,650	32,859	30,396
Breakdown of registered headcount by gender (%)				
• Women		32.0%	32.1%	32.6%
• Men		68.0%	67.9%	67.4%
HEALTH AND SAFETY				
Number of lost-time occupational accidents per million hours worked, Group (FR1)	4.3.3	2.1	1.9	1.4
Number of occupational accidents, with or without lost time, per million hours worked, Group (FR2)	4.3.3	12.1	8.3	3.4
Number of days lost owing to an occupational accident per thousand hours worked, Group (SR1)	4.3.3	0.06	0.07	0.04
Number of category 1 accidents	4.3.3	5	4	3
Absenteeism rate	4.3.3	2.36%	2.50%	2.86%
ATTRACTING TALENT				
Breakdown of new hires by contract type (%)				
• Permanent contracts		49.2%	51.4%	40.1%
• Fixed-term contracts		50.8%	48.6%	59.9%
Breakdown of new hires by geographic area⁽⁴⁾ (%)				
• Western Europe		27.1%	19.1%	22.3%
• Central and Eastern Europe		11.8%	12.5%	14.1%
• Africa		4.5%	10.0%	6.2%

(1) Employees on internships, Volontariat International en Entreprise (VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are counted as technicians.

(2) The registered headcount corresponds to permanent and fixed-term employees.

(3) The average headcount is the sum of the Group's total headcount in each quarter divided by 4.

(4) Hires resulting from external growth operations are not included in this calculation.

	Section	2018	2019	2020
• North America		27.4%	36.4%	34.4%
• South America		2.0%	2.1%	2.1%
• Asia		27.2%	19.9%	20.9%
Change in the number of LinkedIn followers		504,497	631,000	783,000
DEVELOPING AND RETAINING TALENT				
Percentage of employees trained	4.3.3	98.5%	95.1%	83.1%
Number of training hours provided	4.3.3	2,403,014	2,424,533	1,772,368
Average hours of training per employee	4.3.3	24.6	23.4	17.9
Percentage of training hours devoted to safety	4.3.3	15%	15%	17%
Percentage of employee shareholders at Valeo	4.3.3	45%	50%	50%
Breakdown of departures by cause	4.3.3			
• Resignations		9,190	9,412	7,091
• Expiration of fixed-term contracts		10,550	10,452	10,152
• Dismissals and contract terminations		4,191	5,126	5,362
• Retirement, early retirement and death		692	589	798
• Layoffs		697	535	1,716
Turnover of Managers and Professionals		8.5%	8.0%	6.2%
RESPECTING AND PROMOTING DIVERSITY				
Percentage of women among new hires (%)	4.5.4			
• Managers and Professionals		26.0%	26.0%	26.0%
• Technicians		32.8%	32.8%	29.0%
• Operators		36.2%	38.1%	42.0%
Percentage of women among new hires		33.0%	34.9%	39.0%
Breakdown of women by socio-professional category (%)	4.5.4			
• Managers and Professionals		22.7%	23.1%	23.1%
• Technicians		24.5%	24.6%	23.8%
• Operators		38.5%	40.2%	40.0%
Proportion of employees with disabilities worldwide (direct employment)		2.3%	2.1%	1.8%
Breakdown of sites run by local directors (%)	4.5.4			
• Western Europe		77%	78%	78%
• Central and Eastern Europe		76%	75%	81%
• Africa		75%	67%	89%
• North America		71%	64%	76%
• South America		67%	80%	80%
• Asia		83%	82%	94%
Breakdown of registered headcount by age group (%)	4.5.4			
• <20 years		1.1%	1.1%	1.0%
• 20-29 years		29.2%	27.6%	25.6%
• 30-39 years		34.0%	34.3%	34.5%
• 40-49 years		21.5%	22.2%	23.4%
• 50-59 years		12.1%	12.6%	13.3%
• >60 years		2.0%	2.2%	2.2%
Number of interns		1,651	1,793	1,192
Number of apprentices		1,223	1,017	1,117
Number of VIE (<i>Volontariat international en entreprise</i>) applicants		108	76	47

(1) Employees on internships, Volontariat International en Entreprise (VIE) programs and combined work-study arrangements (apprenticeship or professional training contracts) are counted as technicians.

(2) The registered headcount corresponds to permanent and fixed-term employees.

(3) The average headcount is the sum of the Group's total headcount in each quarter divided by 4.

(4) Hires resulting from external growth operations are not included in this calculation.

Social indicators

Indicators	Section	2018	2019	2020
Percentage of sites that organized open days		26%	32%	–%
Share of sites partnering with local elementary/secondary schools	4.5.5	61%	58%	45%
Share of sites partnering with local universities/engineering schools in 2020	4.5.5	82%	79%	77%
Share of production purchases for which the suppliers' sustainable development practices were assessed during the year (% of total purchases)	4.5.5	77%	80%	80%

4.3 NON-FINANCIAL INFORMATION STATEMENT

4.3.1 Analysis of non-financial risks

Valeo has analyzed its non-financial risks, in compliance with the French legal framework, to improve the transparency of its non-financial reporting. The Group was keen to blend the methodologies developed internally to evaluate its operations and its supply chain with new duty-of-care and measurement tools developed by non-financial stakeholders. These include mechanisms resulting from sector-based initiatives for the evaluation of the supply chain (for conflict minerals for instance).

Valeo's analysis of non-financial risks, performed for the first time in 2018, resulted from the joint work of the Risk Management and Sustainable Development and External Affairs departments. The work followed the methodological approach and included the following key steps:

- **step 1:** by comparing the Group's risk map (the details of which are presented in Chapter 2, section 2.1 "Risk factors", pages 82 to 100) with the materiality matrix (the details of which are presented in section 4.1.2, "Sustainable development challenges and non-financial risks", pages 201 to 202), Valeo sought to identify and analyze the potential risks associated with the challenges set out in the matrix. The analysis took into account changes in the French legal framework and the risks associated with corruption⁽¹⁾, serious violations of human rights and fundamental freedoms, personal health and safety, and the environment⁽²⁾ (see section 4.4 "The duty of care plan", pages 253 to 256).
- it was considered that the materiality matrix had already been performed for challenges in the matrix covered by the Group's risk mapping, which correspond to risk factors,

- the challenges not covered by the risk mapping were analyzed in detail, based largely on in-depth interviews with the various contributors to their management, as well as on sector comparisons. The results gave rise to the formalization of non-financial risks, their evaluation in accordance with the Group's risk assessment scale (i.e., that used for the risk factors presented in Chapter 2) and the establishment of specific mapping of non-financial risks;

- **step 2:** the mapping of the non-financial risks and its associated analysis for 2018 were presented to the Risks Committee in early 2019, which approved the findings;
- **step 3:** the risk factors resulting from this non-financial risk mapping were published in the Registration Document for 2018 (at the end of March 2019).

The process was reiterated for this 2020 Universal Registration Document. The risk analysis and associated mapping were presented to the Risks Committee, which validated the assessments of the non-financial risks identified for 2020.

(1) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization.

(2) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.

Through this process, Valeo identified the following seven main non-financial risks (classified in accordance with Valeo's four sustainable development axes):

Sustainable development axes	Risks	
Innovation	Risk of non-compliance with environmental product regulations	Pages 229 to 235
Environmental eco-efficiency	Risk associated with accidental pollution of water and/or soil	Pages 235 to 238
Employees	Health and safety risk	Pages 238 to 241
	Risk related to attracting talent	Pages 241 to 243
	Risk related to developing and retaining talent	Pages 244 to 247
Commitment to corporate citizenship	Risk of individual corruption	Pages 248 to 249
	Risk related to suppliers' sustainable development practices	Pages 249 to 253

Of the non-financial risks identified, Valeo considers that the "risk of non-compliance with environmental product regulations" best reflects the Group's exposure to the effects of climate change on its product portfolio⁽¹⁾. The characterization of the risks weighing on its industrial activity as regards the effects of climate change bear chiefly on the unavailability of production facilities following weather events or major natural disasters.

The means of controlling these risks are presented in the following section (section 4.3.3 "Valeo's non-financial risks", pages 228 to 252).

These risks were analyzed and dealt with in a low-carbon scenario approach, in connection with the new legal provisions on the disclosure of financial risks related to the effects of climate change⁽²⁾.

Further clarification on the reporting of risks and opportunities related to climate change is provided in section 4.1.5 "Risks and opportunities related to climate change (TCFD)", page 218. It was designed based on the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD).

The risks listed above and described in this chapter are the material items declared following risk mapping. In view of the Group's industrial and automotive activity, Valeo does not address the following issues, which it considers immaterial:

- the fight against food waste;
- the fight against food insecurity;
- respect for animal welfare;
- responsible, fair and sustainable food⁽²⁾.

Measures taken by Valeo to combat tax evasion are described in Chapter 1, section 1.2.3 "Valeo's tax policy" (page 51).

Although this information is not part of the framework of the non-financial information statement⁽³⁾, certain employee, environmental and social data have been kept in this chapter to ensure the continuity and transparency of information. They are presented, for each sustainable development priority, in the sections entitled "Valeo's commitments" (section 4.5.2 "Technological commitments", section 4.5.3 "Environmental commitments", section 4.5.4 "Employee-related commitments", section 4.5.5 "Social commitments").

4.3.2 Business model

Valeo's business model is presented in the Integrated Report (see section "Valeo's value creation model", pages 46 to 47).

(1) Energy transition law for green growth, application guide of Article 173-VI.

(2) Article L.225-100-1 of the French Commercial Code.

(3) This information is not part of the non-financial information statement and should not be taken as such, even though some items are mentioned in decree No. 2017-1265 of August 9, 2017 issued for the application of Government order No. 2017-1180 of July 19, 2017 on the disclosure of non-financial information by certain large corporations and groups of corporations and are described in Article R.225-105 of the French Commercial Code.

4.3.3 Valeo's non-financial risks

Summary table of non-financial risks

	Risks	Description	Due diligence policies and procedures	Key performance indicators	Pages
Innovation	Risk of non-compliance with environmental product regulations	Risk related to compliance with and anticipation of national and regional (European) regulations on the reduction of polluting emissions	<ul style="list-style-type: none"> Valeo's Carbon Neutrality Plan Innovation for the reduction of CO₂ emissions by products during their use phase A product eco-design strategy aimed at reducing their carbon impact during the design and production phase 	<ul style="list-style-type: none"> 60% of sales derived from products contributing to the reduction of CO₂ emissions 	229-235
	Risk associated with accidental pollution of water and/or soil	Risk related to the use of polluting substances that can generate hazardous waste, or the discharge of liquid effluents that may be polluted	<ul style="list-style-type: none"> Implementation of several operational environmental directives setting out rules for all sites in order to limit risks 	<ul style="list-style-type: none"> 98% of sites free of accidental spills⁽¹⁾ Non-hazardous waste/sales: 90% 90% of waste recovered or recycled of which 6.4% incinerated with heat recovery 	235-238
Employees	Health and safety risk	Risk related to the occurrence of an accident	<ul style="list-style-type: none"> Rollout of policies and directives on a range of topics (building and facility safety, employee health and safety, data security and the environment) Quick Response Quality Control methodology Safety First training program Rollout of the five golden safety rules (protective equipment, lock-out tag-out operations, working at height, vigilance at work) 	<ul style="list-style-type: none"> Frequency rate of occupational accidents FR1: 1.4 Frequency rate of occupational accidents FR2: 3.4 Number of days lost owing to an occupational accident, or severity rate (SR1): 0.04 	238-241
	Risk related to attracting talent	Risk related to difficulties in attracting the talent needed to achieve its goals in a competitive environment undergoing profound transformation	<ul style="list-style-type: none"> Implementation of Talent Acquisition Centers (TAC) Global IT recruitment management solution A strong employer brand 	<ul style="list-style-type: none"> 20,332 recruitments 783,000 LinkedIn followers: 77% of Valeo's plants maintaining relations with higher education institutions 	241-243
	Risk related to developing and retaining talent	Risk related to difficulties in retaining talent, adapting and taking on new skills	<ul style="list-style-type: none"> Training and skills development Compensation and benefits Development of networks of experts and specialists 	<ul style="list-style-type: none"> Number of departures: 7,091 Voluntary turnover of Managers and Professionals: 6.2% 	244-247
	Risk of individual corruption	Risk related to the impact of possible corrupt practices on the Group's reputation, operations, financial situation and profitability	<ul style="list-style-type: none"> Anti-corruption program rolled out worldwide, subject to internal controls and multiple audits Additional training, procedures for declaring conflicts of interest clarified, communication campaign illustrated with practical cases 	<ul style="list-style-type: none"> Code of Ethics issued to 99% of newcomers Training module on the risks of corruption, fraud and anti-competitive practices taken by 99.98% of people concerned 	248-249
Commitment to corporate citizenship	Risk related to suppliers' sustainable development practices	Risk related to non-compliance with sustainable development requirements by suppliers	<ul style="list-style-type: none"> Assessment of suppliers' sustainable development practices Compliance with Valeo's Business Partner Code of Conduct Anticipatory measures to ensure legal compliance in France 	<ul style="list-style-type: none"> Share of production purchases for which suppliers' sustainable development practices were assessed: 80% 	249-253

(1) A spill is considered accidental when the quantity spilled is greater than 1 cu.m.

Risk of non-compliance with environmental product regulations

Description of the risk

In light of changing and increasingly stringent laws worldwide on the reduction of polluting emissions from vehicles and the introduction of electromobility in Europe and other parts of the world (in Europe, emissions capped at 95g of CO₂/km in 2021 and 59g of CO₂/km in 2030), or even approximately 40g of CO₂/km taking into account the first available analyses relating to the sector-based strategies of the “Green Deal” presented by the European Commission in December 2019), and given market trends in favor of the penetration of hybrid and electric vehicles, Valeo has identified a non-financial risk of non-compliance by these products with environmental regulations.

This risk is relevant to the entire automotive sector and is defined as compliance with and anticipation of national and regional (European) regulations as regards:

- caps on CO₂ emissions and gaseous pollutants from vehicles⁽¹⁾;
- compliance with the regulatory framework for eco-design⁽²⁾⁽³⁾ and the use of hazardous and regulated substances in the product composition and manufacturing process⁽³⁾.

This risk also includes growing demand for more in-depth product life cycle assessments, for which methodologies and tools are currently being developed within the sector, particularly in line with the European legal framework currently under construction in this area⁽⁴⁾.

Risk management policy

Since 2009, the design, development and production of products contributing to the reduction of CO₂ emissions have been constants in the Group's strategy. In this context, the risk of non-compliance with environmental product regulations is monitored by the Research and Development and Strategy Departments.

Valeo's policy has two focuses:

- innovation for the reduction of CO₂ emissions of products during their use phase, with contributions from the following three Valeo activities:
 - products contributing to the hybridization and electrification of powertrains, especially those dedicated to medium-power (48V) hybridization,

- high-power (over 60V) electrification for electric vehicles and plug-in hybrids, offering a significant reduction in CO₂ emissions and the option of driving in low-emissions mode, especially in urban areas,
- thermal solutions for both engine and cabin, now integrating all battery thermal management solutions for electric vehicles,
- exterior and interior lighting solutions (vehicle projectors, etc.) with reduced energy consumption and mass to help limit the vehicle's carbon impact. In wiper systems, Valeo also develops systems that consume less energy;
- roll out of a product eco-design strategy geared towards reducing their carbon impact well beyond the simple use phase, with the following priorities:
 - life cycle assessments of Valeo products,
 - limiting the consumption of raw materials and chemicals,
 - using recyclable and recycled materials,
 - eliminating hazardous materials in anticipation of the applicable legal and regulatory framework.

The management of this risk has been reinforced by the adoption of Valeo's Carbon Neutrality Plan and its application within the R&D network from the end of 2020. This involves understanding Valeo's overall risk related to CO₂ and setting actionable objectives for each network, with medium-term targets.

Measures taken to reduce the risk

Reducing CO₂ emissions

The key products contributing to the hybridization and electrification of powertrains are presented in Chapter 1, section 1.3.2 “Powertrain Systems”, pages 57 to 59. Similarly, the latest innovations in thermal systems and lighting and wiper systems are presented in Chapter 1, section 1.3.4, “Visibility Systems”, pages 65 to 68, and section 1.3.3 “Thermal Systems”, pages 60 to 64.

As part of Valeo's Carbon Neutrality Plan, management of the risk of non-compliance with environmental product regulations has been reinforced by the implementation of a tool to calculate the CO₂ impact of Valeo products during their use phase (see box below, “CO₂ emissions related to the use of Valeo products (Scope 3)”, page 230). This work has benefited from a range of advice and draws on accepted standards. It will enable the progress of the Carbon Neutrality Plan to be monitored each year.

(1) Regulation (EC) No. 715/2007 of the European Parliament and of the Council of June 20, 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information; Regulation (EU) 2019/631 of the European Parliament and of the Council of April 17, 2019 setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No. 443/2009 and (EU) No. 510/2011 (recast).

(2) Directive 2009/125/EC of the European Parliament and of the Council of October 21, 2009 establishing a framework for the setting of eco-design requirements for energy-related products.

(3) Directive No. 2000/53/EC of September 18, 2000 on end-of-life vehicles.

(4) https://ec.europa.eu/clima/policies/transport/vehicles_en#tab-0-1.

The Group's main areas of action to reduce CO₂ emissions leverage various factors:

- a product portfolio in line with the progressive electrification of new vehicles sold;
- progressive decarbonation of the energy consumed (greater integration of renewable energies);

- reduced vehicle mass;
- gradual improvement in the performance of Valeo's technological solutions.

Valeo also conducts approval and certification tests for each product, based on automotive sector standards.



CO₂ EMISSIONS RELATED TO THE USE OF VALEO PRODUCTS (SCOPE 3)

Absence of sector-specific methodology for equipment manufacturers

In accordance with the recommendations on identifying and reporting the volumes of indirect CO₂ emissions related to Valeo's operations⁽¹⁾, the Group undertook extensive work in 2017 to lay down a methodology for calculating emissions relating to the use of its products, in the absence of existing methodology in the industry:

- in view of the wide range of uses⁽²⁾ offered by Valeo products, which vary depending on the choices made by automakers on which Valeo only has a certain amount of information, this work drew on the modeling of its products' carbon impacts and was based on the parameters set out below;
- the work benefited from scientific and technical advice from EMISIA SA⁽³⁾, a branch of the Applied Thermodynamics Laboratory of the University of Thessaloniki (Greece) and an expert in modeling transportation-related CO₂ impacts recognized by the European Commission.

Valeo's approach was to evaluate the level of emissions of products representative of the diversity of its product portfolio throughout their use phase, which most often corresponds to the lifespan of a vehicle, factoring in the following parameters:

- the products' weight and power consumption characteristics;
- the technical characteristics of the vehicles fitted with Valeo products through a segment-specific approach, taking into account the vehicles' specific uses (rolling, product life);
- the penetration of Valeo technologies in the market and within the specific segments reviewed;
- the characteristics of the global market; and
- Valeo's annual sales of the technologies taken into account for this calculation.

This work was continued and further established in 2020 as part of the development of Valeo's Carbon Neutrality Plan, as CO₂ emissions relating to the use of Valeo products represent the most significant source of so-called Scope 3⁽⁴⁾ emissions. This work involved the following actions in 2020:

- review of the accounting of products' nominal carbon impact;
- review of the relevant emissions calculation cycle, with all emissions from Valeo products being calculated in accordance with the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) so as to reflect real-life conditions of use as closely as possible;
- integration of the carbon impact of the energy (fossil fuel or electric) consumed by the various types of vehicles in which Valeo products are installed, allowing well-to-wheel⁽⁵⁾ emissions to be calculated on a regional basis;
- integration of all Valeo product families so as to cover the Group's entire annual sales.

This methodological review received scientific and technical support from EMISIA SA in 2020.

It resulted in a revision of emissions for 2019 to 39 MtCO₂eq. Under the new methodology, emissions for 2020 totaled 30.8 MtCO₂eq., a reduction of 21% compared with 2019. This significant decline is attributable primarily to the impact on Valeo's sales of the general slowdown in the automotive sector in the wake of the Covid-19 crisis, but also the acceleration of electrification in 2020, with launches of new vehicles in Europe.

As part of the Carbon Neutrality Plan for 2030, Valeo has set the objective of reducing emissions linked to the use of its products by 15% in absolute terms compared with 2019. This objective was constructed on the basis of individual vehicle penetration scenarios and new forms of mobility by global region, integrating projections from several sources and taking into account the Valeo Group's growth outlook. It is consistent with the reference framework set by the SBTi and follows its cross-sector methodological recommendations for calculating Scope 3 emissions.

(1) Article 173 of Law No. 2015-992 of August 17, 2015 relating to the energy transition for green growth.

(2) The absence of a relevant calculation methodology for an automotive supplier is confirmed by the work of the SBTi: the methodology developed for car manufacturers indicates that a calculation methodology for equipment manufacturers is yet to be developed (see "Transport Science-Based Target setting Guidance", section 3.4, page 19).

(3) EMISIA is notably in charge of managing the European TRACCS database, resulting from a European project financed by the Directorate-General for Climate Action of the European Commission, DG-CLIMA (TRACCS, for "Transport data collection supporting the quantitative analysis of measures relating to transport and climate change").

(4) To be endorsed by the SBTi, a CO₂ emissions reduction target must include at least 60% of so-called Scope 3 emissions (see SBTi Criteria and Recommendations, Version 4.1, April 2020).

(5) The data on the carbon impact of the energy consumed by the vehicles under consideration come from the fifth updated edition of the work of the JEC published in September 2020, the result of a consortium of joint work between the European Commission's JRC, the European Council for Automotive R&D (EUCAR) and the European Energy Industry Association (Concawe).

With a view to measuring the carbon impact of products resulting from its investments in electrification, Valeo has assessed a net value of CO₂ emissions for Scope 3 related to the use of its products (net Scope 3 downstream). This value corresponds to the absolute value of emissions related to the use of its products (gross Scope 3 downstream, calculated on the basis of electricity consumption and the weight of products sold by Valeo during year Y) less the

emissions savings generated by the use of its products (difference between the average CO₂ emissions of products sold by Valeo within the annual production of vehicles for the reference year 2019 and that of year Y). As part of the 2050 Carbon Neutrality Plan, this methodology for integrating the CO₂ savings resulting from Valeo's products should enable the Group to nearly halve its overall emissions between 2019 and 2030.

Product eco-design

Areas of action and key figures for 2020

The eco-design approach has been rolled out at every level of the Group's Research and Development activities. It aims to:

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

The approach is an integral part of Valeo's Carbon Neutrality Plan, for which the Group has implemented a dedicated calculation tool to assess the carbon impact of materials, products and other inputs at Valeo, and to make longer-term projections. It takes into account Valeo's consumption of raw materials (own or indirect), the geography of origin and carbon emission factors specific to each family of materials. Starting in 2021, this tool will be linked to the Product Life Management (PLM) and other regulatory bases (IMDS, REACH, etc.), and will be an integral part of the development stages in a product's life cycle.

Product eco-design and life cycle assessments

Valeo's eco-design approach is based on internal standards, which guide the project teams in their life cycle analyses in the upstream research phase. They are included in internal documents, in particular the EcoDesign Standard⁽¹⁾ 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 during project development:

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

They make it possible to incorporate sustainable development constraints during the use of the product.

4



LIFE CYCLE ASSESSMENTS AT VALEO

In the automotive industry, the automaker or order-giver is responsible for performing the Life Cycle Assessment (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 Life Cycle 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 standards (in particular when using 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.

For example, a Life Cycle Assessment (LCA) has been carried out on LED fog lights. The aim was to assess their environmental impacts throughout their life cycle: production phase (LEDs and electronic controls), use phase (fuel consumption, CO₂ emissions) and end-of-life or recycling/reuse phase. The Group has gained considerable experience in performing this analysis.

The extent of Valeo's portfolio precludes performing LCAs on the entire product range.

(1) Directive 2009/125/EC of the European Parliament and of the Council of October 21, 2009 establishing a framework for the setting of eco-design requirements for energy-related products.

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 from the upstream phase. This means that products are consistently engineered from the outset with an eye to sustainable development criteria.

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 number of components and the volume of materials that do not benefit the environment or the consumer.

It also responds to changes in the European End-of-Life Vehicle (ELV) Directive⁽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 disposing by incineration. As a result, automakers have established increasingly higher standards with their suppliers to gradually raise the recycling rate of their products. The R&D and Projects teams work closely with automakers to anticipate and design products and systems that take into account recyclability and the best circuits in the industrial value chain.

As well as working closely with automakers, Valeo has for many years been committed to identifying second life solutions for some of the Group's key products (see section 4.5.2 "A commitment to R&D for the aftermarket and renovation market", page 261).



EXAMPLES OF RECYCLABILITY OF TWO VALEO PRODUCTS

The new generation Valeo i-StARS starter-alternator has a recyclability rate of 98.2% and a recovery rate of 99.5%⁽²⁾ (based on an internal evaluation).

The Valeo e-supercharger has a recyclability rate of 94.8% and a recovery rate of 97.6%⁽³⁾ (based on an internal evaluation).

Compliance of products with environmental standards

Complementing the internal EcoDesign Checklist tool, the eco-design approach is backed by a requirement for product quality and reliability right from their design phase, which is broken down within the RAISE methodology. It 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 identify, understand, learn, implement and verify. This is essential for ensuring that they are properly applied in a group like Valeo, whose employees speak a variety of languages and come from multiple cultural backgrounds;

- communicate on the standards and circulate them within the Group. Knowledge-sharing involves ensuring that standards are available in a single, global database (the PLM or Product Life Cycle Management database), and providing training provided at the Valeo Technical Institutes;
- verify that standards are implemented. To this end, the RAISE teams regularly visit sites and review project design. They do this to ensure that standards are applied correctly and to obtain any feedback that can be used to improve them.

More than 8,000 product and process standards are in place and maintained in the various Product Groups. They are applied day-to-day in designing new products and 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.

⁽¹⁾ See sustainable development glossary, page 295.

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

⁽³⁾ Regulation (EC) No. 1907/2006 of the European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No. 793/93 and Commission Regulation (EC) No. 1488/94 as well as Council Directive No. 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC.

Reduction and elimination of hazardous chemical substances

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

The European regulation commonly known as REACH⁽¹⁾ 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 the risks related to them and, where necessary, restrict or ban their use.

It covers nearly 30,000 substances out of the 100,000 currently on the European market. Of them, 1,500 are deemed particularly hazardous. Their use is controlled by the European authorities. As such, at the end of December 2020, 209 SVHCs (Substances of Very High Concern) had been identified by the competent European authorities and their use has been progressively subject to authorization. Among other substances, they include solvents, primarily used during procedures involving plasticizers to soften polymers, flame retardants used in electrical and electronic products to provide effective protection against the propagation of fire, and certain surface treatments. Moreover, due to the increasing integration of electronic components requiring the use of nanomaterials in its products, Valeo is closely following work by the European Commission in this area, especially via the REACH regulation, in order to anticipate possible substitutions of nanomaterials, or modifications to their supply processes and their use in manufacturing.

For REACH purposes, Valeo is generally considered to be a downstream user of chemicals. This means that it 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

It works under the REACH manager and a team including a representative in each division. They set the list of hazardous substances and decide on whether to eliminate them from Valeo's products and processes. 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).

The Group issues 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 regarding the substances used.

These documents include a reference database created by Valeo of banned or restricted substances in the automotive industry. The database was updated again in 2020. 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.

Valeo has long conducted in-depth research into the potential presence of SVHCs in its products, and has begun to replace them with substances with less environmental impact. It has set the ambitious target of eliminating from its products any substance requiring authorization in any of its markets and will work with its suppliers to systematically find alternatives to using SVHCs. In particular, a plan to replace products containing certain phthalates, including DEHP⁽²⁾ and certain nonylphenols, including nonoxinol, widely used as a plasticizer, was continued.

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

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 (known under the French acronym CLEPA). Valeo is also active in the dedicated working group of the Automotive Industry Platform (*Plateforme de la filière automobile*), which aims to identify materials and substances that have a negative impact on the environment.

The purpose of this work is to anticipate regulatory change and to modify choices in respect of materials and/or substances upstream.

Valeo has asked suppliers from which the Group purchases between 1 and 100 metric tons of substances to comply with the latest REACH disclosure requirements (in line with the methodology advocated by ACEA and CLEPA⁽³⁾). The audits carried out by Valeo showed that the Group was compliant with all mandatory requirements.

Materials consumption

Seeking to provide solutions both to reduce product mass and seize new opportunities for product development, Valeo is implementing solutions for a progressive substitution of the use of metal by lighter materials, such as resins, or even carbon fiber (for limited use in the automotive industry due to cost and large scale production constraints). This approach is further supported by the phasing-in of recycled plastics.

(1) See sustainable development glossary, page 295.

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

(3) Joint ACEA-CLEPA position paper of June 28, 2016: REACH registration – 2018 Deadline.

Results and performance

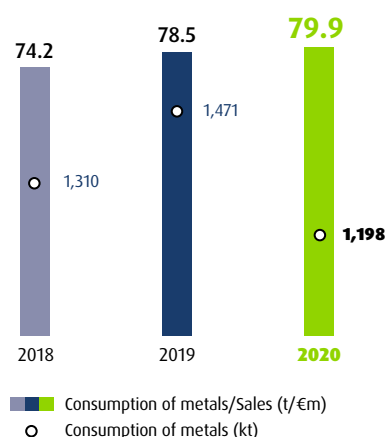
Sales derived from products contributing to the reduction of CO₂ emissions

In 2020, products that directly or indirectly contribute to reducing CO₂ emissions accounted for 60% of Valeo's original equipment sales.

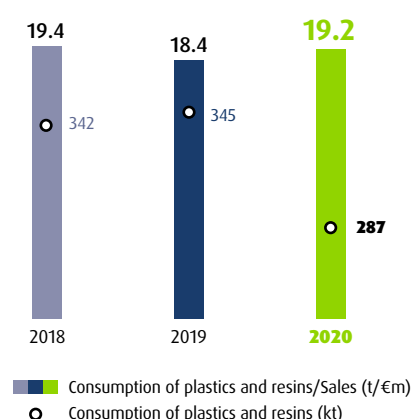
In 2020, Valeo reduced the CO₂ emissions from the use of its products by 21%, from 39 million metric tons (Mt) CO₂eq. in 2019 to 30.8 million metric tons (Mt) CO₂eq. This result is the consequence not only of the widespread slowdown in activity due to the global health crisis linked to Covid-19, but also of the acceleration of electrification in 2020, with new vehicle launches in Europe. The reduction in Valeo's carbon impact is described in section 4.1.3 "Valeo's carbon neutrality plan for 2050", page 206.

Consumption of raw materials

► CONSUMPTION OF METALS



► RESIN CONSUMPTION



In 2020, metal consumption totaled 1,198 kt, down 19% compared with 2019; as a proportion of sales, it was up nearly 2%. This stemmed from the shift in the type of products towards those using more metal, particularly in the Powertrain Systems Business Group, but also from the impact of the drop in sales compared with 2019. This trend does not call into question Valeo's eco-design approach, which is based on the gradual replacement of metal with lighter materials, such as plastics and resins.

In 2020, the consumption of plastics and resins totaled 287 kt, down 17% compared with 2019. It was up 4% as a proportion of sales over the previous year, because the use of these materials has a positive impact on the reduction of component and vehicle mass.

Consumption of heavy metals

In the automotive industry, consumption of heavy metals stems solely from the presence of lead in welding materials used for certain specific activities. Determined to phase out the use of lead in the development of its products, Valeo is working to optimize its industrial welding process in order to reduce the consumption of materials used for this purpose. Its medium-term objective, depending on change in industrial processes and their acceptance within the industry, is to completely replace the lead used in welding with tin.

Over recent years, Valeo has gradually replaced lead with tin in the soldering processes used in the Group's various activities (Powertrain Systems and Comfort & Driving Assistance Systems Business Groups).

The Group significantly reduced its lead consumption from 9 metric tons in 2019 to 3.8 metric tons in 2020. The sites of the Visibility Systems Business Group and the Thermal Systems Business Group no longer consume lead. In 2020, 47% of lead consumption was attributable to the Comfort & Driving Assistance Systems Business Group, and 53% (2 metric tons) of consumption was linked to the Ebern site (Propulsion Systems Business Group, Germany), consolidated by the Group in 2019 (following the acquisition of FTE). In accordance with its undertakings, the Ebern site stopped its lead-consuming product line in March 2020.

Consumption of chemicals

The use of trichloroethylene (TCE) was cut from 1 metric ton to 0 kg in 2020, eliminating it completely.

Consumption of carcinogenic, mutagenic and reprotoxic (CMR) substances⁽¹⁾ fell by 16% in absolute terms in 2020, from 140t in 2019 to 118t in 2020.

At the end of the first quarter of 2021, the Propulsion Systems Business Group's San Luis Potosi site will replace its entire forklift fleet with electric models to reduce its consumption of CMR-emitting LPG (liquefied petroleum gas).

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 3,500 metric tons in 2020. The significant drop in consumption (9,000 metric tons consumed in 2019) is related to the slowdown in activity following the Covid-19 crisis.



COMMITMENT ON RECYCLED PLASTICS

Valeo actively participated in the PFA (Plateforme Française de l'Automobile) working group on recycled materials in 2019, thereby playing its part in the transition to a circular economy.

Alongside its automaker customers and the public authorities, Valeo is working to gradually increase the share of recycled materials in the global supply of polymers, as part of an action plan that was drawn up jointly by the government and automakers⁽²⁾. Due to its widespread use, polypropylene has been prioritized.

2020 was not conducive to the development of new initiatives.

Among the actions identified by the government and the automotive industry, Valeo will contribute over the coming years to:

- establishing a generic Material Specifications document for recycled materials in collaboration with its customers;
- working with communities to develop standards. To that end, Valeo will participate in voluntary work for the development of grades of recycled materials. Its aim will be to test them on its own automotive component applications.

Lastly, via CLEPA, Valeo is a member of the Circular Plastic Alliance launched by the European Commission in 2018, which brings together public and private players in the plastics value chains. Its aim is to promote voluntary initiatives and commitments for more recycled materials.

Risk associated with accidental pollution of water and/or soil

Description of the risk

Some of Valeo's activities use polluting substances that can generate hazardous waste, or discharge liquid effluents that may be polluted, such as firewater, oily water or water containing hydrocarbons.

The risk for the Group stems from failure to control the use of these substances, the polluting nature of the resulting discharges and effluents, and the management of its hazardous waste. The various steps must therefore be perfectly controlled throughout the production and post-production cycle in order to avoid any pollution of the natural environment, in the water or in the soil. Moreover, each site must ensure, through regulatory monitoring, the constant compliance of the procedures and substances used with local environmental regulations.

The main causes to be averted are:

- the absence of waste management;
- aging equipment;
- the absence of treatment stations on site or externally;
- poorly managed waste treatment channels;
- the tightening of regulations in force.

The risk may also be aggravated by late detection of discharges into the environment due to a lack of:

- periodic checks of the discharge management process;
- intervention and control policy in respect of environmental accidents.

Risk management policy

To prevent the risk of pollution across all sites, the Group has adopted several operational environmental directives setting rules for all sites, on the following issues:

- liquid effluents;
- intervention means and consequence limitations;
- the management of underground tanks;
- waste management;
- soil and groundwater management.

These directives are an integral part of the Risk Management Manual (see section 4.1.4 "Sustainable development policies", paragraph "Environmental policy", pages 210 to 212), and are drafted and updated by the HSE Department. The correct application of these requirements is ensured by the network (see section 4.1.4 "Sustainable development policies", paragraph "Organization of the Health, Safety and Environment (HSE) network", page 211) and external audits (see section 4.5.3 "Environmental commitments",

(1) See sustainable development glossary, page 295.

(2) 100% recycled plastics objective: commitments for a sustainable plastics value chain.

paragraph "External audits worldwide" page 263). These directives are presented to the Governance, Appointments & Corporate Social Responsibility Committee along with all environmental policy tools.

Although Valeo's industrial wastewater does not contain large amounts of pollutants, the liquid effluents directive includes the following requirements:

- 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 should be connected to the public network;
- sites' rain-fed networks must receive only rainwater;
- the direct discharge of industrial effluents into groundwater is strictly prohibited;
- firewater must be separated and analyzed prior to proper disposal.

As an indication, the total volume of industrial effluents discharged by the Group's sites was 635 thousand cu.m in 2020, compared with 839 thousand cu.m in 2019. The quantity of heavy metals discharged by Valeo's internal water treatment plants was reduced from 96 kg in 2019 to 25 kg in 2020.

The main challenges in respect of waste (hazardous or non-hazardous) are first to optimize the manufacturing process in order to limit its production, second to recycle everything that can be reused in the manufacturing process, and lastly to have access to treatment channels. Whatever the nature of the waste, landfilling or incineration of waste on a Valeo site is strictly prohibited.

Measures taken to reduce the risk

As part of their environmental management system, and in accordance with Group directives, the sites implement **prevention methods**:

- **prior to the purchase** or lease of land or buildings, an assessment of the risk of legacy soil and groundwater pollution is performed. On sites where groundwater is sensitive and vulnerable, groundwater quality is monitored regularly;
- 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 transfer procedure appropriate to the nature and risks of the products in question, notably including a vehicle circulation plan, a list of people approved for unloading, the method for 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 accidental spillage. The Group has laid down rules for designing and building retention systems and tanks, specifying minimum volumes, 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;

- to go further in **chemical risk** management, the Group embarked on a new process of external audits dedicated to chemical product management and waste treatment in 2020. Each year, a representative sample of sites from all of the Group's Business Groups will be audited in accordance with directives and changes in local regulations;
- **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 directive entitled "Intervention means and consequence limitation" 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;
- in keeping with its commitment to protect our **water capital**, and to prevent a major incident causing groundwater or river pollution despite the implementation of protection systems to prevent backflow, Valeo has decided to cease all residual direct water withdrawal activities by 2025;
- when a **business is sold or shut down**, the Group 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 (monitoring or decontamination for instance);
- if a site is **closed permanently**, all waste, raw materials, products and equipment are removed, and site maintenance continues until it is sold.

If, in the course of its operations, the site is responsible for soil or groundwater pollution, it performs the studies, research, work and monitoring necessary to manage the pollution so that it does not pose a risk to the health of its employees, local residents or, more generally, the environment.

For waste management, each site is responsible for:

- **minimizing** the generation of waste by reducing the weight of packaging, substituting raw materials or changing its procedures or processes;
- **collecting** and storing waste in conditions that minimize risks to the health and safety of people and the environment:
 - waste storage areas are controlled and monitored,
 - waste containers are labeled with the type of waste and characteristics of the hazard (e.g., flammability),
 - a "waste production and disposal register" is kept to ensure systematic monitoring of waste;
- **prioritizing** the use of waste for recycling, or else for recovery;
- **ensuring** that elimination channels comply with local regulations and guarantee safe waste treatment.

Whatever the channel:

- waste must be **transported** in optimal safety conditions by selected service providers;
- each shipment must be accompanied by a waste tracking slip summarizing the characteristic of the waste shipped, the company in charge of the transportation and the company in charge of disposal and treatment;
- the site must ensure that the waste is **disposed of** safely and in accordance with local regulations. To this end, the site must be able to obtain the following documents when selecting a disposal company:
 - to operate a waste treatment/disposal facility,
 - authorization to treat/eliminate specific waste,
 - certificate (e.g., inspection report) issued by the administrative authorities stating that the company's operations comply with all applicable local regulations,

- insurance certificate,
- for hazardous waste, financial guarantees showing the company's ability to close the site following its operation in such a way that it no longer represents a risk for people and the environment.

For waste hazardous to humans or the environment, the site must obtain a description of disposal procedures from the disposal company. In case of doubt about waste treatment, the disposal company will be audited.

In the absence of a reliable waste disposal and treatment channels in the country in question, Valeo exports its waste. The environmental indicators reporting tool tracks the amount of waste sent to these channels.

WASTE AND RECYCLING INITIATIVES

In 2020, the Group continued its work to improve the reliability of the data provided by the sites on waste, both on the quantity generated and the traceability of waste until the final stage of treatment. Based on:

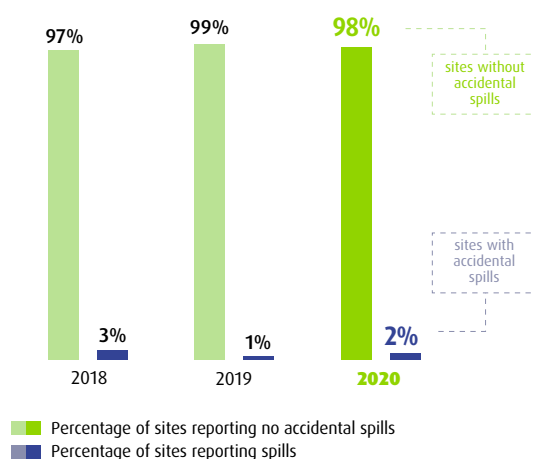
- an annual third-party audit schedule, linked to compliance with internal guidelines and local regulations in each region;
- an investigation launched within each Business Group so that each site can list the waste treatment companies and subcontractors with which it works, the terms and conditions of the contracts signed and the insurance conditions, to identify possible red flags;
- a process of physical audits of companies to gain a clearer picture of their waste disposal processes and guarantee the traceability of the waste entrusted by Valeo to their treatment process.

In 2020, the Group's sites renewed the following initiatives:

- improving waste sorting:
 - by awareness-raising campaigns on the sorting of domestic waste,
 - by a reduction of paper used in offices, and the reuse and recycling of residual paper, particularly during Sustainable Development week in June;
- internal reduction and reuse of scraps;
- elimination of the use of plastic cups by the provision of individual bottles;
- reuse of cardboard for internal packaging;
- generalization of sorting in canteens.

Results and performance

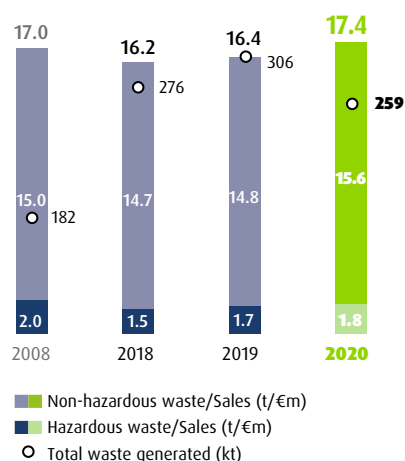
ACCIDENTAL SPILLS



All spills are reported and recorded by the sites in the Valeo reporting tool. An event is considered significant when the quantity spilled is greater than 1 cu.m. In 2020, one minor accidental spill was reported by the Veszprem site (Comfort & Driving Assistance Systems Business Group, Hungary), consisting of the spill of a small quantity of emulsion on the ground, and one major accidental spill was reported by the Itatiba site (Thermal Systems Business Group, Brazil). The water used to extinguish a fire was contaminated with oil. This mixture accidentally ended up in the storm water system, and subsequently on the surface of the river. This incident, which was reported to the authorities, was quickly brought under control in order to avoid any environmental impact.

To improve the monitoring of events liable to have an environmental impact, the Group rolled out an internal tool in 2019, allowing sites to issue alerts in real time when a spill occurs. Known as "Environmental Red Alert", the new tool makes it possible to inform the highest level of the Group's organization of the seriousness of the incident, and to monitor and validate the resources devoted to limiting the consequences of the incident.

► TOTAL WASTE GENERATED



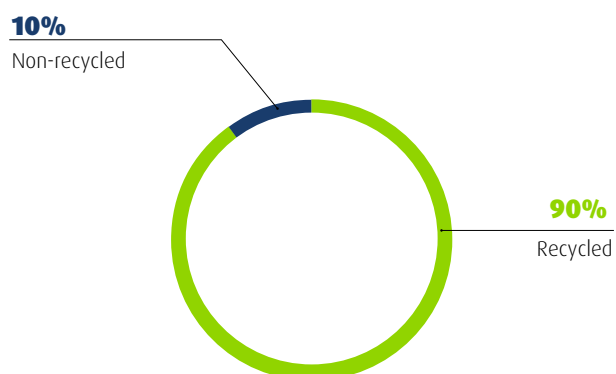
In 2020, the total amount of waste as a proportion of sales increased by 6% compared with 2019. The Group's waste generation in absolute terms decreased by 47 kt compared with 2019 due to the decline in activity.

The Group will remain vigilant in order to contain the quantity of its waste during phases of growth. By 2025, in line with its plan to obtain ISO 50001 certification, the Group plans to reduce its landfilled waste, increase the proportion of waste through energy recovery, and intensify efforts to extract synergies between the Purchasing, Industrial and Research and Development Departments, with the following aims:

- continue reducing raw material consumption;
- shorten development time in the launch phase for new projects (products and processes);
- establish monthly monitoring of the main producers of waste.

The Powertrain Systems Business Group alone accounts for more than 54% of the Group's total waste volume, due to the increase in the number of sites in the Business Group, but also to its press cutting, tray machining and friction lining activities. These manufacturing processes generate considerable raw material waste.

► RECOVERY OF WASTE IN 2020



Valeo is working to optimize its waste recovery: On average, 90% of the Group's waste is recovered or recycled, of which 6.4% is incinerated with heat recovery. In 2020, 20 sites even managed to recycle or reuse 100% of their waste.

The main waste generated by the Group's facilities (presented below in decreasing order of weight) is reused as follows:

- metal waste, almost all of which is sold for recycling;
- wood, which is recycled or used to generate heat;
- plastic, which is sold for recycling.

The breakdown between non-hazardous waste and hazardous waste has been stable since 2014. Non-hazardous waste represents nearly 90% of the waste generated by Valeo's activities. The Group promotes recycling and recovery opportunities.

Health and safety risk

Description of the risk

Guaranteeing a safe work environment is the first way to improve the quality of working life of employees and to ensure their involvement in the Group's activities. To ensure the safety of its employees, Valeo monitors all accidents, including "near misses"⁽¹⁾. The Group has defined a typology of human risks comprising five categories:

- category 1: severe accident (death, amputation, major trauma, disability);
- category 2: significant material damage (which could have caused serious injury) and major "near misses";
- category 3: accident with lost time, regardless of the severity (including occupational illnesses);
- category 4: accident without lost time, but which resulted in medical treatment off site (hospital or doctor);
- category 5: accident without lost time, but which resulted in medical treatment on site or did not require medical treatment.

The safety of every person working on a site is essential, which is why the accidents of service providers are also monitored, as are employee accidents. Valeo's demanding policy involves and empowers all of its employees through regular training and communication.

Risk management policy

To ensure that accident risks are kept under control, precise objectives per production area and per service are laid down, and policies are implemented to create a safe working environment conducive to the well-being of all.

(1) A "near miss" is an event that could have caused bodily injury.

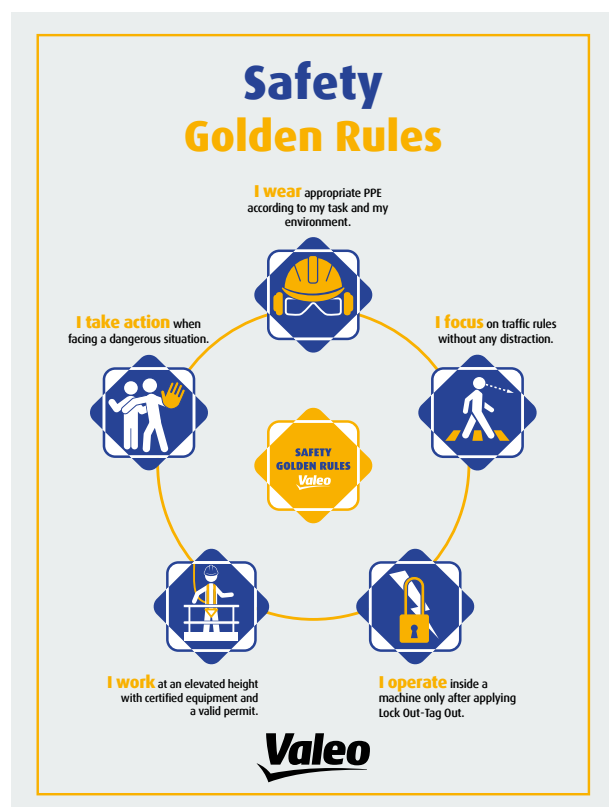
To ensure an accident-free work environment for its employees, the Group has set itself the goal of maintaining the frequency rate (FR1)⁽¹⁾ of lost-time accidents at less than two by 2021. To achieve this objective, Valeo, through its Risk Management Manual, rolls out policies and directives on a range of topics (building and facility safety, employee health and safety, data security and the environment).

In 2020, Valeo continued its external audit plan to verify the proper application of its directives in terms of risk management. The Group is also pursuing its objective of obtaining OHSAS 18001 or ISO 45001 certification for all sites. At the end of 2020, 92% of the Group's sites were certified.

Ongoing improvement in on-site risk management is governed by the Quick Response to Quality Control (QRQC) methodology.

All employees are trained in this approach as soon as they arrive at Valeo, in particular through the mandatory training modules: "Plan, Do, Check, Act", "Safety induction" and "Safety first". The "Safety First" training program, created in 2015, aims to influence the behavior of employees at work, from operator to manager. At the end of 2020, 72,346 employees had been trained, down from 73,616 at the end of 2019, representing 72% of the target population in both years.

To strengthen its emphasis on preventing major accidents, the Group has adopted five golden safety rules on certain topics: protective equipment; energy lock-out tag-out operations; working at heights; vigilance at work; and traffic.



In terms of governance, and to guarantee an accident-free environment, a **Group Safety Committee** has been set up. It is chaired by the Associate Chief Executive Officer, assisted by the Industrial Director, the Health, Safety and Environment Director and the Senior Vice-President, Human Resources.

The commitment of all employees is essential, which is why safety is an integral part of their objectives, particularly those of the Chairman and Chief Executive Officer. Jacques Aschenbroich's compensation is partially indexed to the number of accidents resulting in lost time and the reduction in the number of category 1 and 2 accidents.

- ▼ In the context of the Covid-19 pandemic, Valeo has made the health and safety of its employees a priority through the strict application of health measures to avoid risk of contamination.

A reinforced safety protocol designed to guarantee the utmost protection for Group employees has been adopted, with the same stringency applied across all plants, R&D centers and other Group facilities worldwide. This avoided the emergence of outbreaks on Valeo sites.

The protocol was discussed with employee representatives at national level or at local level at the Group's various sites. This approach resulted in greater employee buy-in. A majority Group agreement was concluded with the French trade unions on April 16, 2020 to reconcile employee protection and business continuity. It also enabled our operations to resume under *optimum* safety conditions. General Management monitored the health situation on a monthly basis with its senior executives and during extraordinary meetings of the European and Group Works Councils.

Measures taken to reduce the risk

For the maintenance of machines that are a potential source of severe accidents, the Group has developed a directive, standard work instructions, a machine certification process and specific training on the lock-out tag-out process in order to strengthen the understanding of risks and its standards.

The aim is to ensure that the machines' power supplies are shut off and locked, and the power dissipated before any maintenance operation so that no power sources, including residual energy, can cause an accident. Locking also prevents third parties from restoring power to a machine inadvertently during these operations. The standards include a list of steps to follow in a specific order to safely shut off the machine.

(1) Calculation of FR1: number of lost-time accidents x 1,000,000/number of hours worked during the year. This indicator takes into account category 1 and 3 accidents. Occupational diseases are included in this indicator as category 3 accidents. Occupational diseases will therefore not be addressed outside this indicator. All Valeo employees, whatever their contract (temporary worker, service provider, trainee, VIE), are factored into the calculation of the number of accidents.

To achieve greater professionalism among our maintenance technicians, particularly for lock-out tag-out operations, they must follow a specific training process. The process integrates the prevention of electrical risks and risks related to incorrect lock-out tag-out procedures.

They also complete machine-specific lock-out tag-out drills. Technicians are only certified and authorized for lock-out tag-out operations after demonstrating compliance with the Group's standards during drills.

To roll out the certification process of lock-out tag-out operations, maintenance technicians, method managers and HSE managers follow two lock-out tag-out e-learning modules. In 2020, 1,013 employees took these two modules, covering different degrees of progress; 628 employees have validated both modules.

By the end of 2020, more than 3,000 technicians had received lock-out tag-out certification.

To keep teams at the highest level of lock-out tag-out standards, a training course developed and organized with input from a third-party expert has been prepared for maintenance technicians, and maintenance, methods and HSE managers. Since 2018, 564 people have completed this training.

A machine safety training course developed and delivered by a third-party expert was also rolled out in 2020 to train industrial, maintenance and HSE network personnel. Its purpose is to enable trained employees to validate new equipment in accordance with internal guidelines and applicable regulations.

Despite the periods of lockdown and other measures related to Covid-19, this training was attended by 103 employees.



ENHANCING SITE SECURITY: THE SCHOOL OF DOJO

In 2020, in addition to its Safety First training, Valeo continued the rollout of its safety training rooms, known as Safety Dojo. Safety Dojo is a Group standard designed to support and develop the knowledge and skills of every employee in the field of safety and ergonomics. It uses lighthearted exercises to teach people how to identify dangers, dangerous situations and the associated risks, and to know how to apply the prevention and protection measures implemented

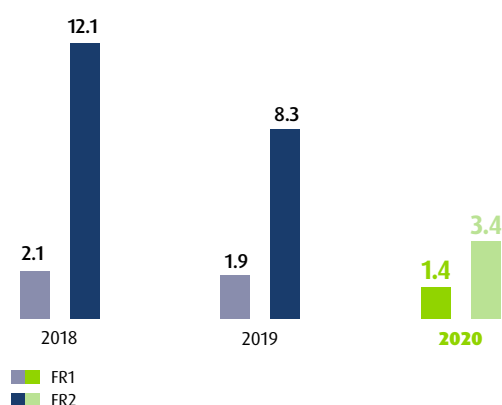
at Valeo sites. Safety Dojo is aimed not only at newcomers, but also at all Valeo employees and suppliers, to reinforce their knowledge of safety rules and as such prevent any form of accident.

In 2020, the rollout of Safety Dojo courses continued, with the opening of 14 new rooms. The Group now has 139 rooms, compared with 125 in 2019.

Results and performance

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

► FREQUENCY RATE (FR1⁽¹⁾ AND FR2⁽²⁾) OF OCCUPATIONAL ACCIDENTS



- For the second consecutive year, the frequency rate 1 (FR1) was below 2. While the prevention, awareness and training policies implemented by the sites over the years have enabled the Group to reach its 2020 objective a year in advance, Valeo nevertheless remains vigilant. The performance must not be taken for granted, and there is always room for progress.

In 2020, the global pandemic situation resulted in an exceptional improvement in the indicator, which fell from 1.9 in 2019 to 1.4 in 2020. The closure of plants for several months and widespread working from home resulted in a sharp drop in the number of accidents. FR1 varies between countries due to local laws and practices.

- Frequency rate 2 (FR2) also fell from 8.3 to 3.4 between 2019 and 2020. Mirroring FR1, the sharp decline mainly reflected the slowdown in economic activity, but was also the result of the prevention, awareness and training policy carried out at sites. Since 2018, Valeo has chosen to include all category 5 accidents (in other words "near-accidents") in its FR2, regardless of their severity.

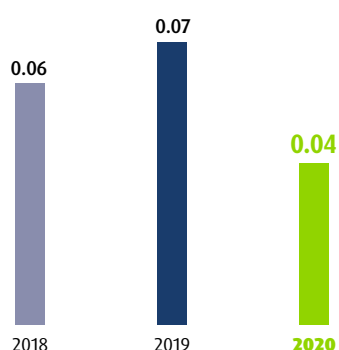
(1) Calculation of FR1: number of lost-time accidents x 1,000,000/number of hours worked during the year. This indicator takes into account category 1 and 3 accidents. Occupational diseases are included in this indicator as category 3 accidents. Occupational diseases are not addressed outside this indicator. All Valeo employees, whatever their contract (temporary worker, service provider, trainee, VIE), are factored into the calculation of the number of accidents.

(2) Calculation of FR2: number of occupational accidents, with or without lost time x 1,000,000/number of hours worked during the year. This indicator was removed from the employee-related audit scope in 2019.

The accidents covered by these indicators include all Valeo employees, regardless of their type of contract (permanent, fixed-term, apprenticeship, internship, VIE, interim and services). With regard to service providers, while the number of occupational accidents is reported, their hours worked are excluded from the calculation. Consequently, the calculation method accentuates the frequency and severity rates.

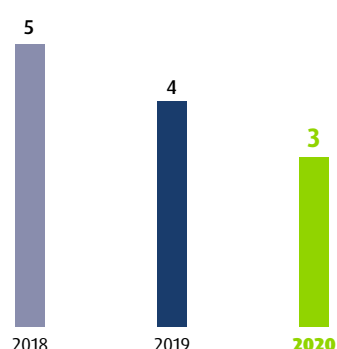
This choice stems from Valeo's decision to record the occupational accidents of all Valeo employees and service providers. The Group's improvement targets for accidents apply to everyone, regardless of contract type.

SEVERITY RATE (SR1⁽¹⁾) OF OCCUPATIONAL ACCIDENTS



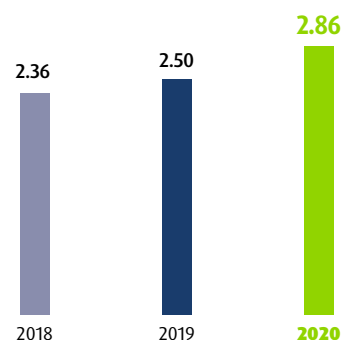
While the severity rate deteriorated from 0.06 to 0.07 in 2019, it improved significantly in 2020, with a reading of 0.04. This is a consequence of the pandemic. The slowdown in activity resulted in a decline in the number of accidents with lost time and their severity.

NUMBER OF CATEGORY 1 ACCIDENTS⁽²⁾



The number of category 1 accidents continued to fall in 2020. The year's three accidents involved three Valeo employees. The challenge for Valeo is to ensure compliance with its safety standards, not only by its employees but also by its service providers.

ABSENTEEISM RATE⁽³⁾



The acceleration of the increase in the absenteeism rate in 2020, from 2.50% to 2.86% (an increase of 0.4 points) is linked to the global pandemic, with the consequences for employees of the various periods of lockdown on the organization of their personal lives. The rate had never before reached such a high level.

Risk related to attracting talent

Description of the risk

Attracting the best talent is a key challenge for Valeo in achieving its goals in a competitive environment that is undergoing profound transformation. The Group's success hinges on attracting skilled employees internationally in fast-growing markets and emerging countries, and in fields of advanced technology, such as CO₂ emissions reduction and intuitive driving technologies.

Valeo bolsters its appeal by conveying an image and employer promise that are consistent with its corporate values and culture. Valeo regularly communicates on employment and career opportunities through various communication channels, including social networks. Having skilled teams ensures that Valeo can meet the expectations of its customers around the world, and add value in terms of innovation, total quality and competitive solutions and services.

Risk management policy

As part of the "One HR" comprehensive transformation project (see Chapter 1, section 1.5.7 "Human Resources Department", page 80), a recruitment organization in the form of Talent Acquisition Centers (TAC) has been in place since 2018 to generate recruitment synergies at national and regional level. The TACs bring together all teams dedicated to scouting and attracting "Manager and Professional" talent in a given country or region. In 2020, Valeo had 23 TACs worldwide.

(1) Severity rate calculation: number of calendar days lost during the year x 1,000/number of hours worked during the year.

(2) Category 1 accidents: severe accidents (accidents resulting in amputation, disability, major trauma or the death of an employee).

(3) Calculation of the absenteeism rate: actual hours of absence expressed as a proportion of total possible working hours. Hours of absence taken into account are absences due to a workplace accident, illness, suspension of work, strikes, absences authorized other than statutory holidays, unauthorized absences. Possible working hours are equal to the number of days worked in the month x the daily working hours (excluding overtime)* month end registered headcount.

To support the implementation of this new organization, Valeo has developed a comprehensive IT solution to manage recruitment. The main objective is to increase the efficiency of the recruitment process, reduce its cost and duration, improve quality and follow-up, and give better visibility to job opportunities available.

During the first half of 2020, the hiring policy was adapted to the economic slowdown, with a reduction in temporary contracts, while the upturn in activity in the second half of the year prompted an increase in hiring, mainly of production staff. Against this backdrop, the Group increased its use of internal mobility, and continued to make progress in reducing recruitment time (less than 75 days for external recruitment, less than 45 days for internal mobility). In 2021, the strength of the recruitment teams will more than ever be synonymous with their sense of anticipation and their flexibility.

Measures taken to reduce the risk

Valeo's recruitment policy is based on a strong employer brand, which enhances the Group's visibility and its appeal for the talents of tomorrow. Managing relationships with schools and forging strong and special partnerships is a priority for the Group. In 2020, 77% of Valeo's plants maintained relations with higher education institutions (universities, engineering schools, business schools, etc.).

Although several apprenticeship-related events were canceled in the first half of 2020 (apprenticeship fairs, workshops), the Group continues to welcome young people as part of their studies. They accounted for 5% of the registered headcount in France at December 31, 2020. This ambition is global, but is especially evident in France.

A team of recruitment experts has worked on implementing tools to anticipate needs. The TAC teams from different countries have created "Hiring4me", an e-learning module for managers, giving them the tools to create exemplary recruitment, free of any discrimination in hiring.

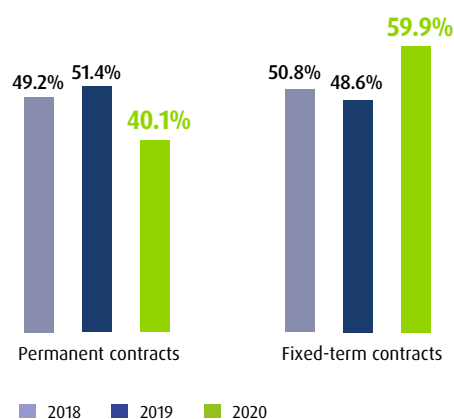
▼ #REFERAFRIEND, OR CO-OPTING AT VALEO

In 2020, thanks to the "#REFERAFRIEND" program, 9% of Managers and Professionals were co-opted. Valeo actually launched its co-optation program in 2019. Capitalizing on employee engagement, it allows Valeo job offers to be shared and applicants to be recommended. Experience shows that co-opting employees only put forward the people most capable of ensuring the responsibility attached to the vacant position. Co-opters receive a financial incentive.

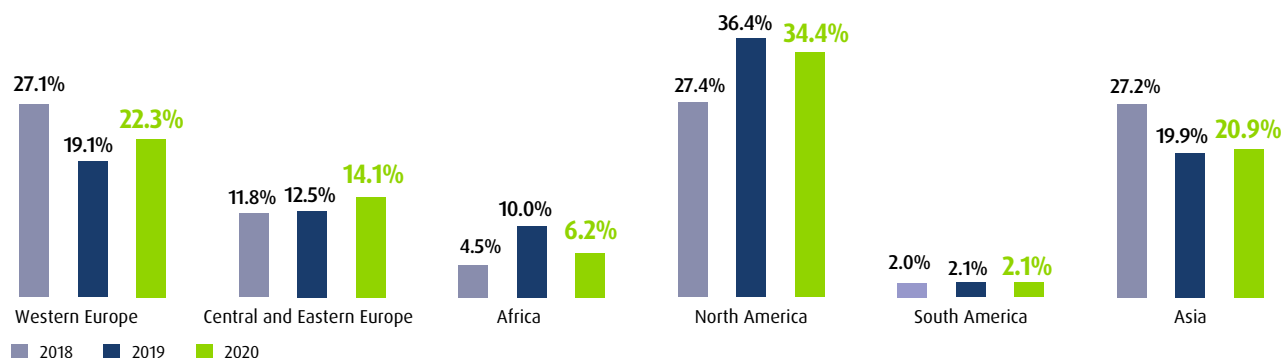
Wishing to facilitate quick and successful integration, Valeo also offers an onboarding program called "Discovery" for Managers and Professionals. Harmonizing the onboarding process ensures that newcomers receive quality information, reinforces the role of the manager, ensures that more local information is provided, and provides an even friendlier atmosphere thanks to a "buddy" support program. As such, each newcomer's onboarding program is now broken down into five steps: the welcome by a "buddy", an individually tailored program, presented from day one, that sets out the various stages of the employee's induction, an online course containing information about the Group (organization, products, values and culture), participation in a welcome session organized by the site and regular meetings with the manager during the first six months.

Results and performance

► BREAKDOWN OF NEW HIRES BY CONTRACT TYPE



► BREAKDOWN OF NEW HIRES BY GEOGRAPHIC AREA



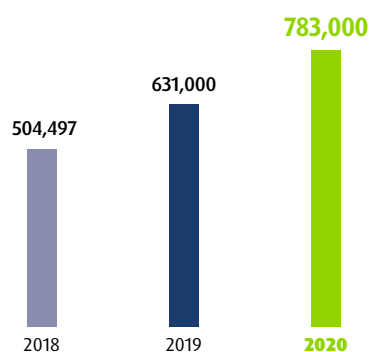
In 2020, Valeo hired 20,332 employees, 8,161 of whom on permanent contracts and 12,171 on fixed-term contracts, compared with 15,067 and 14,223 in 2019, respectively. Against the backdrop of the pandemic and the ensuing decline in activity, recruitment for permanent contracts fell by 46% between 2019 and 2020, while recruitment for fixed-term contracts was down 14%. Over 80% of 2020 hires were non-management employees.

Geographically, the share of new hires was down significantly in Africa (by 3.7 percentage points) and North America (by 2 percentage points). It increased in Western Europe (by 3.2 percentage points), Central and Eastern Europe (by 1.6 percentage points) and Asia (by 1 percentage point). The level of progress matched the economic recovery and the health situation in the countries of the area. In South America, the recruitment rate was stable at 2.1%.

Valeo continues to develop its presence on social networks, posting on LinkedIn, Facebook and Twitter, as well as on YouTube, Xing and WeChat in order to develop its employer brand and remain visible on the market.

In 2020, the number of LinkedIn followers grew to 783,000, a 24% increase on 2019. Valeo achieved its 2020 target of more than 600,000 followers a year ahead of schedule. Greater numbers of employees are playing the role of ambassador in this area, with their number reaching nearly 1,220 in 2020.

► CHANGE IN THE NUMBER OF LINKEDIN FOLLOWERS



Risk related to developing and retaining talent

Description of the risk

The Group relies on its employees to support its growth and maintain relationships with its customers worldwide.

To this end, Valeo is committed to recognizing and valuing talent, while retaining talented employees thanks to ambitious compensation, professional development, training and internal mobility policies. The objective of these policies is to empower each employee in their career and in the development of their skills to ensure their operational excellence.

Risk management policy

Developing and retaining talent is one of the Group's most critical challenges, with Human Resources departments in all entities boasting specific skills. At Group level, as well as at the country and site levels, the managers responsible for talent development, training, compensation and benefits work together to develop ambitious policies that meet employee demands and match the Group's strategy. Together they focused on four essential levers:

- training;
- skills development;
- compensation and benefits;
- development of the network of experts.

The objectives of Valeo's Human Resources Department for 2025 are as follows:

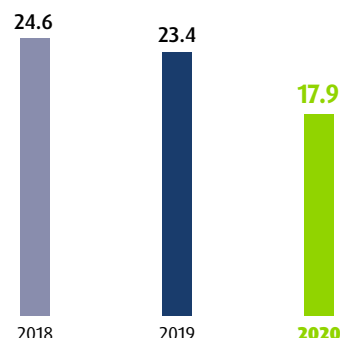
- stabilize the voluntary departure rate among Managers and Professionals at 7%;
- reach an employee shareholding rate of 65%;
- give 100% of employees training in at least one module each year.

Measures taken to reduce the risk

Training

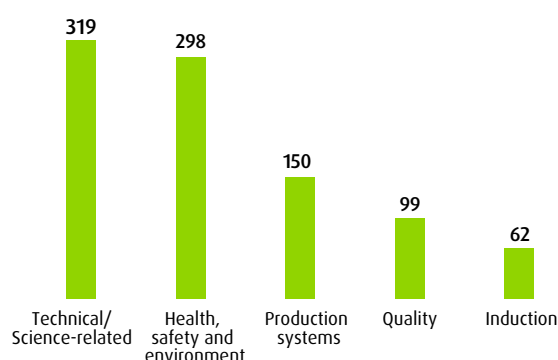
As employee training is a tool for developing and retaining talent, Valeo continued its internal training efforts in 2020. In 2020, 82,195 employees took at least one training course during the year, or 83.1% of the total headcount.

AVERAGE HOURS OF TRAINING PER EMPLOYEE – REGISTERED HEADCOUNT



Each employee received an average of 17.9 hours of training during the year. The knowledge and mastery of tools and working methods by all of its employees is essential for Valeo. While the average number of training hours per employee fell by 24% between 2019 and 2020, Valeo ensured that all Group employees were trained in the safety protocol for the resumption of on-site work, either through e-learning or with an HSE trainer for operators. The sharp decline is the result of a combination of measures: the introduction of short-time working had an impact on the availability of employees; and the increase in working from home and the constraints linked to the security protocol caused the postponement or even cancellation of training courses.

BREAKDOWN OF HOURS OF TRAINING OF THE FIVE MOST POPULAR TRAINING COURSES IN 2020 (IN THOUSANDS OF HOURS)



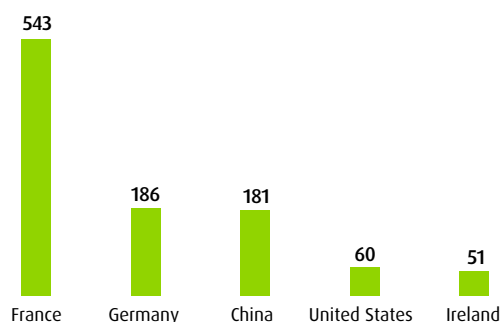
To reinforce the expertise of its employees, Valeo has set up in-house technical training. The Group offers continuous training for its technicians and engineers to encourage innovation at all levels. In 2020, 318,698 hours of "technical and scientific" training were provided despite the Covid-19 crisis.

As safety and ergonomics are essential levers of commitment and motivation among our employees, the Group has developed specific training modules to foster awareness of these issues. As soon as they are inducted and throughout their career, employees receive face-to-face and online training specifically dedicated to

the identification, control and management of risks (e-learning modules detailing the HSE – Health, Safety and Environment directives). A total of 298,191 training hours were dedicated to safety in 2020, compared to 366,247 in 2019. Despite the 19% drop in the number of hours of HSE training due to plant closures, 100% of employees received training before returning to the site following the first period of lockdown, either through e-learning or with an internal HSE trainer for operators.

Courses are run mainly through the Group's powerful network of Experts. They are designed to provide advanced training on Valeo products, technologies and manufacturing processes. Experts play a vital role in the transmission of knowledge and skills at all levels of the organization. Each year, the Group identifies and appoints Experts to provide support for prospective new products and the development of industrial processes. In 2020, Valeo had 1,373 Experts of 37 different nationalities in 24 countries worldwide, breaking down as 1,004 product experts and 369 process experts. Between 2019 and 2020, the number of Experts increased by 9%.

► TOP FIVE COUNTRIES WITH THE MOST EXPERTS IN 2020



With approximately 40% of Valeo Experts, France is home to the largest number of experts in the Group, a total of 543; five countries (France, Germany, China, the United States and Ireland) together account for 75% of Experts. Moreover, strong growth was notably recorded in the number of Experts between 2019 and 2020 in Poland (up 46%), China (up 44%), Egypt (up 41%) and Thailand (up 40%).

Talent development

Individual development plans and career interviews are in place to help employees succeed in the next stages of their career:

- the Group has set up a competency dictionary by network and function, describing each skill and the level expected for each function. Each year, employees meet with their manager to assess their cross-functional (general), managerial and professional competences, and to draw up an action plan to reduce the skills gap;
- the Group has also defined career paths for all positions existing within its organization. These paths can be accessed by all employees via a mobile application, and are also available to external applicants. The goal is to empower each employee in his or her own career development.

A succession and development plan is drawn up each year to identify the next stages in the career path of all Managers and Professionals. It is implemented by each Group entity via a committee responsible for selecting internal candidates for vacant positions. Moreover, during their mid-year or year-end appraisal, all Managers and Professionals are made aware of succession plans and the possible next steps in their career paths identified by management and Human Resources teams, taking into account their aspirations.

To ensure a match between identified career paths and vacant positions, a meeting designed to review talent and competences, known as the "People Review", is arranged by sites and networks at each level of the organization. This meeting thus promotes geographic and functional mobility. This very active internal mobility policy allows the Group's employees to develop throughout their career by working in different functions in other networks or sites.

Furthermore, each year, Valeo offers international career opportunities in the form of assignments of less than one year or expatriation to ensure the transfer of competences to new locations, the strengthening of certain essential skills to support the growth of Valeo's activities internationally, and the individual development of the employees concerned.

This dynamic policy and these tools allow Valeo to create a pool of internal talent to fill vacant positions. As a result, a total of 13% of Managers and Professionals benefited from career development opportunities in 2020 (against 24% in 2019 and 14% in 2018). The average length of service of Valeo Managers and Professionals in each position is three years.

In addition to the specific actions taken among Managers and Professionals, the Group strives to promote career development among non-managers, both operators and technicians, and supervisors. In 2019, a specialists' path accessible to non-managers (mainly in the Research and Development, Industrial and Quality networks) was developed in France in the same spirit as the Expert approach. 31 specialists were appointed in 2020, 35% of whom are non-managers.

Overall compensation and benefits

Valeo also conducts regular competitiveness analyses of salaries in the major markets where Valeo competes for jobs (mainly automotive and hi-tech), to ensure the appropriateness of pay scales in the countries where the Group operates.

Compensation policies are developed based on a broad range of reliable sources including market practices from specialist compensation consulting firms, as well as central bank and government agency forecasts.

Each year, the country Human Resources Directors propose wage increases and benefits based on inflation, projected average increases in the market by category, the unemployment rate and sales. The Group validates and sets budget directives in each country, depending on their specific situation. This approach enables the Group to offer appropriate packages for each employee in all countries.

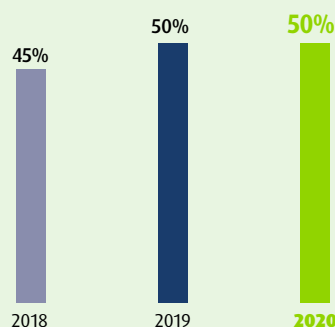
In 2020, Valeo redefined its Job Grading System, aligned with external market practices and ensuring internal recruitment and development based on objective criteria. Variable compensation programs for managers have been adapted within this framework.



2020 EMPLOYEE SHARE OWNERSHIP INITIATIVES

In 2016, Valeo introduced a share subscription offering reserved for employees, known as "Shares4U". A fifth employee shareholding campaign took place in 2020. Through such offers, Valeo's management team sought to acknowledge the personal involvement of employees and give them a greater share in the rewards of the Group's performance. In 2020, around 90,000 Group employees were eligible in 21 of the countries where Valeo operates. At the end of the subscription period, which began on September 21 and ended on October 9, 2020, 680,660 new shares were subscribed at a price of 21.61 euros each. Employees received a discount of 20% to the reference share price. At December 31, 2020, around 50% of employees were Valeo shareholders thanks to the share ownership policy implemented in 2010 and the recent Shares4U offerings (see Chapter 6, section 6.4.5 "Employee share ownership", page 434).

PERCENTAGE OF EMPLOYEE SHAREHOLDERS AT VALEO



PAYROLL COSTS AND PERSONNEL EXPENSES

(in millions of euros)	2018	2019	2020	Change (2020/2019)
Payroll costs excluding social security contributions and interim staff (A)	2,935	3,102	2,735	-12%
Social security contributions (B)	675	690	599	-13%
Pension costs under defined benefit plans (C)	57	41	13	-68%
Pension expenses under defined contribution plans (D)	112	118	110	-7%
Total payroll costs (excluding interim staff) (E)	3,779	3,951	3,457	-13%
Contribution rate ((B+D)/A)	26.81%	26.05%	25.92%	-0.13 pts

(in millions of euros)	2018	2019	2020	Change (2020/2019)
Total personnel costs (including interim staff)	4,240	4,385	3,775	-13.9%
As a % of sales	22.1%	22.5%	23.0%	+0.5 pts

BREAKDOWN OF PAYROLL BY GEOGRAPHIC AREA IN 2020

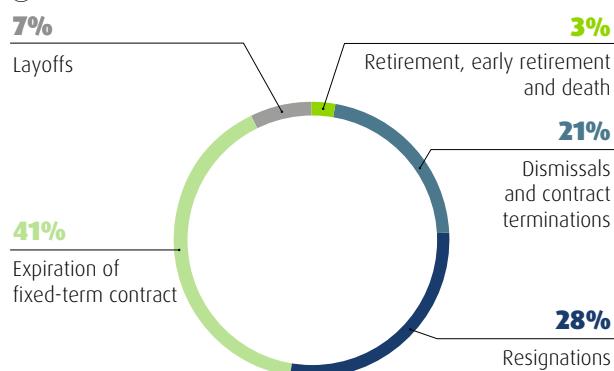
(in millions of euros)	France	Europe (excl. France)	Outside Europe
Payroll costs excluding social security contributions and interim staff (F)	635	968	1,132
Social security contributions (G)	233	212	154
Total payroll costs (excluding pension costs) (H)	868	1,180	1,286
Contribution rate (G/F)	36.7%	21.9%	13.6%

The payroll fell by 13% in 2020 compared with 2019 due to the reduction in the Group's headcount over the period and cost variabilization implemented during the year in response to the Covid-19 crisis.

As a result of the decrease in the payroll, social security contributions also fell by more than 13% in 2020 compared with 2019. Pension costs fell by 23% between 2019 and 2020, with defined contribution plans accounting for nearly 90% of these expenses. The ratio of social security contributions eased slightly to 25.92%. It is important to note that those paid in France represented around 39% of total social security contributions paid across the Group as a whole.

Results and performance

► BREAKDOWN OF TURNOVER BY CAUSE IN 2020

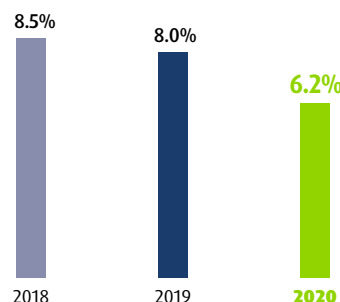


In 2020, 25,119 employees left the Group, compared with 26,114 in 2019. The termination of fixed-term contracts was the biggest cause of departures (41%), followed by resignations, and dismissals and agreed terminations (28% and 21% respectively).

Operators accounted for 67% of resignations, among which 35% were employees on fixed-term contracts. The departure rate for direct labor is increasing, notably due to the tight local job markets of several sites, especially in North America.

Faced with this risk, Valeo is implementing country action plans adapted to local issues in respect of hiring and retaining operators, especially in areas in full employment. They include recruiting a workforce near the plants, favoring permanent contracts over temporary contracts while preserving a certain flexibility, revising the hourly organization of the teams and ensuring the integration of new employees. The Group's pay, training and career development policy is key to attracting and retaining blue-collar staff.

► VOLUNTARY TURNOVER OF MANAGERS AND PROFESSIONALS ⁽¹⁾



In 2020, the turnover rate for Managers and Professionals in the Group was 6.2%, a significant decline of 1.8 points compared with 2019. More than 80% of the countries saw their turnover rate for Managers and Professionals narrow, to 7 points in Romania and 5 points in Hungary, Poland and Thailand. The leading cause of resignation, in addition to personal reasons, are compensation and the organization of work and responsibilities:

- younger age groups (people under 30) have the highest turnover rates: 8.8%;
- turnover was lowest in Germany (3.8%), Turkey (4.3%), Japan (5.2%) and France (5.4%);
- turnover was highest in Malaysia, Romania, Hungary, Morocco and the United States, where specific measures (compensation, career development, promotion of diversity, etc.) have been taken to bring the rate down significantly;
- in 2020, Eastern Europe (7.8%), North America (7.4%) and South America (7.4%) accounted for the largest number of resignations in the Group.

Promoting internal mobility and skills development

To ensure the retention of talents, Valeo informs each Manager and Professional, in preparation for their mid-year or year-end appraisal, that they have the possibility of expressing their career development wishes ahead of the meeting. Their wishes were then reviewed and discussed by line management and the Human Resources network, with a view to giving precise feedback on career prospects during the year-end appraisal.

The turnover rate, i.e., the number of resignations as a percentage of the average headcount⁽²⁾, improved from 8.2% in 2019 to 6.5% in 2020. The economic context is the main cause of this 1.7 point drop. Valeo monitors the voluntary turnover rate of Professionals and that of the direct workforce on a monthly basis to ensure its operational excellence and the retention of its talents.

(1) The calculation of the voluntary departure rate of Managers and Professionals takes into account resignations during the year.

(2) The average headcount is the sum of the Group's total headcount in each quarter divided by 4.

Risk of individual corruption

Description of the risk

The fight against corruption is intensifying and becoming more widespread. Most countries now have extremely stringent regulations sanctioning corruption and the absence of a compliance mechanism or program.

In view of its operations in countries with endemic corruption and the attendant various risks of civil sanctions, and the impact of potential corrupt practices on its reputation, operations, financial position and profitability, Valeo is active in the fight against corruption.

Risk management policy

Valeo's anti-bribery program, which reflects its commitments and values, is designed to enable the Group to preserve its integrity and avoid risks relating to individual corruption.

The program, which is backed by the governing body and management teams, sets out prohibited practices and defines the conditions and prerequisites applicable to certain business relationships or cooperation arrangements. Its main components are:

- Valeo's Code of Ethics;
- corruption risk mapping;
- the commitment of the governing body;
- the policy governing gifts, invitations and donations;
- the conflict of interest management policy;
- the business partner assessment policy;
- the selection policy for agents and intermediaries;
- a multilingual, secure and confidential whistleblowing line accessible to employees and third parties; and
- a policy of generic and specific training.

It is complemented by a set of instructions and decision-making tools designed to prevent corrupt behavior and practices.

Its implementation and effectiveness are subject to internal controls and multiple audits.

It is regularly updated in a spirit of continuous improvement, awareness-raising, training and prevention.

The program is rolled out globally by the Ethics and Compliance Office, with the support of Compliance Champions, who are experienced executives known and acknowledged by their peers and their teams. Drawing on their detailed knowledge of the specificities of their network, country, Business Group or Activity, the Compliance Champions help relay the entire program to their teams, and guide employees on these challenges, thereby contributing actively to its implementation at all levels of the organization.

Following corruption risk mapping that is updated each year:

- targeted internal audits were conducted;
- additional training was provided;
- procedures for declaring conflicts of interest were clarified; and
- a communication campaign based on new practical cases was rolled out in 2020.

Measures taken to reduce the risk

As part of the program presented above, Valeo:

- has a Code of Ethics formally prohibiting all forms of corruption;
- maintains global corruption risk mapping that allows it to adjust its policies and areas of attention as needed. In 2020, this mapping was broken down into regional maps;
- has a comprehensive anti-corruption program including policies, decision-making support tools and manuals for its staff and directors;
- also has a management program for risks represented by certain third parties, consisting of:
 - the business partner assessment and selection policy,
 - the Business Partner Code of Conduct,
 - specific mandatory training for some of their employees;
- provides annual theoretical and practical training illustrated by numerous examples and practical cases to all Valeo Managers and Professionals, as well as any employees exposed to risks of corruption in the course of their duties;
- requires induction training in Business Ethics and Compliance for newcomers, particularly following acquisitions;
- regularly reaffirms its commitment to fighting corruption in its internal communications;
- benefits from an active prevention system:
 - an alert system open to all Valeo employees and stakeholders (two liaison officers, an outsourced whistleblowing line, an investigation team, etc.),
 - an Alerts Committee that processes alerts and determines the necessary action plans and/or sanctions,
 - regular internal controls,
 - targeted internal audits.

Results and performance

Circulation of the Code of Ethics

In 2020, 99% of new employees signed a declaration acknowledging receipt of a copy of the Code of Ethics. This initiative is aimed at ensuring that all employees joining the Group are informed and have fully grasped their rights (social rights, human rights, etc.) and the rules that apply to them (anti-corruption, etc.).

The Code comes with a mandatory training module, the results of which are presented below.

Anti-corruption training

To ensure an understanding of internal and external anti-corruption policies, tools and behaviors, Valeo has developed compulsory e-learning modules for newcomers (people hired during the year) and Valeo's other Managers and Professionals.

In 2020, 98% of new employees took and validated the Anti-Bribery Compliance Induction Program module.

To ensure that all of the Group's Managers, Professionals, and people exposed to the risk of corruption, fraud and anti-competitive practices are properly trained to deal with those issues, Valeo has created dedicated mandatory online training programs. Compliance with training obligations in 2020 was subject to strict monitoring by the Group's Human Resources Department and the Ethics and Compliance Office, with mandatory catch-up sessions. In 2020, 99.98% of the people concerned took and passed it.

Risk related to suppliers' sustainable development practices

Description of the risk

Broad change in supplier chains, the emergence of new forms of indirect subcontracting and the desire to control risks of disruption in the supply chain by taking into account a wider range of risk factors have prompted Valeo to formalize over recent years a demanding policy in terms of sustainable development with regard to its suppliers.

In light of this reality, Valeo has begun implementing a policy to monitor its suppliers in the following key areas: governance, human rights, the environment, health and safety and supplier relations. The Group has drawn up questionnaires on these key areas, which have become control points for Valeo.

Following the launch of Valeo's Carbon Neutrality Plan in 2020, Valeo's suppliers' understanding of environmental risk has been strengthened.

Risk management policy

Structure of the purchasing function at Valeo, and supplier relations

As a tier-one automotive supplier⁽¹⁾, Valeo is at the heart of the automotive industry supply chain. While it is an order-giver to tier-two and lower-tier suppliers, the Group is a supplier of technologies and systems to automakers.

Its activity is compliant with standards and laws in force, while also meeting Valeo's sustainable development, ethics and compliance requirements. In dealing with its suppliers, the Group places priority on:

- quality;
- industrial location;
- competitiveness.

Management of the supplier panel

The Group's Purchasing Department has two major priorities:

- commodity (product family)/segment, in charge of the commodity purchasing strategies specific to these products;
- 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, etc.).

Purchasing departments in each of the Group's regions (Europe, Middle East, Africa, China, India, Japan, ASEAN⁽²⁾, North America and South America) interact continuously with the commodity/segment teams to ensure that efficient, meaningful purchasing strategies are applied.

Sustainable development requirements and consolidation of suppliers in the Valeo panel

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/contracts include:

- economic factors;
- financial risks;
- logistics;
- corporate governance;
- environmental factors;
- social factors (respect for fundamental rights, environmental protection, employee health and safety, and quality).

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 close to 20% in the supplier's final score**, and any failure to meet these criteria automatically disqualifies suppliers from being included in Valeo's supplier base. In 2020, these requirements were reinforced by the inclusion of criteria relating to suppliers' carbon performance and the establishment of objectives for reducing their carbon trajectory over ten years, in line with Valeo's objectives.

(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.

(2) ASEAN: Association of Southeast Asian Nations.

Before any supply agreement is awarded, suppliers must undergo the following qualification 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 information given by the supplier. Following the site visit, the team decides whether or not the supplier can be included on the supplier panel, possibly following the implementation of an improvement plan jointly agreed with the supplier;
- after the meeting of the selection committee and the award of the contract, 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 final component qualification. If necessary, Valeo's laboratories perform interim design reviews, run tests and take any special measures required. In any event, Valeo always performs an on-site audit.

To be included in the supplier panel, 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 a set of fundamental 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 liable to receive sanctions, ranging from temporary suspension from new Valeo projects to definitive exclusion from the supplier base. No sanctions of this type were imposed in 2020.

Valeo's supplier base 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 and be required to implement an action plan. If the probation period is not successful, the supplier may be excluded from the supplier base.

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.

Measures taken to reduce the risk

Assessment of suppliers' sustainable development practices

As part of the Group's policy of reinforcing the support offered to its suppliers along the entire supply chain, the Sustainable Development and External Affairs, Purchasing and Quality Departments have launched a survey on sustainable development choices across a representative sample of suppliers accounting for 80% of the Group's production purchases.

Valeo reinforced this assessment of practices in 2016, by scheduling a global audit campaign among suppliers identified through the sustainable development questionnaire. Audits have been performed in Europe, Asia (China, Japan, India, Thailand) and North America (United States, Mexico), giving suppliers a new dimension of support in their sustainable development approach. The variety of the suppliers audited (by commodity, segment, company size, etc.) enabled Valeo to grasp the diversity of sustainable development practices, and to provide assistance and corrective actions in the event of failings or inadequacy in respect of the Group's sustainable development standards.

This methodology has been endorsed by Valeo's customers and acknowledged by non-financial rating agencies. The stabilization of audit processes allowed specific sectors, such as electronics, to be targeted in 2016-2017, followed by certain regions, such as India (see box below), in 2019.

2020 was to be dedicated to expanding the audit program in India, with the monitoring of action plans implemented by audited suppliers, and initiating a similar program in other ASEAN countries. However, the Covid-19 crisis slowed this process due to the inability of audit teams to travel to inspect supplier sites. The standard for assessing suppliers' risks and sustainable development practices was nevertheless revised to specify the levels of requirements in certain areas, particularly in terms of managing environmental risks, carbon emissions and energy consumption.

Anticipatory measures to ensure legal compliance in France

To anticipate changes in the French legal framework⁽¹⁾, and on the basis of feedback from its suppliers on certain evaluation criteria, the Valeo Business Partner Code of Conduct specifies the Group's requirements in terms of fundamental rights (minimum working age, prohibition of forced labor, respect for freedom of association, etc.), workplace health and safety and respect for the environment. In addition to the commitment made by Valeo's suppliers to comply with the Valeo Code of Conduct, the Group has included a section related to human rights in the sustainable development questionnaire it sends each year to a representative sample of its suppliers.

(1) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.

▼ **Assessment of critical suppliers' sustainable development practices**

Keen to conduct targeted and specific audit campaigns with purchasing segments or areas identified as critical or at risk, Valeo set the ball rolling with an audit campaign for electronics suppliers in 2016. Between 2016 and 2018, suppliers representing nearly 30% of purchases of electronic components and systems were audited (semiconductor industry, manufacturers of electronic parts, embedded systems, etc.). In 2019, a second specific campaign was focused on suppliers in India and the Southeast Asian countries.

The 2019 Indian campaign had three key stages:

- selection of suppliers based on specific criteria (segment, quality, etc.) and a universe of local risks in India (human rights, working conditions, etc.);
- training program in sustainable development and Valeo's requirements in this area, over the first half of the year;
- two-phase supplier assessment campaign: a self-assessment questionnaire on sustainable development, followed a few weeks later by a dedicated on-site audit.

Valeo selected 25 suppliers of various sizes and segments (including assembly, foundry and forging), who were trained up to Valeo's requirements. Nearly half of them were also audited. The exercise was accompanied by methodology

for verifying data and face-to-face audits on a broad range of aspects including the environment, health and safety, site energy consumption, human rights, ethics in business relationships, workers' employment conditions, diversity, understanding of Valeo's technological roadmaps as a customer to be satisfied.

The audit results showed:

- an absence of alarming situations or risks in respect of human rights, health and safety, or environmental damage;
- but a need for follow-up actions to bring suppliers to the highest levels of qualification under the Valeo sustainable development standards.

The plan was to follow up the corrective actions recommended in 2019 by means of an audit campaign in 2020. The corrective measures relate essentially to better energy optimization, better consideration of the environment and an increasingly demanding approach to lower-tier suppliers.

Travel restrictions and the slowdown of business (and complete shutdowns) slowed down the audit process in 2020. For 2021, the assessment and audit process has been reviewed, taking into account the availability of digital tools and the mobilization of local teams, in order to resume a process of physical audits of supplier sites.

Results and performance

Results of assessments of suppliers' sustainable development practices in 2020

An annual self-assessment of sustainable development choices made by a representative sample of suppliers whose sales with Valeo covered 80% of the Group's production purchases was conducted in 2020. The response rate was 20% in 2020, up by 1 percentage point compared with 2019.

This assessment highlighted the fact that in addition to the Group's requirements, more than 91% of the respondent suppliers have their own CSR policy based on a charter, a code of conduct, best practices and a set of guidelines. A total of 51% of such policies are also communicated publicly. With a view to validating their commitments, close to 51% of the Valeo suppliers that responded to the survey have initiated voluntary certification and labeling programs for environmental policies covering at least 50% of their sites.

For 74% of the survey respondents, commitment to sustainable development and CSR also involves communicating their own sustainable development and CSR standards and requirements

to their pool of suppliers. More than one-third of the suppliers surveyed assess their own suppliers' compliance with these requirements through evaluations on the same sustainable development issues and the duty of care, as part of supplier selection processes or through self-assessment or audits.

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.

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 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 2020, 75% 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).

Since then, the comprehensive CFSI initiative has been expanded to form the Responsible Minerals Initiative (RMI). The actors in the value chain are integrated into the prevention and audit actions of this initiative, notably through the pooling of due diligence procedures and the results of audits. Valeo is contributing to this initiative through a company specialized in monitoring and evaluating practices in terms of conflict minerals.

To help suppliers apply the Group's ethics and compliance principles, the Purchasing Department and Ethics and Compliance Office 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.

By monitoring discussions in this area in Europe, Valeo evaluates its internal processes with a view to anticipating and adapting the Group's tools to the future European framework.

Diversity programs applied to North American suppliers

Minority diversity programs in North America (United States and Canada) have added the Women's Business Enterprises (WBE), Minority Business Enterprises (MBE) and Veteran Business Enterprises (VBE) to the evaluation criteria for US and Canadian suppliers. Criteria for the integration of women, minority and veteran business enterprises apply to supplier qualification, selection and award processes held during meetings reviewing entities located in North America.

In 2020, the Valeo North America legal entity placed orders totaling more than 105 million dollars with suppliers classified as integrating women (WBE), minorities (MBE) and veterans (VBE), down compared with 2019 owing simply to the drop in volumes resulting from the crisis, but nevertheless above the projected budget of 95 million dollars. This amount represents nearly 53% of the long-term objective in terms of the Valeo Group's supplier diversity strategy for the United States.

The commitment also received the General Motors Silver Impact Award in 2019 and earned Valeo a nomination for the Michigan Minority Supplier Development Council (MMSDC) "MMSDC Advocate of the Year" award.

▼ PURCHASING LOCATION BASED ON CONSUMPTION AREA

The Group generally favors a location strategy compatible with the demands of economic competitiveness, and one that contributes to local economic integration. This strategy applies across all of the regions in which Valeo operates.

It allows the Group to:

- reduce transportation-related CO₂ emissions;
- support local employment by developing skills;
- meet the expectations of local stakeholders (customers, local and national governments) that increasingly encourage local integration.

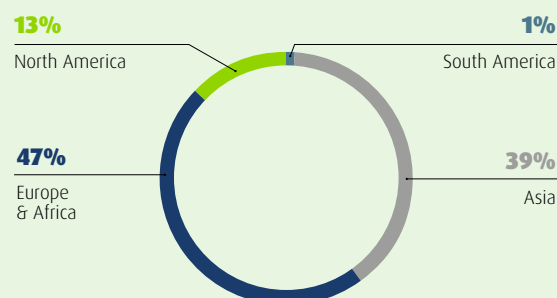
Furthermore, the policy of reducing the risks related to currency fluctuations has also led Valeo to favor local suppliers that comply with its supplier selection criteria.

The supply chain is based on the following principles:

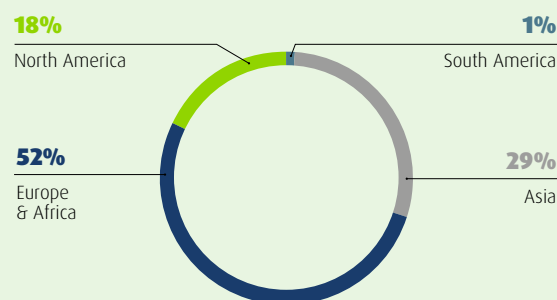
- symmetry between the areas of origin and consumption of purchases, reflecting the broad reach of Valeo's supply chain, in the Group's industrial footprint;
- balance between the main purchasing families, reflecting the breadth of Valeo's product portfolio.

The geographical breakdown of purchases by area of consumption and area of origin is accordingly virtually symmetrical:

► BREAKDOWN OF DIRECT PURCHASES BY GEOGRAPHIC AREA OF ORIGIN IN 2020

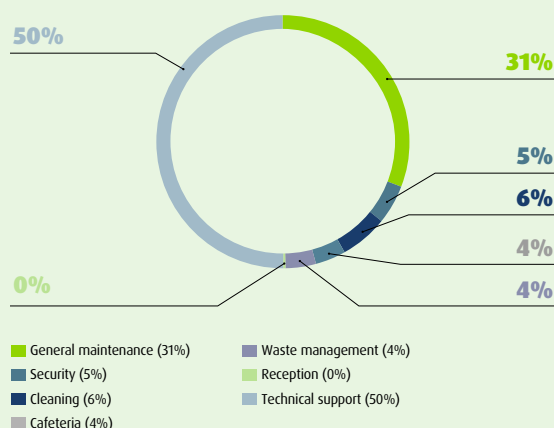


► BREAKDOWN OF DIRECT PURCHASES BY GEOGRAPHIC AREA OF CONSUMPTION IN 2020



Due to its long-established presence in the region, Europe is Valeo's primary geographic area in terms of consumption (52%) and purchasing (47%). 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 (39%).

► **TOTAL SUBCONTRACTING EXPENDITURE BY CATEGORY IN 2020**



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 subcontractors, requiring them to sign and accept the provisions of the Valeo Business Partner Code of Conduct, and in particular the articles concerning employees' fundamental rights.

Subcontracting represented 405 million euros in purchases in 2020. Technical support services are significant, and account for 50% of this expenditure due to the IT services provided by outside companies (hardware, networks, services, computer applications). General maintenance costs represent 31% due to the industrial nature of Valeo's activities.

The use of subcontracting is also an important tool for the purchasing location in line with the geography of the Group's operations.

4.4 THE DUTY OF CARE PLAN

In accordance with the provisions of the law on the duty of care of ordering companies⁽¹⁾, Valeo drew up a duty of care plan in 2017, covering the subsidiaries, subcontractors and suppliers with which the Group has business relations.

The duty of care plan is the fruit of joint work by the various departments concerned (Strategy and External Affairs Department, Internal Audit and Control Department, Legal Department, Ethics and Compliance Office, Purchasing Department, Health, Safety and Environment Department and Human Resources Department), coordinated by the Sustainable Development and External Affairs Department.

In compliance with the French legal framework, Valeo's 2020 reporting sets out the measures in its duty of care plan⁽²⁾:

- the Group's risk mapping and non-financial risk analysis conducted in 2020 (see above), which include the provisions of the duty of care law (human rights and fundamental freedoms, personal health and safety and environmental breaches);
- the procedure for evaluating the situation of subsidiaries, subcontractors and suppliers;
- measures to mitigate risks or prevent serious breaches;
- whistleblowing and reporting mechanisms concerning the existence or occurrence of risks;
- mechanisms for monitoring the measures implemented and assessing their effectiveness.

The follow-up report on the measures implemented and the assessment of their effectiveness are presented below, with references to the corresponding sections of Chapter 4 giving access to a more detailed presentation.

(1) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.

(2) Pursuant to the provisions of Article 1 of the aforementioned law.

Identification and definition of risks

Particular attention was paid to the duty of care during interviews and various information reviews conducted as part of Valeo's extensive work to map non-financial risks following the transposition of the 2014 European Directive⁽¹⁾ on the disclosure of non-financial information. Gathering information served to improve the identification and definition of risks, classified based on their criticality and their possible existence prior to the introduction of the duty of care law, in the risk map.

On the basis of this analysis, Valeo provides a condensed review of its provisions relating to:

- fundamental rights and freedoms: harassment and discrimination, child labor, forced labor (see section 4.5.4 "Employee-related commitments", paragraph "Respecting and promoting fundamental rights", pages 280 to 281);
- health and safety: (see section 4.3.3 "Valeo's non-financial risks", paragraph "Health and safety risk", pages 238 to 241);
- serious environmental breaches: (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 235 to 238).

Regular assessment of the situation of subsidiaries and suppliers

For Valeo sites, the practice of identifying risks specific to the duty of care confirmed the existence of risk factors that the Group had already identified and brought under control. This work confirmed earlier findings obtained from existing tools or assessment criteria used by the Group's subsidiaries:

- regarding fundamental freedoms, the fight against harassment and discrimination, child labor and forced labor: these issues are part of the protocols for the various sites' internal audit campaigns (see section 4.5.4 "Employee-related commitments", paragraph "Promoting and respecting fundamental rights", pages 280 to 281);
- in the field of workplace health and safety, particularly as regards compliance with minimum conditions governing the safety of individuals and facilities, the exposure of Valeo's sites to these risks is measured through annual 5 Axes audits;
- regarding serious environmental breaches, particularly the risk of air, soil and water pollution, and the management of hazardous waste, the sites' environmental risk management tools ensure the regular reporting of information to the Group (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 235 to 238, and section 4.5.3 "Environmental commitments", paragraph "Atmospheric emissions and discharges", pages 266 to 268).

The situation of the Group's activities is assessed regularly by measuring the extent to which the various roadmaps have been rolled out, in particular the 5 Axes roadmaps and regular internal audits. The result of the monitoring indicators is published annually in the Universal Registration Document, and the indicators are subject to an annual audit (see section 4.8 "Independent third party's report on the consolidated non-financial information statement", page 296).

For its suppliers, the Group has applied criteria bearing on risks relating to fundamental rights, workplace health and safety and environmental breaches since the creation of its sustainable development performance assessment tools in 2012. These tools provide a regular assessment of suppliers' practices, initiatives and policies regarding duty-of-care challenges, covering a growing proportion of Valeo's supplier panel (in 2020, it covered suppliers representing 80% of the amount of direct production purchases). Supplier practices and the tools for measuring and monitoring them are described in this chapter of the Universal Registration Document (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", pages 249 to 253).

(1) Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

Initiatives to prevent serious breaches and mitigate risks

In addition to assessments and audits of the Group's sites and its tier-one suppliers (see above), Valeo has implemented support and prevention tools addressing serious breaches:

- for fundamental rights, prevention tools have been rolled out. They include training in the Code of Ethics, and risk mitigation measures, notably through the existence of a whistleblowing system (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk of individual corruption", pages 248 to 249);
- for workplace health and safety, new prevention tools are launched every year, along the lines of the Safety First campaign. As a complementary measure, in the event of serious breaches, appropriate action methodologies are rolled out at all of the Group's sites, in particular rapid risk management solutions, such as QRQC Safety, a rapid internal analysis approach to identify and limit the causes of a health and safety risk (see section 4.3.3 "Valeo's non-financial risks", paragraph "Health and safety risk", pages 238 to 241);
- for environmental risks, the Group has in particular an environmental management system with prevention and mitigation tools. To strengthen the monitoring of incidents that may have an environmental impact, the Group has been rolling out an internal tool ("Environmental Red Alert") since 2019, allowing sites to issue real-time alerts when a spill occurs and thereby inform the highest level of the Group's organization of the seriousness of the incident, monitor it and validate the resources used to minimize the impacts of the event (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 235 to 241).

Similarly, support has been provided to help the Group's suppliers control risks relating to fundamental rights, workplace health and safety and the environment (and more generally sustainable development), with their cooperation. This work was based on the exposure of their segment to certain risks and/or their respective sustainable development performance, measured through specific evaluations and audits.

In accordance with the policies in place within the Group, non-compliance with a standard set by Valeo triggers an on-site audit to confirm the situation before the implementation of appropriate action plans (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk of non-compliance with sustainable development requirements by Valeo's suppliers", pages 249 to 253).

Campaigns to raise awareness about risk prevention and mitigation are conducted each year, providing a reminder of Valeo's policies and requirements in this area. Dedicated Purchasing and Health, Safety and Environment (HSE) teams are regularly mobilized to help suppliers improve their performance. At the supplier conventions held twice a year by country grouping, the Vice-President, Sustainable Development sets out the Group's requirements, and shares sustainable development recommendations and best practices with the suppliers in attendance. For 2019, an awareness-raising initiative was specifically organized for Valeo suppliers in India (see section 4.3.3 of this chapter, "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", pages 249 to 253).

A whistleblowing system

Since November 2013, Valeo has had an anonymous multilingual whistleblowing line, free of charge and open to all employees. At the end of 2017, Valeo improved and extended the whistleblowing mechanism. Since then, the system has enabled whistleblowers **inside or outside** the Group to issue alerts relating to:

- suspected or proven acts of bribery or influence peddling, anti-competitive practices, export control and economic sanctions, and data protection regulations, such as:
 - a crime or offense,
 - a serious and manifest violation of an international commitment duly ratified or approved by France, of a unilateral act of an international organization taken on the basis of such an undertaking, or of legal or regulatory provisions,
 - a threat or serious harm to the public interest;
- proven or suspected violations of the Valeo Code of Ethics, the Valeo Business Partner Code of Conduct or any Valeo Compliance Program;
- risks or serious violations of human rights and fundamental freedoms, personal health and safety and the environment.

The Valeo whistleblowing mechanism offers three options:

- the whistleblowing line, a dedicated and secure platform, available free of charge 24/7, which allows users to issue detailed, confidential and documented alerts by completing a pre-selected questionnaire in the language of their choice. The system is supplied by Valeo through a European service provider operating in Europe and is accessible via: <https://valeo.whistleblownetwork.net/frontpage>;
- liaison officers are appointed by the Group to receive, study and deal with the alerts reaching them, either directly or via the whistleblowing system or a manager. The two liaison officers, who can be contacted by phone (+33 1 40 55 20 20) or by mail (43 rue Bayen, 75017 Paris) are:
 - the Group Chief Ethics and Compliance Officer,
 - the Group's Internal Audit and Control Vice-President;
- employees can submit an alert with their direct or indirect supervisor and stakeholders with their usual contact within the company.

Alerts are processed by a dedicated and well-trained team with the overriding concern of keeping the name of the whistleblower and the people concerned confidential, together with the key points of the investigation.

A specific policy sets out the procedure applicable to the formulation and communication of alerts on the system for Valeo employees and third parties.

The processing of alerts received in this way is supervised by the Group Chief Ethics and Compliance Officer in liaison with the Internal Audit and Control Department's Fraud Unit. The Alerts Committee, chaired by the Chief Ethics and Compliance Officer, decides on the follow-up to be given and the sanctions to be applied as appropriate.

No retaliation of any kind whatsoever will be tolerated against a whistleblower acting in good faith.

The whistleblowing system was presented to Valeo's European Works Council in March 2018, as well as to all other works councils concerned, in accordance with the applicable industrial relations law.

Mechanisms for monitoring the measures implemented and assessing their effectiveness

The mechanisms used to monitor implemented measures and assess their effectiveness are used as regards the Group's own activities and those of its suppliers.

For Valeo's own activities, the Group has implemented monitoring actions:

- for fundamental rights, internal tools for monitoring the rollout of prevention action plans and regular monitoring tools (rolled out with the V5000 internal tools) are used across all Group sites;
- for health and safety, deployment tools, regular monitoring of alerts and alert mechanisms (VRI) have been rolled out across all Group sites;
- for environmental issues, similar tools have been rolled out and are monitored as part of the regular evaluation of Valeo sites via the so-called V5000 evaluation tool.

Likewise, for Group suppliers, Valeo's expectations in terms of sustainable development and the monitoring of their action plans implemented are monitored annually through a system blending self-assessments of suppliers' practices and targeted audits, depending on the country, specific aspects and needs involved (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", pages 249 to 253).

4.5 VALEO'S SUSTAINABLE DEVELOPMENT COMMITMENTS

4.5.1 A commitment to sustainable development based on strong relationships with stakeholders

A multi-stakeholder approach

Relationships between Valeo and its stakeholders span the entire product life cycle, from design (research centers, universities and engineers) to production (suppliers and employees) and sales (automakers and distribution networks).

Valeo offers a comprehensive picture of its sustainable development policy based on an analysis of its relationships with stakeholders. The analysis states the type of stakeholder, the objectives and the form of dialog. The table below underscores the Group's responsible approach, taking into account changes in the automotive industry, stakeholders' demands and the Group's determination to meet the highest international standards in sustainable development.

► **TYPES OF DIALOG WITH STAKEHOLDERS**

	Stakeholders	Objective of dialog	Sample responses and types of dialog undertaken
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
Employees	<ul style="list-style-type: none"> Valeo employees 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 employees Ensure ongoing dialog with the leaders of various labor unions and professional organizations 	<ul style="list-style-type: none"> Annual survey of employee commitment Diversity program Well-Being at Work program Collective bargaining Dialog with labor unions and employers' associations
Research and Development partners	<ul style="list-style-type: none"> Research partners and subcontractors Start-ups and accelerators Venture capital firms Laboratories Universities Independent public bodies Certification and control bodies 	<ul style="list-style-type: none"> Establish cooperative and industry-oriented Research and Development Organize transfers and exchanges of competences, techniques and know-how 	<ul style="list-style-type: none"> Scientific events (conferences and congresses) Collaborative research Partnerships with universities and competitiveness clusters Organization of technology days Participation in technological platforms
Partners and suppliers	<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 and fundamental rights 	<ul style="list-style-type: none"> Supplier integration Selection committees Calls for tender Working groups
Institutions	<ul style="list-style-type: none"> Public authorities (governments) European Commission International organizations (UN, ITF, IFC, OECD, etc.) 	<ul style="list-style-type: none"> Conduct economic, industrial and labor 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 annually) Dialog with national authorities Dialog with the European Commission
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.)
Financial community, individual and non-financial shareholders	<ul style="list-style-type: none"> Shareholders/institutional investors Individual shareholders Banks Insurers Statutory Auditors (and Independent Third Party) 	<ul style="list-style-type: none"> Adopt a dialog-based approach building on the relevance, rigor and transparency of information relating to the Group's results 	<ul style="list-style-type: none"> Meetings with investors and analysts (including SRI⁽¹⁾) Financial results presentations Shareholders' Meeting Discussions with shareholders (dedicated line and email address) Website and digital resources (webzine, flash e-newsletter, shareholders' letters, etc.)

(1) SRI: Socially responsible investment.

Dialog with industry stakeholders

Within the Automotive Industry Platform (*Plateforme de la filière automobile* – PFA), Valeo supported entering into dialog with stakeholders, drawing on a panel of various French and European public bodies and international organizations, representatives of local authorities, private automotive companies, infrastructure managers and urban planning agencies, as well as representatives from civil society and environmental NGOs.

The first two editions took place in 2015 and 2016. The approach has given the French automotive industry (represented in particular by Valeo, Renault, PSA, Michelin, Plastic Omnium and Delphi France) a forum for open discussion about the full range of issues currently being examined in the field of automotive mobility (carbon impact of and pollution from the automotive industry, new forms of mobility, role of the automotive industry in the regions, its social impact, relationship between contractors and suppliers, etc.). Since then, this dialog has been maintained and enriched in various stages, including the introduction of new themes such as reducing planned obsolescence.

Valeo represented automotive suppliers (excluding tire manufacturers) on a number of themes. Another development was the opening of new discussion forums, such as participation in the 2017, 2018 and 2019 editions of the Movin'On event (formerly Challenge Bibendum), organized by Michelin in Montreal, and at the annual European research conference organized by the European Commission (TRA 2019) in Vienna. The Covid-19 crisis made it impossible to repeat the process in 2020, so now the aim is to hold a new edition in 2021 as part of the review of the Strategic Sector Agreement (*Contrat stratégique de Filière* – CSF) for the French automotive sector.

Valeo, a global player in the automotive industry

As a responsible player within the French automotive industry, Valeo contributes to the Automotive Future Fund (*Fonds Avenir Automobile* – FAA), formerly the Tier 2 Automotive Suppliers' Modernization Fund (*Fonds de Modernisation des Équipementiers Automobiles Rang 2*).

Along with other major industry suppliers, the Group supports tier-two suppliers and those further down in the chain, helping them strengthen their activities among customers.

Placing great importance on its involvement in different consultation bodies in the automotive industry, Valeo actively participates in French, 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. It continues to play an active part;
- in Germany, Valeo participates in working groups of the *Verband der Automobilindustrie* (VDA), the German automotive industry body;
- in Europe, Valeo is involved in collaborative, precompetitive research through the European Road Transport Research Advisory Council (ERTRAC), the European Commission's technology platform for research on road transportation (see section 4.1.4 "Sustainable development policies", paragraph "Research and development policy", pages 208 to 209);
- Valeo is also a member of the French-Chinese automotive industry working group coordinated by the two countries' respective ministry of industry;
- in the United States, Valeo works with research teams from the National Highway Traffic Safety Administration (NHTSA);
- Valeo seeks to maintain relationships with major cities as a provider of solutions for smarter, low-carbon mobility facilitating the emergence of smart cities.

Participation in these national and European organizations takes place in strict compliance with the competition law applicable in each of the organization's countries of action.

4.5.2 Technological commitments

A comprehensive and partnership-based approach to Research, Development and Innovation (R&D&I)

The research, development and innovation policy serves to make the Group's strategic choices a reality. It draws on the various drivers presented below, which are necessary for the diversity of tools that contribute to a partnership-based and open R&D&I policy matching Valeo's technological ambitions.

Strategic industrial partnerships

Valeo has been involved in a research partnership on driving assistance and autonomous vehicles with **Safran** since 2013. It is ongoing, and the joint research programs focus on the interfaces between people, the machine and its environment and automation.

This industrial-scale research approach has also been reinforced in recent years by Valeo's various acquisitions, including **Peiker** in 2016 in the field of telematics and connectivity, **Spheros** in 2016, a leader in thermal systems for buses, **FTE automotive** in 2017, a leader in the production of actuators, and **Valeo-Kaptec** in 2017, a world leader in torque converters for automatic and continuously variable transmissions.

In vehicle electrification, Valeo is developing e-motors, range extenders, onboard chargers, inverters and DC/DC converters for all types of hybrid, plug-in hybrid and all-electric vehicles. The **Valeo Siemens eAutomotive** joint venture develops high-voltage (over 60V) electric powertrain systems.

The open innovation strategy⁽¹⁾ and links with start-ups

Valeo is adapting its way of innovating to keep abreast of market megatrends and tailor products to its customers' needs. To do so, the Group is applying an open innovation policy based chiefly on:

- an internal organization of innovation based on dedicated cross-cutting structures (Car Lab) blending expertise and new ways of imagining innovation (design thinking, Agile method, Blue Ocean Strategy, etc.);
- ambitions for artificial intelligence, marked in 2017 by the creation of Valeo.ai, the first global center dedicated to artificial intelligence and deep learning in automotive applications. Its close ties with a large scientific and academic community, i.e., through its strategic partnerships with recognized players such as Inria (French National Institute for Research in Computer Science and Control), Télécom ParisTech, Mines ParisTech and CEA (the French Alternative Energies and Atomic Energy

Commission), allowed Paris-based Valeo.ai to become a key industry player and contribute to the ongoing transformation of transportation and mobility models;

- a proactive strategy with regard to start-ups, through various channels (simple cooperation, investment, acquisition or creation). This strategy is supported by Valeo's presence in the leading global innovation ecosystems (mainly France, Germany, Silicon Valley, Israel and China), interests in venture capital funds, and internal tools for identifying and analyzing new high-potential start-ups. Valeo reviews more than a thousand start-ups each year.

Valeo, an actor in the governance of institutional collaborative research organizations

European Road Transport Research Advisory Council (ERTRAC)

ERTRAC, the official technological platform of the European Commission, dedicated to collaborative research in the automotive industry, is responsible for directing and coordinating land transportation research policy (excluding railroads) with EU bodies. Valeo is its Co-Chair alongside German automaker BMW.

With its industry-led governance, ERTRAC's main goal is to guide actors in land transportation to sustainable, environmentally friendly and connected solutions building on research roadmaps endorsed by all stakeholders. This requires interaction between industrial players, providers of technological solutions and representatives of society or institutions.

ERTRAC is built around public and private bodies (national governments and city associations working for mobility, the environment and consumers), the relevant European Commission directorates, industry (automakers, suppliers), and public and private research bodies. The diversity and quality of the partners involved are what drive the value of the expertise provided by ERTRAC, particularly through the regular publication of medium-term technology roadmaps on various topics relating to automotive mobility. In 2020, the ERTRAC platform continued to prepare advice and guidance for the European Commission for the definition of new partnerships under the Horizon Europe Framework Programme dedicated to mobility. Valeo contributed actively to the following partnerships: ZZERO, which addresses low-carbon mobility issues; CCAM, the European program dedicated to research on connected and autonomous mobility; and BEPA, the battery ecosystem research initiative. All of these programs will start in 2021 and run until 2027.

(1) See sustainable development glossary, page 295.

Artemis-IA

Valeo has joined Artemis-IA, an association dedicated to collaborative research into onboard and intelligent systems, bringing together industry players in these areas from a wide range of disciplines (aerospace, railways, space, defense, automotive, food, health and pharmaceuticals, microelectronics, etc.). Valeo was keen to take part in the governance of Artemis-IA as the Group wishes to promote collaborative European research projects in the fields of electronics and embedded systems. Electrification, driving range, connectivity and digital advances relating to mobility are the common core of research represented by cyber-physical and embedded components and systems.

Artemis-IA is one of three associations (alongside EPoSS and AENEAS) taking part in the governance of the ECSEL JU (Electronic Components and Systems for European Leadership Joint Undertaking), bringing together the European Commission and member states and industrial players along the entire electronics value chain.

The Group is considered by the Commission's services as a co-manager of these programs dedicated to collaborative research.

Competitiveness clusters

Valeo is involved in the governance of cooperative structures of which the Group is an active member, such as Mov'eo in France, which covers all the Group's strategic areas.

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

Valeo helped formulate proposals covering research issues related to low-carbon, connected and progressively autonomous transportation.

Collaborative projects

Valeo participates in collaborative research programs in the automotive industry in the various countries and regions where it operates. 2019 took Valeo into the final phases of the eighth European framework program (H2020). The Group plans to continue participating and constructing European projects within this framework.

In 2020, as part of the Automotive Support Plan (May 2020), Valeo received government support for its R&D activities for the development of 48V electric motors. This support strengthens Valeo's industrial and research resolve to position itself as a European and world leader in this technology and to support the transformation of sites related to this activity in France. The project will receive financial support for the 2021 to 2024 period.

Academic partnerships

Valeo takes part in multi-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 industry.

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.

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) and the United States. 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).

Funding of doctoral theses

The Group is funding more than 50 doctoral theses in areas such as new materials and technologies, new calculation and simulation tools and methods, new system architectures and component optimization.

Support for and creation of academic chairs

Partnerships formed through academic chairs aim to promote research and innovation activities with high value creation potential. For Valeo, they offer the opportunity to deepen research and innovation activity close to academic centers, offering them subjects and areas of thinking focused on strategic areas for the industry.

Valeo has partnered with universities and public research bodies to create 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 (France), 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, the chair aims 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 and Europe). This chair ended in 2019, having created the necessary synergies between the main participants;

- an industrial teaching and research chair on embedded lighting systems (ELS), known as the ELS Chair, which brings together the following schools and partners including 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;
- an academic chair under the name "IoT" (Internet of Things), launched in 2016 by the ESCP Europe business school in partnership with Valeo and Schneider Electric. Its aim is to (i) develop a better understanding of the business and managerial challenges associated with changes in digital technology and the development of connected objects, and (ii) develop high-level teaching and research in line with business expectations. Through a partnership between ESCP Europe and a Chinese university, the chair's activities (teaching, projects, forums, etc.) will span both Europe and China. Having presence in two regions provides the opportunity for multicultural comparisons of expectations, usages and conceptions of connected objects;
- two chairs, one on big data and the other on connected vehicles and cybersecurity, have been established by Valeo and other technology partners with the Télécom ParisTech engineering school. The second of these chairs focuses on cybersecurity challenges in terms of the operational safety of vehicles, data protection and flows, and user identification technologies in vehicles. It also aims to address the legal and social aspects of the management of personal data and to ensure their security.

Significant intellectual property activity

Innovation is central to Research and Development activities; it results in major orders and a growing patent portfolio. In 2020, the Group had 34,710 patents, of which 1,174 were filed for new inventions during the year.

A commitment to R&D for the aftermarket and remanufacturing market

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, across its entire multiproduct, multi-region and multichannel strategy, without compromising the environment.

The specific features of these products position Valeo as a key player in mobility access in markets characterized by a high proportion of second-hand vehicles, predominantly emerging regions (parts of Southeast Asia, Africa, etc.). More generally, the aftermarket in these regions is creating economic opportunities for various automotive-related businesses.

The existence of replacement products has a substantial impact on the safety of vehicle users, since they offer an economically viable alternative to repaired, rebuilt or reworked parts, often in traditional or semi-industrial settings, which are often not subject to any form of harmonized or standardized quality control. The remanufacturing market is currently dominated by European players.



VALEO, A PARTICIPANT IN THE REMANUFACTURING MARKET

Through its remanufacturing activity, Valeo puts its original equipment parts design and manufacturing expertise at the service of the remanufacturing market, for which the Group has developed a high-quality, environmentally friendly 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 mainly include alternators and starters as well as clutches and air conditioning 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 of remanufactured parts, and thereby to champion environmental protection in the remanufacturing market.

(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 equivalent compared 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."

4.5.3 Environmental commitments

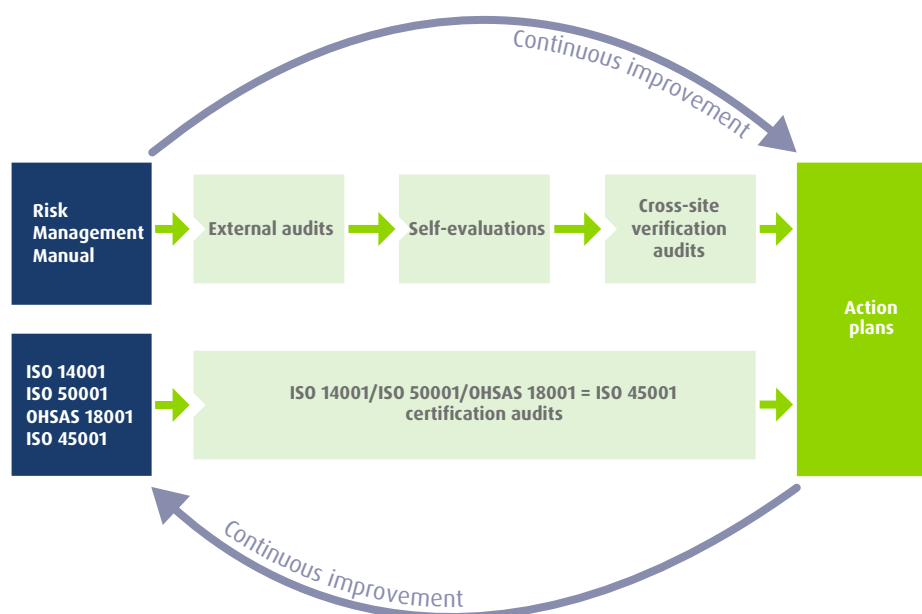
VALEO'S COMMITMENT TO THE CIRCULAR ECONOMY

The Group has made a commitment to the circular economy in the following two areas:

- prevention and management of waste:
 - recycling of waste related to the production process (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 235 to 238),
 - reuse of packaging materials (see paragraph "Packaging" in this section, page 274),
 - recovery of products, such as the Valeo starter-alternator remanufacturing program (see section 4.3.3 "Valeo's non-financial risks", paragraph "Examples of recyclability of two Valeo products", page 232);
- sustainable use of resources, with policies and action plans covering:
 - water consumption and supply (see paragraph "Water management" in this section, pages 264 to 266),
 - consumption of raw materials and more efficient use thereof (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk of non-compliance with environmental product regulations", pages 229 to 235),
 - energy consumption and increased energy efficiency and the use of renewable energies (see paragraph "Reducing energy consumption and greenhouse gas emissions" in this section, pages 268 to 273).

Evaluation and certification processes

Valeo has implemented a comprehensive global audit program, including external compliance and certification audits, as well as self-evaluations and cross-site verification audits performed by site HSE managers.

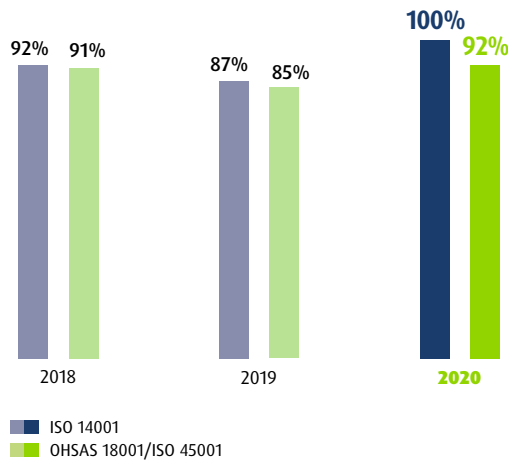


ISO 14001, ISO 50001 and OHSAS 18001 certification audits

For the past 20 years, the Group has been committed to certifying its Health, Safety and Environment management systems in order to reduce its environmental impact and improve health and safety conditions for its employees. The current practice is to obtain certification for individual sites. It is nevertheless possible to obtain a single certification for several sites when they are interdependent.

ISO 45001, published in 2018, is intended to replace the OHSAS 18001, which expires in March 2021. That leaves the sites a three-year transition period to switch to ISO 45001. ISO 45001 is the first international standard to provide a framework for Occupational Health and Safety (OHS) management. The new standard will also allow companies that have already earned ISO 9001 or ISO 14001 certification to benefit from the new management system standard structure.

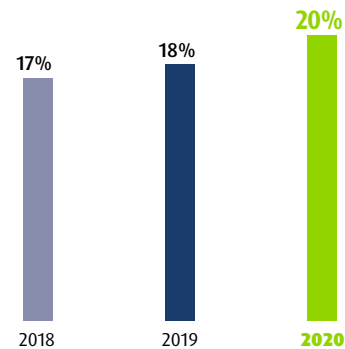
▶ PERCENTAGE OF PLANTS CERTIFIED ISO 14001 AND OHSAS 18001/ISO 45001



The Group aims to quickly bring newly acquired or created sites into its environmental approach and certification process. All new sites are required to obtain certification from the third year of their inclusion in the Group's scope.

In 2020, 20 new sites obtained ISO 14001 certification, and a further ten obtained ISO 45001.

▶ PERCENTAGE OF PLANTS CERTIFIED ISO 50001



ISO 50001, released in 2011, requires significant commitment from sites, which undertake to establish organizational and technical resources to reduce their energy consumption in a sustainable manner.

In 2020, 30 sites, representing 20% of the Group's reporting scope, obtained ISO 50001 certification for energy management, in line with the target.

Valeo has set a new ambitious target for 2025, namely to achieve ISO 50001 certification for 40% of the sites within the Group's reporting scope.

External audits worldwide

At the initiative of the HSE Department, the Group's sites are regularly audited by external consultants to ensure compliance with and proper implementation of the Risk Management Manual. With the same frequency, the Group also determines themes to be systematically audited in each campaign in order to measure their implementation and reinforce their control.

Each site, audited every three years on average, is assigned a score based on objective criteria.

Environmental audits give rise to a detailed report on the basis of the findings and a three-level recommendation grading:

- priority level 1 is a major breach of directives liable to have a major impact on the environment or the activity (shutdown);
- priority level 2 is a breach liable to cause environmental pollution;
- priority level 3 is minor non-compliance with Group guidelines or incorrect frequency in the running of prevention activities.

The action plans of all sites are reported to the HSE Department and monitored by the Business Group HSE managers via a system known as HSE Action Plan. This database provides a fast and reliable way of consolidating audit results, and makes it possible to monitor progress on the associated action plans. The indicators are updated each month and reported to the Business Group HSE managers during monthly meetings. A more detailed half-yearly review is also conducted with the Business Group HSE managers.

With steering from the HSE network and the participation of the Purchasing and Insurance networks, all industrial projects (construction of new plants, extensions, etc.) are reviewed every two months to determine the resources needed in view of environmental, safety and security concerns.

The Group has a dedicated committee to reduce the risks associated with equipment for moving goods (stackers, forklifts, pallet trucks, etc.).

Self-diagnostic tool

The sites can carry out a self-assessment of their compliance with the Group's directives using the Roadmap Manager self-diagnostic tool. Since 2018, the Group has sought to verify the match between the results of external audits and those of self-assessments. Using sampling techniques, the auditors examine the accuracy of the site's self-assessment. The first results show that self-assessments are nearly 90% compliant.

Stronger communication

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

- a new HSE Portal launched in 2019 to circulate a wide variety of thematic articles, share best practices and offer more dynamic content;
- the release of "Safety Flashes" when an incident needs to be communicated to all sites, with the main checkpoints;
- an abundant library on Covid-19 including the sharing of protocols, videos, photos, audit schedules, quizzes and flyers on the prevention of contracting the virus;
- online training via e-learning to provide a summary of the main requirements of each environmental directive. The modules include a quiz to check the participants' understanding;
- information for site employees on environmental procedures and respect for the environment, particularly as part of the onboarding 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/ISO 45001 management systems;
- information for employees through newsletters and dedicated displays, and at operational team briefings;
- dedicated events such as "Sustainable Development Week", featuring local initiatives;
- HSE tools developed and made available by the Group;

- training and support materials inherent to these tools;
- the implementation of digitalized OJT (On Job Training) grids in all of the Group's languages.

In 2020, the HSE network provided 90,880 hours of environmental training across all sites, compared with 84,430 hours in 2019.

Water management

Challenges

Because of the importance of this resource, the Group aims to limit and control its water consumption, and to ensure the supply of good quality water for its staff. Valeo may be subject to outages or restricted access to water at one of its sites, which may be related to:

- a municipal/regional restriction decision in the event of a drought;
- a shortage of water sources supplying the site or poor water quality (wells, groundwater);
- a restriction imposed by local authorities in the event of overconsumption;
- the lack of a water recovery system;
- the absence of a recycling loop or closed-loop water circuit.

However, the occurrence of events of this type is low because the Group's policy requires that most sites rely on public mains water.

Approach

Prior to the purchase or lease of land or buildings, the Group requires that an environmental risk assessment be carried out in order to determine, among other things, the level of water stress of the future location. Valeo has set itself the goal of reducing its total water consumption as a proportion of sales by 6% between 2016 and 2020.

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

- each water supply source 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 maintains a plan of its water supply and distribution networks, which must identify the network's isolation systems, backflow preventers and meters, and distinguish between:
 - domestic use (if separate from drinking water),
 - industrial use,
 - use for firefighting,
 - drinking water.

For drinking water, the site must, where possible, be supplied externally (public mains network preferably), and water networks must be protected from the risk of contamination by other networks.

The site also monitors its water consumption at least on a **quarterly basis**. This monitoring serves to:

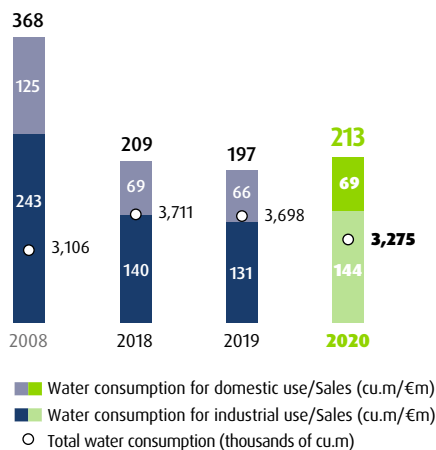
- identify the respective needs in regard to each of the main uses of water;
- identify any variation in water consumption and take swift action in the event of leaks in the network;
- draw up a water consumption reduction plan to achieve or better the objectives set for each site by the Group;
- restrict the use of drinking water to domestic purposes and promote the use of non-drinking water wherever possible (e.g., toilets, watering, cleaning, extra water for closed water cooling circuits and fire extinguishing).

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

- optimize washing operations;
- set up recycling systems such as recovering discharge water from cooling towers and using it to wash floors and equipment;
- take into account the optimization of water management and possible water savings when purchasing equipment;
- collect rainwater.

Performance

► WATER CONSUMPTION

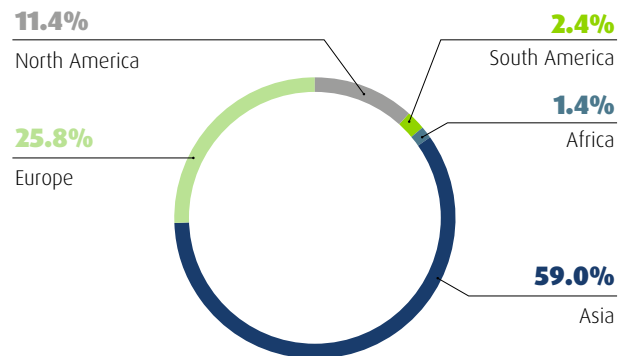


In 2020, water consumption increased in relative terms (cu.m per million euros of sales) compared with 2019. This trend can be attributed to two factors: a sudden drop in activity stopping the consumption of the cooling towers from being variable, and the significant increase in consumption resulting from greater disinfection and cleaning measures being put into place as part of the fight against Covid-19.

Between 2018 and 2020, Valeo reduced its consumption by 12% in absolute terms. The Group will strive to maintain this trend in the coming years by prohibiting direct groundwater sources and replacing them with closed-circuit solutions, particularly at the Visibility Systems Business Group sites, which account for 48% of total consumption due to their surface treatment activities.

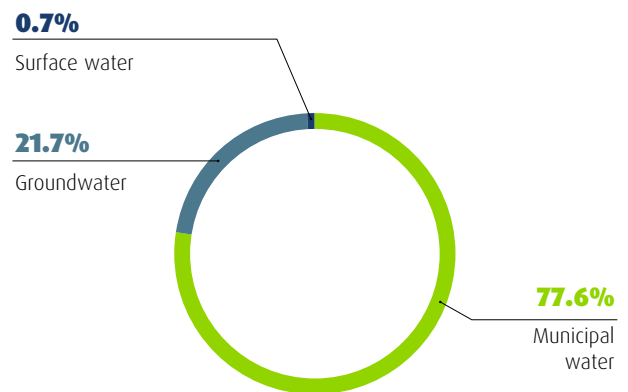
Since 2008, total water consumption has declined by 42% in relative terms.

► GEOGRAPHIC BREAKDOWN OF TOTAL WATER CONSUMPTION IN 2020



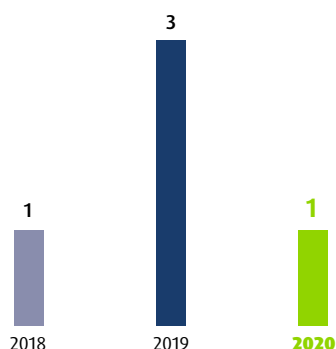
Sites in Europe and Asia account for almost 85% of total water consumption. The geographical breakdown of consumption changed little compared with 2019. Consumption at Asian sites increased from 58.6% to 59.0%. By contrast, the consumption of European sites fell from 26.3% to 25.8%.

► SOURCES OF WATER IN 2020



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 (industrial water, domestic water) of water on its sites. The breakdown of the various sources of water was stable compared with 2019. The percentage of water supplied by municipal water networks represents 77.6% of the breakdown.

► NUMBER OF WATER OUTAGES AND RESTRICTIONS



In 2020, only the Laval site (Thermal Systems Business Group, France) suffered water supply outages stemming from the public water network following a drought order, which had no impact on production.

In 2017, with a view to ensuring that the Group's future operations do not face water restrictions or outages, Valeo added a chapter on the availability of water in the area surrounding the prospective site to the audit questionnaire that must be completed before new industrial projects are undertaken. Environmental Red Alert, a new internal tool, also allows sites to report this type of event (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk associated with accidental pollution of water and/or soil", pages 235 to 238).



ACTIONS UNDERTAKEN TO REDUCE WATER CONSUMPTION IN 2020

In 2020, 11 sites reported having carried out one or more initiatives to reduce their water consumption. Sites may adopt technical measures such as:

- reducing domestic water flow rates;
- implementing wastewater recycling circuits;
- installing a cooling water reuse system;
- introducing closed circuits in new projects;
- installing new equipment such as a new reflector cleaning machine;

- installing systems to collect and reuse rainwater or industrial water after treatment.

The sites in Presov (Powertrain Systems Business Group, Slovakia), Itatiba (Thermal Systems Business Group, Brazil) and Athis de l'Orne (Thermal Systems Business Group, France) carried out technical initiatives of this nature in 2020.

Other sites have taken action to improve network maintenance (leak detection, pipe replacement, etc.) and to raise awareness among users so that they can reduce their consumption.

Atmospheric emissions and discharges

Challenges

Valeo's activities are liable to generate the discharge of substances into the air that could impact the environment. Such discharges must be tightly controlled to avoid pollution. The Group is committed to controlling the atmospheric emissions of its polluting products, which can result in air pollution with environmental or health impacts for several reasons:

- lack of control over discharges of this nature;
- poor performance by equipment;
- lack of regular inspection or emission measurements;
- absence of filters (mechanical or coal) on equipment;
- absence of burners upstream of the stacks.

The criticality of this type of event is limited, because each site is required to establish and implement a monitoring plan for its regulated emissions and to maintain an inventory of its atmospheric emissions. Valeo is in compliance with the current regulatory requirements, and monitors any prospective changes.

Approach

Each site must establish a system to ensure compliance with regulatory requirements on atmospheric emissions. This system requires each site to draw up an inventory of its emissions aimed at:

- listing the sources of atmospheric emissions, taking all of the site's processes and activities into consideration;
- listing facilities for the treatment of these emissions;
- describing emissions based on their origin (emissions from combustion plants or production processes);
- quantifying emissions in order to determine whether operating permits need to be obtained in accordance with applicable regulations.

Each Valeo site assesses, particularly whenever any production 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.

Wherever possible, the Group provides standardized tools to be used by all Valeo sites to ensure that these indicators are calculated in a consistent manner.

Valeo monitors atmospheric emissions of volatile organic compounds (VOCs)⁽¹⁾, nitrogen oxides (NO_x), lead (Pb) and trichlorethylene (TCE) resulting from its activities. Emissions of sulfur oxides (SO_x) are not monitored as equipment mainly uses natural gas, which does not emit sulfur oxides during combustion.

(1) See sustainable development glossary, page 295.

Prohibited or regulated substances

Valeo sites are required to identify any banned or locally regulated substances used in the construction of its buildings and production equipment, or in the composition of its products. All such prohibited or controlled substances are listed in a Banned, Regulated and Declared Substances (BRDS) database established by the Group.

The Group prohibits the use of the following substances in its products and processes:

- asbestos;
- PCBs (polychlorinated biphenyls);
- refrigerants such as halons, HCFCs (hydrochlorofluorocarbons), CFCs (chlorofluorocarbons), hydrofluorocarbons;
- RCFs (refractory ceramic fibers);
- unencapsulated radioactive substances.

For several years, Valeo has also sought to take a proactive approach to reducing emissions of ozone-depleting substances. Its commitments on the subject are set out in a dedicated directive in the Risk Management Manual. As mentioned above, CFCs and halons are prohibited substances at Valeo. For HCFCs, the Group's objective is to stay ahead of the elimination deadlines set under the Montreal Protocol. To comply with this directive, the sites have taken action to service equipment containing refrigerants.

Hazardous substances

Valeo prevents the risk of hazardous substances being released by a specific policy and directive aimed at eliminating the use of substances posing a threat to the environment and health.

Because of the hazard they represent and their longstanding use in industrial processes on its sites, the Group is also working 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)⁽¹⁾. Some of these substances were still present in manufacturing processes in 2020, but Valeo is working with its stakeholders to find alternatives.

Volatile organic compounds

Valeo pays particular attention to monitoring atmospheric emissions related to its activity in respect of volatile organic compounds (VOC)⁽¹⁾, and is applying a process designed to reduce its use of VOCs via the implementation of substitute aqueous solutions (shift from paint containing an oil-based solvent to water-based paint), improving the efficiency of the processes implemented (robotization of a paint line, etc.), limiting and capturing emissions by geographically isolating operations.

Performance

Lead

In 2020, atmospheric lead emissions were again reduced by 65% compared with 2019, from 224 kg to 77 kg. This reduction is attributable mainly to the work carried out by the Perai-Penang site (Malaysia, Comfort & Driving Assistance Business Group), which reduced its emissions from 120 kg in 2019 to 30 kg in 2020. The site was included in the Valeo Group environmental indicator reporting scope in 2018, following the acquisition of Precico. It initially had a negative impact on Valeo's lead consumption, which was at a steady fall in the years preceding the site's consolidation.

VOC⁽¹⁾

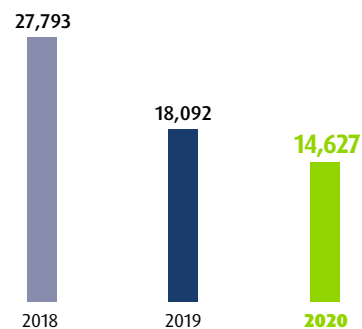
Quantity of ozone-depleting substances used

In the interests of transparency, the Group again performed an overall estimate of CFC and HCFC emissions in 2020. The chart below shows the quantity of ozone-depleting substances (in kg), which are used only in closed-loop equipment at Valeo sites (refrigerants or fire extinguishing gas).

The quantity of ozone-depleting substances saw a steady decline of 47%, from 27,793 kg in 2018 to 14,627 kg in 2020. The Group is gradually replacing these substances with other less harmful products.

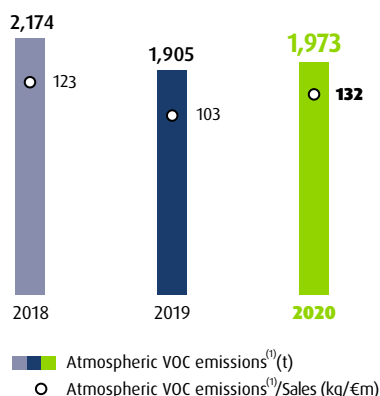
In 2020, the Gyeongju site (Powertrain Systems Business Group, South Korea) stopped using Halon (R13B1) as a fire extinguishing agent, and the Bad Rodach site (Thermal Systems Business Group, Germany) reduced its use of HCFC (R134a) as a refrigerant in its test loops by replacing it with tetrafluoropropene, HFO-1234yf.

► QUANTITY OF OZONE-DEPLETING SUBSTANCES (KG) PRESENT IN EQUIPMENT AT VALEO SITES



(1) See sustainable development glossary, page 295.

► **ATMOSPHERIC EMISSIONS OF VOLATILE ORGANIC COMPOUNDS**



In 2020, Valeo recorded an increase following the inclusion in the reporting scope of new VOC emitters⁽¹⁾, namely the San Luis Potosi 5 site (Thermal Systems Business Group, Mexico) and the Tangiers site (Visibility Systems Business Group, Morocco) due to growth in activity since 2019. The increase in atmospheric emissions as a proportion of sales is attributable to a significant decline in activity in Europe in 2020, where regulations on atmospheric emissions are more demanding than in North America. Valeo's 2021-2025 environmental plan includes the change of filtration systems at three sites in Mexico to bring them into line with the highest level of requirements currently in place in Europe.

The Visibility Systems Business Group remains the biggest emitter of atmospheric VOC emissions⁽¹⁾, accounting for almost 40% of the Group's total emissions.

Achievements during the year

In 2020, Valeo adopted a new formula for calculating VOC emissions⁽¹⁾ in the Visibility Systems Business Group in order to refine its calculations; the Group also shared its best practices in biomass filtration systems.

A number of sites have taken action to reduce their atmospheric emissions. As such:

- The sites in Chang Chun (Thermal Systems Business Group, China) and Wuxi (Powertrain Systems Business Group, China) installed activated carbon filtration systems for the recovery of VOCs.
- The Wuhan site has installed a system for the recovery and treatment of residual gases from molding machines.

Reducing energy consumption and greenhouse gas emissions

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 (solar) energy generated on site, which currently provides only a very small amount of energy.

The Group could be exposed to excessive energy consumption by plants, potentially resulting in a shortfall in competitiveness and an increase in greenhouse gas emissions, which could stem from:

- energy-intensive manufacturing processes;
- changes in regulations governing reductions in greenhouse gas emissions;
- obsolete equipment.

While energy consumption is not a material risk for Valeo, the Group is committed to reducing greenhouse gas emissions in order to move towards carbon neutrality by 2050. In 2020, Valeo was very much dependent on the energy mix available in each host country, as the energy consumed by its sites is produced locally. With that in mind, Valeo has opted to purchase low-carbon power, particularly in China, the United States, India, Poland and the Czech Republic, and to launch self-generation programs from solar energy.

Approach

Valeo has drafted a five-year plan to improve environmental performance in relation to energy management. This includes ISO 50001 certification objectives, which the Group relies on for its approach and the management of its initiatives.

The Group assists its sites in launching nationwide initiatives such as the LEDs plan (replacement of existing lighting with very low-consumption LEDs).

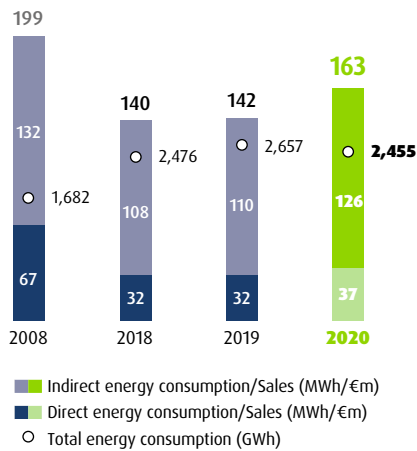
Since 2018, Valeo has partnered with an expert third party to conduct energy performance audits and highlight opportunities to reduce consumption.

The Group monitors the sites' energy consumption on a quarterly basis through the Valeo Environmental Indicators internal tool.

(1) See sustainable development glossary, page 295.

Performance

► ENERGY CONSUMPTION

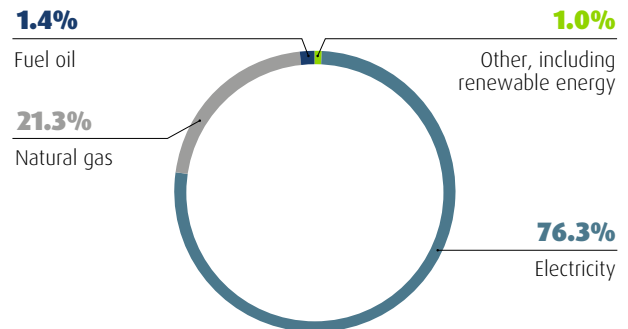


The target of 20% of sites with ISO 50001 certification for energy management was achieved at the end of 2020 (see "Evaluation and certification processes" in this section 4.5.3 "Environmental commitments", page 262).

Between 2019 and 2020, energy consumption decreased in absolute terms by 8%. Total energy consumption as a proportion of sales increased by 15%. Despite significant decline in activity and sales, due to the lockdown measures in the first half of 2020, linked to the Covid-19 health crisis, not all the Group's sites were able to reduce their gas consumption over the year for heating during the winter, and the rates of electricity consumption for lighting, compressed air production, and the operation of certain machines were reduced in line with the significant drop in customer demand. Since 2008, total energy consumption relative to sales has fallen by 18%.

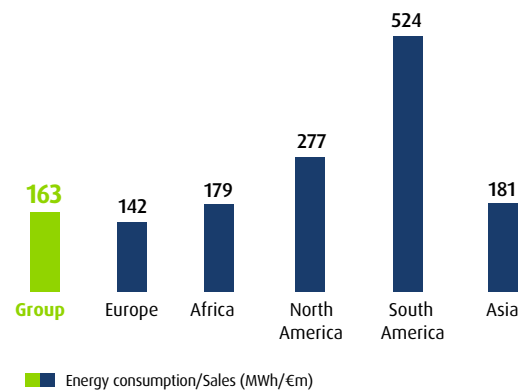
The Group did not reduce its direct energy consumption (gas, fuel oil, renewable energy produced on site) as a proportion of sales between 2015 and 2020. In 2020, it amounted to 37 MWh per million euros in sales. However, it has decreased by almost 50% since 2008.

► BREAKDOWN OF ENERGY SOURCES IN 2020



The proportion of electricity remained stable at around three-quarters of the Group's consumption. The proportion of gas was also stable between 2019 and 2020, at 21.2% and 21.3% respectively.

► REGIONAL BREAKDOWN OF ENERGY CONSUMPTION AS A PROPORTION OF SALES IN 2020



Energy consumption as a proportion of sales is markedly higher at the Group's South American sites than in Africa, Europe, North America and Asia. With the exception of Europe and Africa, the ratio of energy consumption to sales remains above the performance target set for 2020, mainly due to the overall increase in electricity consumption in 2020.

Reducing our carbon impact

GHG emissions (Scope 1, Scope 2 and Scope 3)⁽¹⁾

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. In 2020, the following operations-related emissions sources (excluding product use) were included in the review:

- direct GHG emissions: combustion emissions from stationary sources on sites, emissions from fuel combustion by Group 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).

Direct and indirect CO₂ emissions decreased in absolute terms by 29% in 2020 compared with 2019, and by 6.1% as a proportion of sales.

Scope 1

The consumption of gas and fuel oil for heating was maintained during periods of reduced activity due to the health crisis. As a result, direct GHG emissions linked to the consumption of these two energy sources increased by 15% as a proportion of sales between 2019 and 2020. However, they were down 5.3% in absolute terms.

Direct GHG emissions (ktCO ₂ eq.) – Emissions sources	2017	2018	2019	2020
Emissions generated by fuel oil and gas combustion at sites (ktCO ₂ eq.)	132.8	134.9	143.3	135.8
Direct emissions from non-energy processes (ktCO ₂ eq.)	7.4	6.7	6.6	5.6
Emissions caused by Valeo's vehicle fleet (ktCO ₂ eq.)	10.4	19.4*	23.5	16.2
Fugitive emissions (refrigerant leakage) (ktCO ₂ eq.)	16.3	14.3	13.5	13.0
TOTAL DIRECT EMISSIONS (ktCO₂eq.)	166.9	175.3	186.9	170.6
TOTAL DIRECT EMISSIONS/SALES (tCO₂eq./€M)	9.9	9.9	9.9	11.4

* Since 2018, the data have been calculated using the emission factor of Valeo vehicles (0.547 kg CO₂eq./km/person), unlike in previous years where the coefficient applied was that of personal vehicles (0.253 kgCO₂eq./km/person).

Scope 2

Indirect GHG emissions decreased by 48% in absolute terms between 2019 and 2020.

Indirect GHG emissions as a proportion of sales decreased by 36% between 2019 and 2020.

Indirect emissions related to electricity consumption ⁽¹⁾ and other energy such as steam, compressed air, etc.	2017	2018	2019 ⁽²⁾	2020 ⁽²⁾
TOTAL INDIRECT EMISSIONS (ktCO₂eq.)	763.9	870.5	892.0	460.1
TOTAL INDIRECT EMISSIONS/SALES (tCO₂eq./€M)	45.6	49.3	47.6	30.7

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

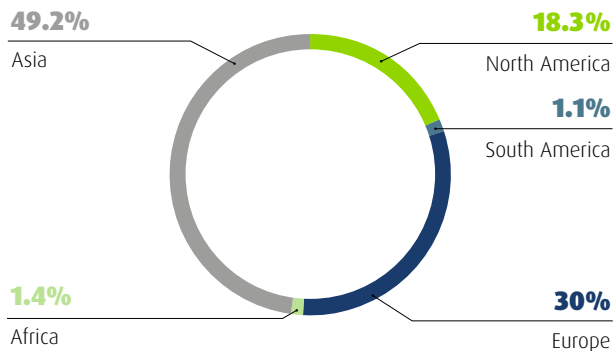
(2) The calculation also takes into account purchases of low-carbon energy with guarantee of origin in 2019 and 2020.

In 2020, the Group managed to reduce all of its direct and indirect greenhouse gas emissions to 42.1 tCO₂eq./€m as a proportion of sales (11.4 tCO₂eq./€m and 30.7 tCO₂eq./€m, respectively) through purchases of electricity with guaranteed low-carbon origin. This corresponds to a decrease of 29.4% compared with 2009 (59.6 tCO₂eq./€m).

From 2020, to improve the accuracy of its Scope 2 emissions data, Valeo has published them using the so-called "market-based" method, defined by the GHG Protocol⁽¹⁾.

(1) See sustainable development glossary, page 295.

► **GEOGRAPHIC BREAKDOWN OF DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS (SCOPES 1 AND 2) ASSOCIATED WITH THE GROUP'S ENERGY CONSUMPTION IN 2020**



The chart above shows the geographic breakdown of direct emissions related to gas and fuel oil combustion by sites and indirect emissions related to electricity consumption.

Without taking into account guarantees of origin on electricity purchases, sites in Asia emit nearly 49% of the Group's total GHG emissions⁽¹⁾, as power plants in Asia that normally supply energy are predominantly coal-fired. Valeo has therefore decided to offset its growth in Asia by purchasing low-carbon electricity with guarantee of origin so as to reduce its indirect emissions of greenhouse gas in absolute terms.

Other relevant indirect GHG emissions (ktCO ₂ eq.) - Emissions positions	2017	2018	2019	2020
Emissions generated by the production of the main materials used in industrial processes, of which:	7,770	8,764	9,179	8,157
Materials (metals)	4,817	5,722	5,807	4,918
Materials (other)	2,953	3,042	3,372	3,239
Emissions generated by upstream logistics:	296	343	281	169
Road/rail/maritime transportation	164	222	236	124
Air/express transportation	132	121	45	45
Emissions generated by employee travel of which:	195	222	236	195
Commuting	153	182	209	181
Business trips	42	40	27	14
TOTAL OTHER INDIRECT EMISSIONS (ktCO₂eq.)	8,261	9,329	9,696	8,521
TOTAL OTHER INDIRECT EMISSIONS/SALES (tCO₂eq./€M)	493	528	517	568

In 2020, total other indirect emissions (Scope 3) amounted to 8,521 metric tons of CO₂, down 12% in absolute terms between 2019 and 2020. Other indirect emissions increased by 10% as a proportion of sales between 2019 and 2020. Note that product-related emissions (installation in the end vehicle, use, end of life) are described in section 4.3.3 "Valeo's non-financial risks", paragraph "Risk of non-compliance with environmental product regulations", pages 229 to 235.

Scope 3

For transparency, Valeo estimated all other indirect emissions sources (Scope 3) linked to its activity in 2019. The following other indirect GHG emissions (Scope 3) related to Valeo's operations are considered material:

- emissions linked to purchases of materials used in industrial processes (steel, aluminum, copper, zinc, plastics, electronic components, chemicals and packaging);
- emissions related to the use of the Group's products (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk of non-compliance with environmental product regulations" and "CO₂ emissions related to the use of Valeo products (Scope 3)", page 230).

Other indirect GHG emissions (Scope 3) regarded as not material are:

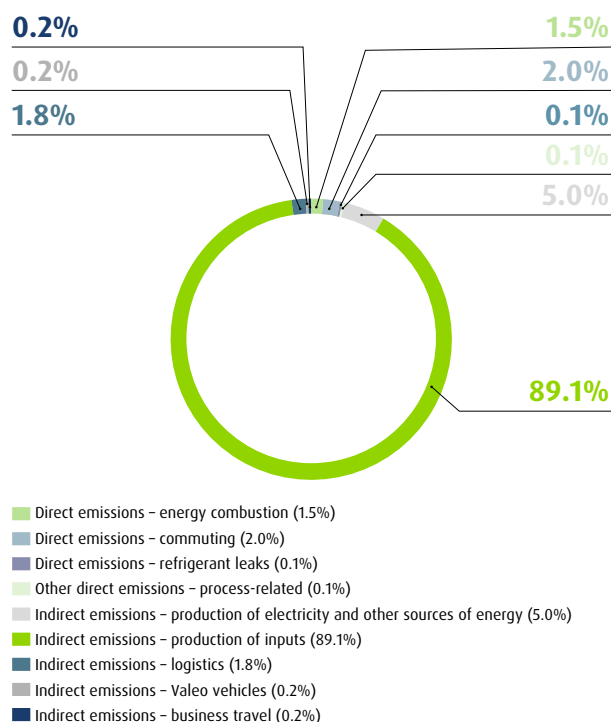
- emissions related to waste management in the relevant channels;
- emissions from Valeo's assets used by third parties (e.g., loans of molds to suppliers);
- emissions from energy production (e.g., extraction of gas or fuel oil);
- emissions from the installation of our products in vehicles by automakers;
- emissions related to the processing of end-of-life products;
- emissions from downstream product transportation. Transportation of this nature is mainly handled by Valeo customers.

Although they are not considered material, Valeo has chosen to publish the following emissions data related to its activity:

- emissions related to the upstream transportation of goods and raw materials;
- emissions from employee travel (commuting and business trips).

(1) See sustainable development glossary, page 295.

► BREAKDOWN OF THE SOURCE OF GHG EMISSIONS⁽¹⁾ IN 2020



Performance

Valeo had also set a reduction target of 8% between 2016 and 2020 on its emissions related to the production of GHGs (Scope 1, Scope 2)⁽¹⁾ compared with the 2015 baseline of 56 tCO₂eq. per million euros of sales. By the end of 2020, the Group had achieved a 25% reduction, with 42.1 tCO₂eq. per million euros of sales.

Achievements during the year

In 2020, Valeo's sites undertook several projects to foster the use of renewable energy. For example, the Chonburi site in Thailand (Thermal Systems Business Group) installed and started using solar panels to generate electricity, and the Chennai sites in India (Powertrain Systems Business Group) are powered by a wind farm.

Other initiatives were taken by the Group's sites. They include:

- replacement of lighting systems using conventional fluorescent or metal-halide lights with more energy-efficient LEDs. Sites generally stagger the replacement of this equipment over several years; the sites in Rakovník (Thermal Systems Business Group, Czech Republic), Seymour (Visibility Systems Business Group, United States) and Chang Chun (Thermal Systems Business Group, China);
- installation of systems to recover heat from compressors or cooling units for reuse in other plant areas. The sites in Saint Quentin Fallavier (Powertrain Systems Business Group, France) and Jingzhou (Thermal Systems Business Group, China) undertook measures of this nature in 2020;

- optimization of compressed air systems by such means as the reduction of the use of pressure in air networks, implementing an organizational procedure for switching on and off compressors supplying the compressed air network and the detection of leaks using an ultrasonic sensor. Examples of sites that took measures bearing on this equipment include Bobigny (Visibility Systems Business Group, France), Yokote (Comfort & Driving Assistance Systems Business Group, Japan) and Tuam (Comfort & Driving Assistance Systems Business Group, Ireland);
- optimization of the operation of water pumps by shutting down the system during production stoppages at the Rayong 2 site (Visibility Systems Business Group, Thailand);
- most sites also set up awareness campaigns on the responsible use of energy, especially during the Sustainable Development Week in June.

Biodiversity

Challenges

The 151 sites in the reporting scope occupy a total area of approximately 905 hectares, of which approximately 13% are left in their natural state. The rest is used for buildings, traffic areas and gardens.

Almost all of the sites occupied by Valeo, i.e., nearly 88% of its operating plants, are 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 more accurately understand its potential impacts, the Group conducts an annual biodiversity inventory at plants located in or near (within 10 km of) protected areas. Eleven such sites were identified in 2020: one in North America, three in South America and seven in Europe.

Approach

The precise identification of significant direct impacts on biodiversity is conducted across sites through 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 selection, construction, operation and closure of plants.

Achievements during the year

Many sites are active on the issue of biodiversity, particularly during the sustainable development week in June. Examples include:

- the Chonburi site (Thermal Systems Business Group, Thailand) planted trees in the local mangrove swamp with its employees;

(1) See sustainable development glossary, page 295.

- the Itatiba site (Thermal Systems Business Group, Brazil) undertook a new reforestation campaign with its employees in nearby green spaces;
- the Turku site (Thermal Systems Business Group, Finland) organized a clean-up of green spaces adjacent to the site;
- the Isehara site (Visibility Systems Business Group, Japan) organized a cleanup operation with its employees in areas near the site.

Transportation and logistics

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 line with its product development strategy aimed at reducing the impact of vehicles on the environment, Valeo pursued its transportation optimization strategy to reduce associated CO₂ emissions in 2020.

Performance

Valeo limits the use of **air freight** as much as possible in its logistics. However, the Group sometimes authorizes this type of transportation, as in the following cases, to:

- avoid any break in the logistic chain in series productions;
- reduce project development time (transportation of samples or prototypes) to meet market demand;
- deliver technological products on a just-in-time basis, given that capacity can be stretched on the markets (permanently or temporarily), or those that have specific characteristics that require them to be fitted quickly to maintain their optimal properties.

In 2020, as in 2019, emissions related to air transportation for the delivery of parts from suppliers amounted to 45,000 metric tons of CO₂. Emissions related to air transportation for the delivery of Valeo products to customers amounted to just under 3,000 metric tons of CO₂.

The Group is continuing its efforts to limit and control the use of this means of transportation, which is the most polluting, in favor of sea freight, the least polluting but the slowest in terms of transit time, and train, an intermediary in terms of transit time and a hundred times less polluting than air.

In **road transportation**, optimization work performed in previous years continued in 2020:

- load consolidation by the use of logistics platforms to collect as many parts as possible from multiple sources, which are then re-routed in fully loaded trucks to each plant;

- development of new solutions for packaging parts for customers, to guarantee the quality of deliveries, and ensure optimum truck fill rates;
- where technically feasible and as permitted by domestic law, use of dual-capacity trailers (double deck in a single trailer or double trailer) to further improve fuel consumption ratios per part delivered and, in turn, CO₂ emissions.

Emissions related to road transportation for the delivery of parts from suppliers amounted to 57,000 metric tons of CO₂. Emissions related to road transportation for the delivery of Valeo products to customers amounted to 11,000 metric tons of CO₂. Overall, these emissions were stable compared with 2019.

For **maritime transportation**, the Group also continued its longstanding approach of pooling shipments between the different plants.

In 2020, emissions related to maritime transportation for the delivery of parts from suppliers amounted to 1,000 metric tons of CO₂. Emissions related to maritime transportation for the delivery of Valeo products to customers amounted to 1,072 metric tons of CO₂.

Lastly, Valeo opted decisively for **rail transportation** in 2020 due to the improvement of China-Europe and North America routes and its more environmentally friendly nature, as well as its 50% reduction in transit times on China-Europe routes. On this route, rail is becoming a viable alternative to air transportation in some areas. Road, maritime and air transportation are increasingly being diverted to rail, giving this mode of transportation the highest rate of growth in the Group.

In 2020, emissions related to rail transportation for the delivery of parts from suppliers amounted to 14,000 metric tons of CO₂. Emissions related to rail transportation for the delivery of Valeo products to customers amounted to 19 metric tons of CO₂.

Achievements during the year

In 2020, several initiatives were taken to reduce CO₂ emissions relating to transportation and logistics:

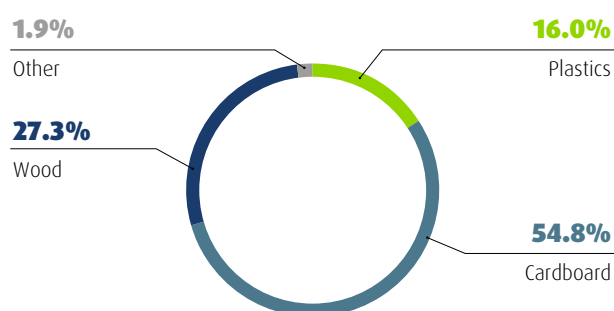
- in-housing of the storage of certain materials necessary for production in order to avoid multiple journeys;
- grouping of orders to limit delivery-related transportation and its environmental impact;
- readjustment of packaging to allow for an increase in the number of goods delivered;
- in general, the volume of transportation managed by Valeo increased, mainly due to Valeo's assumption of responsibility for the transportation of components, previously assumed by suppliers. This process, started in previous years, will continue to be rolled out and reinforced in 2021. This transfer allows Valeo to consolidate more loads in the most distant countries of origin, thereby reducing overall transportation costs and CO₂ emissions.

Packaging

Challenges

Packaging is essential for product handling. It is required for transporting, storing and protecting products and, in the case of aftermarket products, selling 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 more than 82% of packaging materials used.

► BREAKDOWN OF PACKAGING MATERIALS CONSUMPTION IN 2020



Approach

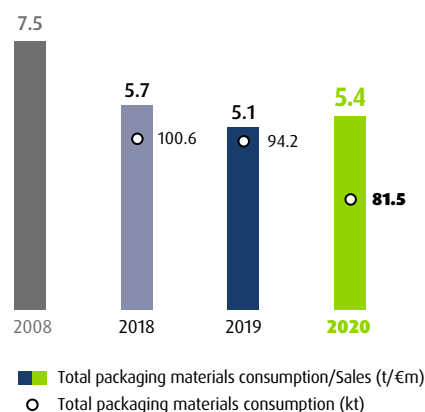
For several years, Valeo has worked to reduce its consumption of packaging materials in two main ways:

- 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



Total consumption of packaging materials as a proportion of sales increased by around 6% compared with 2019. In 2020, packaging consumption in absolute terms fell by more than 13% compared with 2019.

To reduce its environmental footprint, Valeo pays particular attention to the use of recycled materials. In 2020, 1,198 metric tons of packaging materials were recovered internally and reused. Since 2008, total packaging consumption as a proportion of sales has fallen by 28.0%.

Achievements during the year

In general, Valeo sites are working on replacing disposable packaging with reusable packaging so as to reduce their use of packaging materials.

This policy can be adopted both for customer packaging and packaging for the storage of semi-finished products. The sites in Wuhan (Thermal Systems Business Group, China), Martos (Visibility Systems Business Group, Spain) and Hampton (Valeo Services Business Group, United States) offer examples of initiatives of this nature in 2019. This can also involve the packaging of parts or components delivered by suppliers, which are either reused directly for packaging intended for products, or returned to suppliers so that they can reuse it for their deliveries. Due to the exceptional situation in 2020, no new actions were initiated during the year.

4.5.4 Employee-related commitments

Quality of life at work

Challenges

Quality of life at work is an integral part of Valeo's Human Resources strategy to attract, develop and retain talent. The Group works to continuously improve the quality of life at work for its employees by guaranteeing:

- an accident-free work environment by offering ergonomic workstations and preventing psychosocial risks;
- a balance between professional and personal life by promoting the right to disconnect and facilitating working from home;
- recognition and support in their work;
- prevention of harassment and discrimination;
- autonomy.

Approach

Operational excellence specific to Valeo's culture is based on the "5 Axes" system. Valeo's 5 Axes system is designed to achieve total customer satisfaction, with the goal of becoming a preferred partner. Each of the 5 Axes is subdivided into several work processes, and translated into roadmaps. A roadmap is made up of key objectives and a predefined list of actions to ensure its application as well as a series of questions allowing the manager and auditor to evaluate its proper rollout.

A healthy and pleasant working environment is key to guaranteeing the safety of employees. Valeo therefore wishes to maintain an achievement rate for the "Building a well-being environment" roadmap of more than 75% by 2025.

Aware of the need to formalize its quality of life at work policy, Valeo rolled out a Human Resources procedure entitled "Building a well-being environment" in 2018. The purpose of this procedure is to define the quality of life at work, the means of improving it and the tools needed. It is then implemented at each site by a Quality of Life at Work Committee comprising a multidisciplinary team: a site manager, employee representatives and members of the HR network, Health, Safety and Environment network and the site's medical team. It is tasked with defining the site's Quality of Life at Work policy in accordance with its specific challenges and ensuring communication with employees.

Valeo uses two distinct processes to monitor its Quality of Life at Work policy and evaluate actions implemented locally:

- the "Building a well-being environment" roadmap. Each year, Valeo's internal auditors check that the action plans drawn up as part of the roadmaps are properly implemented. By 2020, Valeo plants had achieved 65% compliance with the roadmap, compared with 61% in 2019;
- annual labor-related CSR reporting.

Performance

In 2020, considerable progress was made in terms of quality of life at work:

- 90% of the population eligible to work from home did so in 2020. This compares with 22% of Managers and Professionals in 2019;
- 98% of plants implemented at least one action to promote quality of life at work;
- 5,950 training/awareness modules on quality of life at work were completed;
- 36% of sites have set up a fund to assist employees experiencing financial hardship.

Achievements during the year

Wishing to adapt to changes in society and to improve quality of life at work for its employees in France, in 2014 Valeo introduced a Teleworking Charter. A Group agreement signed on October 17, 2018, applicable in France, takes note of the shared desire of Management and all representative trade union organizations to promote working from home. It makes working from home more accessible for the well-being of employees, to make work organization more flexible and to reinforce the Group's attractiveness. Management wishes to see the practice develop throughout the Group.

In 2020, against the backdrop of the global pandemic and in the space of just a few weeks, the Group had to roll out home-working for all employees whose position allowed it, i.e., more than 30,000 employees. Following the period of lockdown and working from home, the Human Resources Department undertook a survey of all Managers and Professionals in May, as lockdown restrictions were gradually lifted. The objective was to learn about their experience of this new way of working, which was put in place very quickly, and to allow the Group to start reflecting more broadly on this new organization. The survey, conducted with Choose MyCompany, showed a high rate of overall satisfaction (77.5% of respondents). This result is 10 percentage points above the average of the results obtained by the other companies that responded to the survey. The survey also showed the extent to which Valeo managers are able to trust their team members and provide them with the right level of information. Following the pandemic, working from home will continue to offer a means of balancing professional and personal life without compromising performance.

Respecting and promoting diversity

Challenges

Valeo firmly believes in the importance and relevance of the diversity of its employees at all levels and in all areas of the company. A key element of its culture, Valeo works for diversity on four themes: gender equality, cohesion between generations, cultural diversity and the inclusion of people with disabilities. In a competitive environment and diverse society, encouraging diversity among employees is a means of driving performance, and attracting and retaining talent.

Approach

To ensure greater diversity across the Group, Valeo has set targets for each of the four themes to be achieved by 2025:

- Gender:
 - reach 90 points globally on the gender equality index;
- Disability:
 - increase the number of employees with disabilities to 2.5% of the headcount;
- Cultural:
 - increase the proportion of plants run by a local director, bringing it above 80%;
 - continue to reduce the proportion of expatriates among total Managers and Professionals to less than 0.75%;
 - reduce the share of French expatriates in the total proportion of the Group's workforce to less than 55%;
- Generational:
 - ensure that the proportion of hires of people under 25 years of age is greater than 35%.

To evaluate the measures taken and define the Group's objectives, a Diversity Committee was established in 2012 at the initiative of General Management. Chaired by the Group Senior Vice-President, Human Resources, assisted by the champions of each of the four diversity themes, it has four specialized sub-committees: Gender, Disability, Social and Cultural, and Generational.

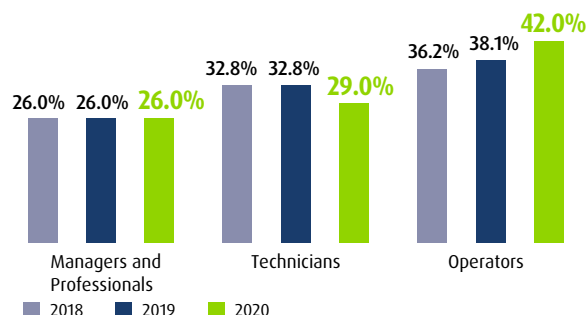
Firmly believing in the importance of diversity in non-financial and financial results, the Group decided in 2018 to incorporate the criterion of diversity into the variable compensation of Jacques Aschenbroich, its Chairman and Chief Executive Officer. The aim of this approach is to send a strong signal to the teams to encourage them to continue their actions in favor of diversity.

The Group's goal is to promote diversity everywhere. To ensure that the definition of diversity, its scope and the practical initiatives stemming from it are known in all plants, a Human Resources "Valuing Diversity" policy applying to all employees has been shared with the entire Human Resources network since 2017 and is accessible to everyone on the intranet.

Performance

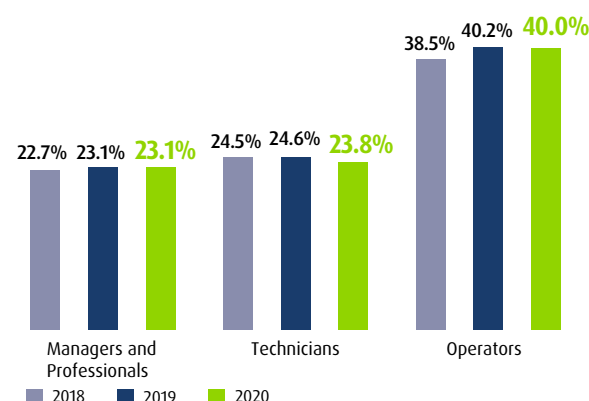
Gender

▶ PERCENTAGE OF WOMEN AMONG NEW HIRES



In 2020, women represented 39.0% of new hires, an increase of 5 points from 34.0% in 2019. The Group once again exceeded its 2020 target, initially set at 33% in 2017 and increased to 35% in 2018.

▶ PROPORTION OF WOMEN PER SOCIO-PROFESSIONAL CATEGORY – REGISTERED HEADCOUNT



The percentage of women in the general population is 32.6%. The percentage of women Managers and Professionals is 23.1%. The percentage of women in R&D is 15.1%. Valeo is committed to promoting and developing female talent. The proportion of women in the executive population⁽¹⁾ increased by 0.3 points, rising from 12.4% to 12.7% between 2019 and 2020.



VALEO COMMITS TO PROFESSIONAL EQUALITY BETWEEN MEN AND WOMEN

A pioneer in this approach, in March 2019 Valeo decided to extend the Gender Equality Index (mandatory in France) to all countries where it operates. Based on five indicators, the index measures the weighted gaps in pay, pay rises and promotions, as well as the percentage of women in the ten highest paid positions.

The Group obtained an average score of 82.6/100, an increase of 0.6 percentage points year on year. The lowest score was 73, and the highest was 92. Thanks to the action plans implemented in each country, Valeo has made progress on most criteria. Among its priorities, Valeo aims to ensure that

all women returning from maternity leave are given a pay rise and, in the longer term, to increase the proportion of women among recipients of the highest salaries.

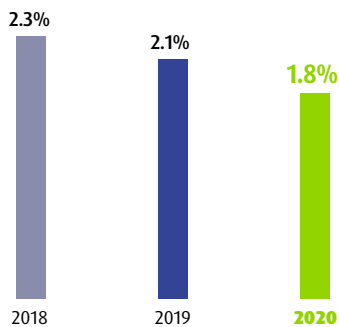
In 2020, Valeo set itself the Group objective of achieving an average score of 90/100 by 2025.

In addition to this index, Valeo has decided to measure the percentage of women on the management committees of its operating entities. The Group has prepared a "Gender Diversity by Design" program with the ambitious goal of having 32% women on management committees by 2030. In 2020, the rate was 19.5%, up from 16% at the end of 2019.

(1) The executive population corresponds to employees in the two highest of the six grades in the Managers and Professionals category of the Valeo scale.

Disability

► PROPORTION OF EMPLOYEES WITH DISABILITIES WORLDWIDE (DIRECT EMPLOYMENT)



The number of disabled workers fell by 17%, from 2,177 in 2019 to 1,805 in 2020. In this period of contraction in the workforce, it was harder to replace disabled employees who retired or took early retirement. By way of example, 70 departures of disabled workers were recorded in France, compared with 7 hirings and 39 new recognitions.

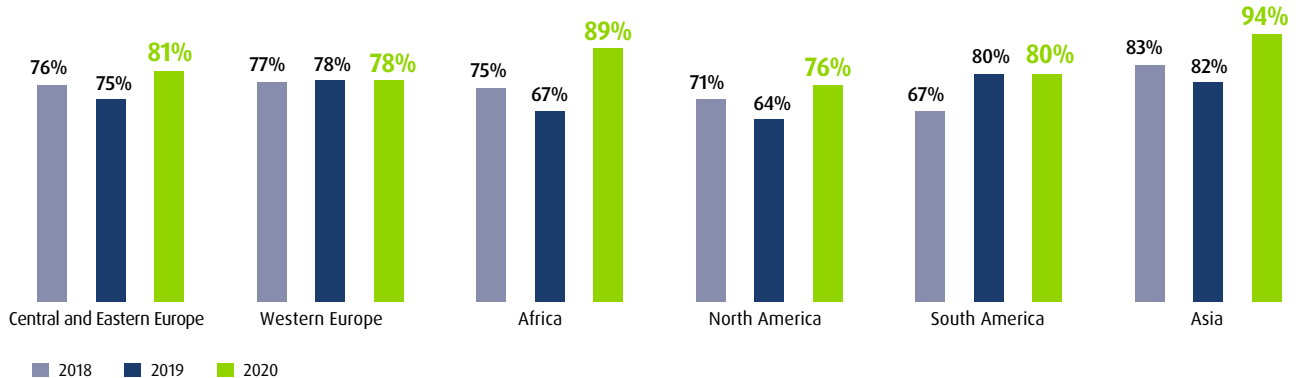
Culture

In 2020, Valeo had 247 expatriates in its ranks, compared with 307 in 2019. The decline is encouraged by the Group, which wants to allow local managers to access key management positions. The countries hosting the largest number of expatriates are the United States (39), Japan (29), China (28), France (28) and Germany (21).

The proportion of expatriates in the total number of Managers and Professionals was down 0.19 points compared with 2019 (0.96% in 2019 vs. 0.77% in 2020). French expatriates accounted for 62% of total Valeo expatriates in 2020. Expatriates working in Research and Development account for 22% of the Group's expatriates.

The Group currently includes employees of 138 different nationalities. The ten most widely represented nationalities within the Group are Chinese, Mexican, French, German, Polish, Indian, Spanish, American, Japanese and Czech.

► BREAKDOWN OF SITES RUN BY LOCAL DIRECTORS (2020)

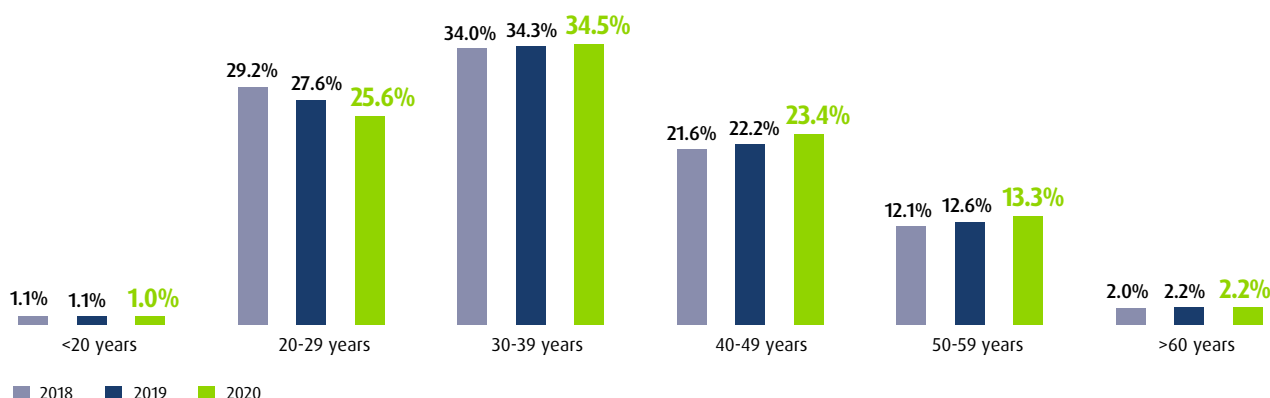


In 2020, Valeo continued to strengthen the ranks of local employees among its directors: 85% of its sites were run by a local director, compared with 78% in 2019. Valeo uses succession plans to ensure the gradual replacement of expatriate site directors by local directors.



Generational

► BREAKDOWN OF REGISTERED HEADCOUNT BY AGE GROUP



In 2020, Valeo had a total of 15,477 employees aged over 50, and 26,525 aged under 30, representing 15.5% and 26.6% of the registered headcount respectively. In 2019, Valeo had a total of 16,161 employees aged over 50, and 31,584 aged under 30, representing 14.8% and 28.7% of the registered headcount respectively.

- In 2020, Valeo recruited 7,758 employees under the age of 25, representing 38% of new hires.
- The average age of the registered headcount was 37 in December 2020.

Achievements during the year

Gender

Actively in favor of gender equality and the promotion of this facet of diversity, the entire Group achieved the following in 2020:

- 74% of the Group's plants implemented at least one initiative in favor of gender equality: organization of seminars and conferences, organization of photo exhibitions or sports tournaments, etc.;
- particularly attentive to the quality of life at work, 65% of the plants have introduced specific measures for pregnant women: adjustments to workstations or working hours, etc.;

- aware that women are less represented than men in its industry, Valeo continues its partnership with association *Elles Bougent* and had 85 sponsors in 2020;
- as part of an annual internal mobility event, 75 Group sites held a workshop for women on "How to develop my career as a woman at Valeo".



PROMOTING THE PLACE OF WOMEN IN BUSINESS

A series of interviews conducted at the start of 2019 brought out the desire of many female employees to benefit from advice, guidelines and models from which to draw inspiration and learn.

To meet these expectations and encourage peer-to-peer exchanges, Valeo has set up an original program built on three axes:

1) Experience Sharing – woman4women

On several occasions, very experienced women managers from Valeo agreed to share their experience, their career path, their successes, their reservations, the challenges they faced and what helped them succeed. Each presentation was followed by a very open Q&A session.

2) Business Talks – women&business

Two senior executives stood up to present their respective fields of activity, Valeo's challenges and priorities, and the impact of their work on Valeo.

3) Confidential Discussion – woman2woman

Valeo offered women the possibility of receiving personal mentoring through private and informal interviews in order to:

- ask questions about career stages;
- promotions and personal aspirations;
- share their professional experience;
- receive support and advice.

Disability

To develop the approach launched in France in other countries, a new Group approach known as the Disability Management Approach was drafted and implemented in 2018. It is a policy designed to respect the customs of each country in which Valeo operates. To this end, Valeo relies on the United Nations definition (Convention on the Rights of People with Disabilities), plus the concept of the working environment. The Group considers that an employee with a disability is one whose interaction with his/her work environment is undermined by his/her disability or impairment. Valeo is implementing an organization aimed at inclusiveness for this population. From now on, and based on the existing French model, a duo of disability liaison officers is

present on each site. Composed of an employee from Human Resources and a volunteer employee, they have an advisory role for employees identified as workers with disabilities, and oversee their needs.

In France, December 31, 2020 marked the end of the current disability agreement and the start of negotiations with the Group's representative trade unions for a fourth agreement. Its application is ensured by the disability mission and by the disability liaison officers on each site. This is how Valeo manages to recruit, integrate and develop talented people with disabilities within the Group.



HANDITECH TROPHY

In 2020, for the fourth year in a row, Valeo took part in the HandiTech Trophy. Loan My, Director of the Valeo start-up and technological incubator, participated in the selection of technological and innovative projects for people with

disabilities as a panel member in the Mobility category. MAKERGO, a digital manufacturing laboratory located in a shelter, raised funds to develop a robotic arm to help people eat.

Culture

In 2020, Valeo continued to promote cultural and social diversity as a real performance driver:

- 68% of the plants implemented at least one initiative in favor of cultural diversity: celebration of the World Day for Cultural Diversity, introduction of pairs formed by employees from different countries, circulation of an e-learning module;

- to attract talented young people from diverse backgrounds, Valeo has launched the Insertion Process. Currently piloted in France, it aims to integrate a greater number of young people from priority neighborhoods in urban policy⁽¹⁾, especially for school work experience or work-study programs for college students.

4



VALEO CAMPINAS IN BRAZIL AWARDED FOR ITS "GENERATION IN TRANSFORMATION" PROJECT

At the end of 2019, the AEDHA⁽²⁾ association in Brazil recognized Valeo Campinas for its socially responsible role in developing the youth of tomorrow. The site implemented the "Generation in TransformAction" project to help young apprentices from low-income neighborhoods to enter the

Group's workforce. To this end, Valeo employees regularly hold workshops centered on the world of work.

In 2020, two sessions were held despite numerous cancellations due to the pandemic. Four remote workshops are already planned for 2021.

Generational

The Group takes care to create an environment in which four generations can work together as the retirement age increases and members of generation Z arrive on the labor market. This generational diversity is a factor of human enrichment for the Group, but it questions the perception of Valeo's management model by each generation. In 2020, Valeo implemented a number of measures in favor of generational diversity:

- 54% of the plants implemented at least one action in favor of generational diversity, especially to mark generational diversity day: activities, workshops, open days for high schools;

- extension of the policy of selective partnerships with higher education institutions at the international level, to promote diversity within teams. These initiatives in favor of youth employment and the integration of young people in the workplace allowed the Group to welcome 1,117 interns, 1,192 apprentices and trainees, and 47 *Volontariat International en Entreprise* (VIE) program applicants.

(1) Priority neighborhoods in urban policy are characterized by a significant economic and social development gap with the other parts of the cities in which they are located.

(2) Associação Educacional dos Homens de Amanhã.

Promoting and respecting fundamental rights

Challenges

Valeo believes that employee progress is inseparable from financial performance. As employee trust is essential to its business and development, Valeo has undertaken to respect fundamental rights, and promotes open communication between employers and unions⁽¹⁾.

It further believes that the unions are a key extension of management for explaining, discussing and adjusting the Company's action plans. The involvement of all employees through social dialog is a guarantee of success for all the policies undertaken by Valeo.

Approach

- The Group is committed to having the CSR report prepared in accordance with the provisions of the CSR agreement presented and discussed with local unions on all plants.
- To promote and ensure respect for fundamental rights, Valeo's goal is to ensure that all of its employees have received the Code of Ethics and signed the relevant statements, and that they have received training on its content.

Social dialog

In 1999, Valeo concluded an agreement to set up a European Works Council. The agreement was renegotiated and signed unanimously by the unions in 2016. The Works Council provides a forum for exchanging points of view and establishing dialog between management and the 16 employee representatives from each European country in which Valeo has more than 150 employees. A nine-member committee meets quarterly at a European site.

The European Works Council represented 43% of the Group's registered headcount in 2020, or 42,446 employees. Each country sets up specific bodies in line with local laws and regulations.

In 2020, 68% of Valeo plants had formal bodies representing employees and unions. This representation at different levels of the organization has allowed Valeo to develop an active bargaining policy with the unions. Valeo must continue promoting high-quality labor relations that provide a platform for exchanging points of view, fostering mutual understanding and finding well-balanced solutions that are in the interests of all stakeholders. In 2020, 75% of the registered headcount worked in accordance with the working organization and salary condition rules provided for in collective bargaining agreements.

Fundamental rights

Valeo has participated in the UN Global Compact since 2004. The Group also aims to comply with the International Labour Organization (ILO) conventions on fundamental principles and rights at work:

- elimination of discrimination in employment and occupation (Conventions 100 and 111);
- prohibition of child labor (Conventions 138 and 182);

- elimination of forced and compulsory labor (Conventions 29 and 105);
- respect for weekly rest periods (Conventions 14 and 106);
- 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).

Professional, individual and collective integrity is a key value of the Group. Wishing to ensure that it is embodied by all employees in all their exchanges (internally and externally), Valeo published its Code of Ethics in 2005. It combines the Valeo Values, the 5 Axes and the Valeo Compliance Program. To ensure that all employees understand the commitments made by Valeo in its Code of Ethics, the document is given to all employees, who are required to sign a statement acknowledging receipt and pledging to uphold it. In 2020, 99.2% of new employees signed a declaration acknowledging receipt of a copy of the Code.

To ensure the proper application of its policies on child labor, the Group's Internal Audit Department carries out a specific procedure to assess whether the risks associated with the hiring of employees under the legal working age have been addressed and mitigated by Valeo's rules and overall policies. In 2020, 28 sites were audited. The policy on the prohibition of child labor was respected at all such sites.

Valeo has introduced a number of internal procedures to ensure that the commitments made by the Group are rigorously respected and that its policy on promoting and respecting fundamental rights is properly applied. In 2017, the Group conducted an in-depth review of the contents of six Human Resources procedures and policies on respecting and promoting fundamental rights including:

- prevention of harassment and discrimination;
- fight against child labor;
- fight against forced labor;
- promotion of social dialog.

These procedures apply to all of the Group's employees. Each of them sets out Valeo's approach and commitments, specifies the roles of the various stakeholders and determines the follow-up methods implemented by the Group, which are based on specific, quantifiable and auditable criteria.

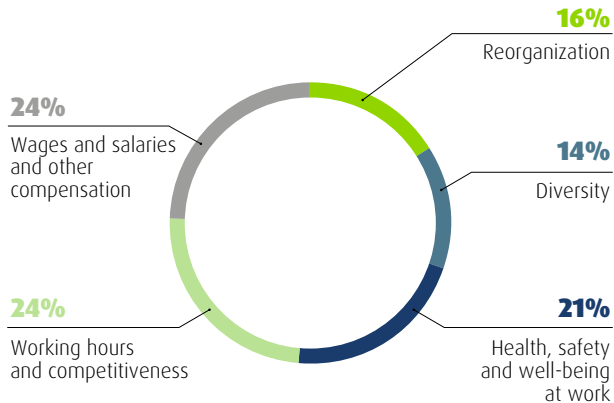
Performance

In 2020, the crisis linked to the pandemic intensified social dialogue. For example, the European Works Council met six times in 2020, whereas it usually meets twice a year. Similarly, the Group Committee met eight times in 2020, compared with the usual two meetings. Several agreements were signed, not only at site level but also at country level, notably for the resumption of activity following lockdown. Safety protocols were drawn up in consultation with the unions (with all employees agreeing to them). In addition, the consequences of the health crisis prompted the negotiation of short-term cost variability agreements and medium- and long-term competitiveness agreements.

⁽¹⁾ This paragraph deals with the promotion and respect of the fundamental rights of Valeo employees. The risk related to sustainable development practices of tier-one suppliers is addressed in "Risk related to suppliers' sustainable development practices" (see section 4.3.3 "Valeo's non-financial risks", paragraph "Risk related to suppliers' sustainable development practices", pages 249 to 253).

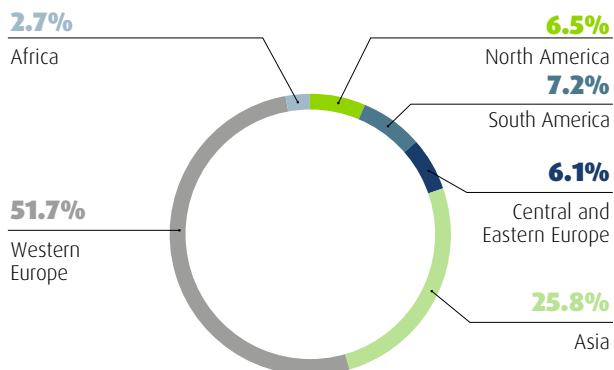
A total of 752 collective bargaining agreements were in force locally and nationally at Valeo's various sites worldwide in 2020. The topics covered by these agreements are as follows:

► **BREAKDOWN OF AGREEMENTS IN FORCE BY CATEGORY IN 2020**



In 2020, the main topics covered were wages and other compensation (24%), working hours and site competitiveness (24%), health, safety and quality of life at work (21%).

► **BREAKDOWN OF AGREEMENTS SIGNED BY GEOGRAPHIC AREA IN 2020**



The vast majority (79%) of agreements were signed in Europe and Asia. The high proportion of agreements signed in Asia demonstrates the Group's determination to promote this type of dialog with labor organizations worldwide.

Achievements during the year

Employee relations

A Corporate Social Responsibility (CSR) agreement was signed on July 10, 2012 and renewed on November 4, 2016 between the Group's Management and labor organizations. The purpose of this global 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. The procedures and principles defined in the agreement are being phased in by the subsidiaries at the various national and local levels. This agreement is intended to be a determined reflection of the commitment to universal principles for all of the Group's companies, as well as being pragmatic, by respecting cultural, social and economic differences in the implementation of the principles. In 2020, the CSR report provided for in the CSR agreement was presented and discussed at the European Works Council.

Fundamental rights

Ethics is a central value in Valeo's culture and is defined as follows:

- support for the Group's commitment to sustainable development;
- compliance with fair trade practices and irreproachable business conduct;
- respect for individuals.

Respect by employees for these ethical principles is essential for the accomplishment of the Group's objectives. For that reason, each employee's performance is assessed based on his/her respect for Valeo's Values, including ethics, in the end-of-year appraisal.

Moreover, the Code of Ethics was updated in September 2018 in line with the General Data Protection Regulation (GDPR), the Sapin II law⁽¹⁾ the duty of care law⁽²⁾ and the extension of the whistleblowing line. The updated code was implemented in early 2019. Inappropriate behavior or breaches of the provisions of the Code of Ethics or Human Resources procedures are grounds for disciplinary action, including dismissal.

The scope of the Valeo whistleblowing line, which has hitherto been used to signal management of non-compliance with internal regulations concerning anti-competitive practices, corruption or fraud, has been extended. It now allows the reporting of any behavior contrary to international laws or agreements, including violations of fundamental rights, environmental breaches or the health or safety of people. Valeo does not tolerate any form of retaliation against people who blow the whistle in good faith, or who take part in investigations, proceedings or hearings. The scope of the whistleblowing line covers all employees and former employees, as well as suppliers.

A specific procedure for the prevention of harassment and discrimination provides for the initiation of an investigation as soon as the facts, proven or not, are reported via the whistleblowing line.

In 2020 Valeo launched a mandatory e-learning program aimed at preventing sexual harassment. The goal is to help employees understand what constitutes sexual harassment in order to detect it, clarify it and take the necessary measures to eliminate it from their work environment. The module consists of definitions, descriptions of cases and behaviors in video format as well as regular quizzes.

(1) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization, known as the Sapin II law.

(2) Law No. 2017-399 of March 27, 2017 on the duty of care of parent companies and ordering companies.

4.5.5 Social commitments

Proactive 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 2020.

► MAIN CORPORATE CITIZENSHIP INITIATIVES AT VALEO SITES

Commitment	Partners	Focus of the initiatives
Action with local communities	<ul style="list-style-type: none"> Local populations Local government Local schools (primary/secondary) Higher education and research organizations 	<ul style="list-style-type: none"> Support for local economic fabric and development Partnerships with the world of education and local training Partnerships with the local research ecosystem
Action with local populations	<ul style="list-style-type: none"> Local populations 	<ul style="list-style-type: none"> Dialog with local stakeholders Solidarity initiatives through donations to local populations

Approach and achievements during the year

2020, continuity in the Group's special relationship with Japan

In 2014, for the 50th anniversary of the *Maison franco-japonaise* in Tokyo, the EHESS Social Sciences University set up the Advanced French-Japanese Studies Center in Paris, which runs programs inviting Japanese research scientists and specialists from Japan to Paris.

Valeo created and finances the center's "innovative technologies for sustainable transport" chair. The chair's aim is to support exchanges between universities in France and Japan, including visits to France by Japanese academics in the fields of technology companies for an aging society, robotics and human-machine interfaces for connected and automated mobility solutions.

For 2019-2020, the exchange program was awarded to Haruki Sawamura, a doctoral student at the Interdisciplinary Institute for Innovation at the Center for Research in Management (CRG) at École Polytechnique, and a graduate of the School of Engineering of the University of Tokyo and the School of Advanced Science and Engineering of Waseda University. As part of the CEAJP/Valeo chair, he studied the spread of connectivity technologies such as detection, IT and telecommunications and how these technologies facilitate the move to other automated products and services. His research focuses on the interaction between humans and infrastructure, including information and communication technology (ICT) infrastructure, allowing better access and wider spread of automated products and services within the Company.

For 2020-2021, the exchange program welcomed Kulacha Sirikhan, PhD in Urban Planning from the University of Tokyo, whose research work focuses on the emergence of new mobility technologies and the construction of patterns of sustainable urban mobility in Southeast Asian cities.

The Group's special relationship with Japan is also reflected in the Franco-Japanese business club that Jacques Aschenbroich, Chairman and Chief Executive Officer of Valeo, has co-chaired since 2013, and whose digital session was held in 2020.

Action by sites with local communities

Valeo has a policy of accountability for its sites, and supports local initiatives around the world. For initiatives in the local economy, Valeo sets the following two guidelines for all Group sites:

- form partnerships with the world of education and local training;
- participate in setting up and running local research ecosystems.

Relationships with local educational and training bodies

As a global group with a strong R&D dimension and structured networks (see section 4.5.2 "Technological commitments", paragraph "Valeo, an actor in the governance of institutional collaborative research organizations", pages 259 to 260), Valeo also encourages the Group's sites to join specific local initiatives covering relationships with local educational and training institutions (engineering schools, universities, technical institutes, etc.).

As such, 77% of sites worldwide initiated partnerships and exchanges with higher education structures (universities/engineering schools) in 2020. The diversity of relationships and partnerships with these teaching institutions reflects the wide range of relationships sites have with the surrounding area, depending on the specific local teaching and training environment.

The aim of this approach is to promote the Group's visibility, experience-sharing and collaborative relationships beyond the simple opportunity to develop industry-oriented projects.



VALEO IS COMMITTED TO PROMOTING INDUSTRIAL JOBS AMONG WOMEN

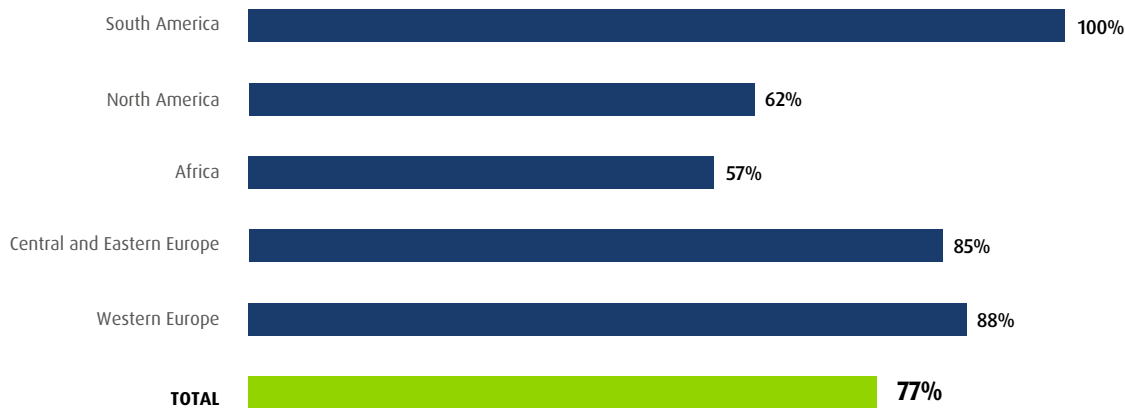
Valeo maintains its well-established link with Elles Bougent, an association whose purpose is to promote gender equality and diversity in companies in the industrial and technological sectors. Several projects have been carried out in collaboration with the association, and other partners, on the promotion of the place of women in the industry.

For example, the La Verrière site (France) supported female senior high school students from two schools for an entire academic year, as well as female students from the ESTACA engineering school, giving them an overview of the various professions that exist in automotive and engineering industries.

A total of four meetings were organized during the 2018-2019 school year: one at the Paris Motor Show in October 2018, where Valeo welcomed the students and a delegation brought by Elles Bougent to its stand to give them a presentation of automotive industry professions. A further three were organized in 2019, including a visit to the La Verrière site, a visit to ESTACA and finally a visit to the Polytechnique incubator to close the project.

Similarly, in 2019 the Ben Arous site (Tunisia), continued its participation in the EcoWin project and its partnership with the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), hosting a group of high school girls for a day of meetings on auto industry professions on its site. These initiatives were maintained in 2020, despite the particular health situation, notably through dedicated awareness-raising initiatives.

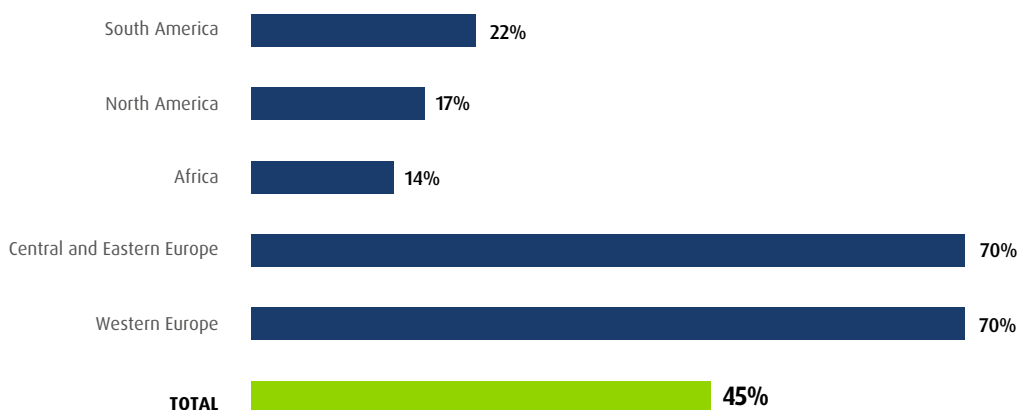
► SHARE OF SITES PARTNERING WITH LOCAL UNIVERSITIES/ENGINEERING SCHOOLS IN 2020



Similarly, at the primary school level, the Group first called on sites to build closer relationships with elementary and high schools in 2016, as a means of increasing Valeo's visibility as a local economic actor and potential future employer.

The outcomes three years after the introduction of this objective reflect sites' awareness of the importance of visibility for industrial players at all levels of the education system. Collaborations of this nature can take various forms, predominantly site visits and introductions to industrial professions.

► SHARE OF SITES PARTNERING WITH LOCAL ELEMENTARY/SECONDARY SCHOOLS IN 2020





SIGNATURE OF A SPONSORSHIP AGREEMENT TO SUPPORT THE DEVELOPMENT OF THE ESPÉRANCE BANLIEUES SCHOOL IN ANGERS, FRANCE

In December 2019, Valeo signed an agreement to support the development of the Cours Le Gouvernail primary school in Angers, a member of the Espérance Banlieues network, through the sponsorship of one of the school's classes. Espérance Banlieues schools, which are set up in underprivileged neighborhoods, introduce cultural and humanist teaching into the curriculum so that children can find their place in society and grow up with the confidence and desire

to succeed. Convinced that perseverance and self-confidence are the drivers of success, and that teaching combined with continuous innovation lead to excellence, Valeo supports the innovative learning methods applied in educating these young people from disadvantaged neighborhoods. In 2020, support will continue for a second year, with the development of ties between the management of the Angers site and the Espérance Banlieues school in Angers.

Relationships with local research ecosystems

Despite a strong industrial footprint in the geography of its sites, Valeo encourages its industrial sites to become more involved in local Research, Development and Innovation (R&D&I) ecosystems. This action serves to support, facilitate and anticipate current and future development needs closer to local markets, particularly in countries with growth potential.

This type of approach is also encouraged by the Group for the knock-on effect it can generate on a local ecosystem in favor of greater cooperation between local skills and expertise, and the gradual emergence of cross-sector synergies.

In 2020, more than one-third of sites in North America (United States, Mexico) were part of a local research ecosystem (local competitiveness clusters, participation in collaborative research projects, etc.). The aim is to increase the numbers in the future.

Valeo employees, actors of CSR initiatives with their regions

As part of the Plant's Initiatives programs, whose themes are left to the initiative of the employees of the sites in view of local issues, we can note the following initiatives shared by certain sites on the themes of:

- road safety;
- respect for biodiversity, with cleaning operations.

In the context of the Covid-19 health crisis, Valeo took solidarity and support initiatives to meet the needs of healthcare systems in some of the Group's host countries (collection of masks, site solidarity initiatives for healthcare personnel, etc.).

In France, Valeo joined forces with a consortium of manufacturers for the fast-tracked production of ventilators to meet the needs of French and European hospitals (see box below).



VALEO AND A CONSORTIUM OF INDUSTRIAL GROUPS RISE TO THE CHALLENGE OF PRODUCING 10,000 VENTILATORS

Air Liquide, Groupe PSA, Schneider Electric and Valeo rose to the challenge of producing 10,000 Air Liquide Medical Systems ventilators in response to the French government request in 50 days between the beginning of April and mid-May 2020. They set up a Task Force composed of about 30 purchasing and industrialization experts in order to define an action plan to increase the production of ventilators. Meeting this industrial challenge also involved the exceptional contribution of 100 partner companies so as to provide the 300 essential components that are necessary for the production of these medical systems.

Valeo provided support to the Air Liquide teams by:

- putting together a team of Valeo buyers in charge of supplier management and the procurement of the components needed to produce ventilators;
- providing technical support with its R&D teams, supplying expertise in plastics, mechanical and electronic technologies;
- making available full-time engineers specialized in wide-scale industrial production;
- gathering around 20 voluntary engineers and technicians to respond to the demand for accelerated production.

Plants' initiatives alongside local populations

Valeo sites involved in dialog with local stakeholders

In 2020, more than 50% of employees at Valeo Group sites worldwide volunteered on operations to help local communities. Their contribution mainly involved time spent on educational activities or as expert speakers at local seminars, schools and universities, as well as at technical training sessions. Initiatives like this are part of local community involvement programs at many Valeo sites.

Open days at Valeo sites

To boost their local operations and their openness to members of local communities, many sites hold annual open days to showcase their activities, unique features and products to local communities. However, no events of this nature were held in 2020 in view of the global health crisis.

Valeo employees, working with the local community



VALEO CHINA, AN ADVOCATE FOR CHILDREN'S ACCESS TO BOOKS

Since 2015, Valeo in China has been running a program entitled "The Valeo Library" under which employees of Valeo sites in China are encouraged to donate books allowing libraries to be opened in schools in disadvantaged areas. After opening its thirtieth library in November 2017, Valeo continued this program in 2018 and 2019, with the total

number of libraries standing at 60 at the end of 2020. The program now offers access to books suitable for their age to more than 12,000 children, with more than 45,000 books donated.

With a view to establishing a lasting relationship with their local communities, Valeo sites and their employees are committed to solidarity actions in local regions. In 2020, actions of this nature took place on nearly 50% of sites throughout the Group, mainly around the following themes:

- awareness-raising on critical illnesses and disabilities, such as Alzheimer's disease, breast cancer and visual impairment (including on-site testing), and fundraising events including charity races, flea markets and other initiatives;
- support for public health issues, with blood donations organized in some of the Group's host countries worldwide in 2020, or screening tests for Covid-19;

- charity targeting the poorest populations, primarily in the form of donations of clothing, toys and eyeglasses, as well as food bank initiatives;
- awareness-raising around sustainable development, during the "sustainable development week" held every June in a large number of the Group's sites.

These initiatives are the result of proactive commitment by the sites and their employees. They demonstrate the importance of links with local communities.

In addition to solidarity campaigns initiated by site employees and in-kind donation campaigns (basic necessities for disadvantaged populations, school materials, clothing, etc.), a third of the Group's sites donated money for local solidarity or charity initiatives in 2020.



VALEO'S HISTORIC LINK WITH THE GARCHES FOUNDATION

The Group is a founding member of Institut Garches, which was created 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 partnership was rounded out in 2019 with a response to the Foundation's call to create a skills sponsorship program for wheelchair innovation.

Public and regulatory policies

Challenges

As a major innovator in the automotive industry operating in many countries, Valeo is committed to transforming the automotive industry and to making a positive impact in the regions where it operates.

Approach and achievements during the year

In its relations with public organizations, the approach adopted is to support the Group in becoming involved in the three revolutions that are currently redefining the automotive industry: vehicle electrification, autonomous and connected vehicles, and digital mobility.

Relationships with public bodies

Valeo develops institutional relationships with relevant administrations (at international, national and local levels), through regular dialog, 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, Directorate-General for Communications Networks, Content and Technology [DG CONNECT]),
 - 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 – EGVl);
- participation in the creation of roadmaps, under Valeo's co-chairmanship (since 2014) of the European Road Transport Research Advisory Council (ERTRAC), the European Commission technology platform (see section 4.5.2 "Technological commitments", paragraph "Valeo, an actor in the governance of institutional collaborative research organizations", page 259).

In 2017, in compliance with the French legal framework⁽¹⁾, Valeo filed an entry in the register of interest groups, which has since

been posted online by the French High Authority for Transparency in Public Life (*Haute Autorité pour la Transparence dans la Vie Publique* – HATVP) and is publicly available. For 2020, Valeo sent the HATVP a summary of the activities to be declared.

Organization of the Valeo Group in public affairs and main items of expenditure

Institutional relationships are coordinated under the responsibility of three people at Valeo's headquarters, and relayed locally, as required, by national directorates in the country or region concerned.



MEMBERSHIP OF PROFESSIONAL ORGANIZATIONS

As an independent, global tier-one automotive equipment supplier, Valeo is a member of the main organizations that represent the interests of original equipment 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: PFA (Plateforme de la Filière Automobile);
- in Germany: VDA (Verband der Automobilindustrie!);

- in Spain: Sernauto (Asociación Española de Proveedores de Automoción);
- in Italy: ANFIA (Associazione Nazionale Filiera Industria Automobilistica);
- in Japan: JAPIA (Japan Autoparts Industries Association);
- in Brazil: Sindipeças (Sindicato Nacional da Indústria de Componentes para Veículos Automotores).

Valeo is a member of the International transport Forum's Corporate Partnership Board, as well as the French Association of Private Enterprises (AFEP).

It contributed a total of 500,000 euros to these entities during the year.

The Group's main items of expenditure are:

- membership of the main bodies managing the interests of original equipment manufacturers and aftermarket suppliers of the main global automotive markets, which represent Valeo's main financial contribution to interest groups and its only activities that qualify as lobbying;
- personnel expenses of the External Affairs Department (fewer than three FTEs⁽²⁾ per year).

As in previous years, the Group did not use public affairs consultancy services in 2020. Moreover, 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.

(1) Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption and economic modernization.

(2) Full-time equivalent.

4.6 METHODOLOGY AND INTERNATIONAL GUIDELINES

4.6.1 Sustainable development reporting methodology

Reporting methodology for environmental indicators

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 Universal Registration Document are described below.

Scope and consolidation

Scope

The environmental data reported and the calculation of ISO 14001, ISO 50001 and OHSAS 18001/ISO 45001 certification indicators cover all production sites and distribution platforms managed by Valeo worldwide from the third year of their consolidation within the Group, excluding research centers not located on plants, administrative sites, sites located directly on automakers' sites or nearby (such as front-of-vehicle assembly sites) and the subsidiaries in which the Group has a non-controlling interest. In all, a total of 151 plants report their environmental indicators.

Until 2015, Valeo considered that the reporting year began on December 1 of the prior year and ended on November 30 of the reporting year. In order to publish more reliable data within the required time frame, Valeo amended its reporting period in 2016. It now considers that the reporting year begins on October 1 of the prior year and ends on September 30 of the reporting year. The 2018, 2019 and 2020 figures published in this document correspond to the new year, while figures from previous years correspond to the former year.

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 in which Valeo holds an interest of 50% are included on the basis of a 50%

share. The impacts of sites in which Valeo holds an interest of more than 50% are included in full. Most indicators are expressed in absolute value terms (total quantity) as well as in relation to sales. 2020 sales are calculated on the basis of a year beginning on October 1, 2019 and ending on September 30, 2020 so as to match the reporting period of the indicators. The ratio per million euros is calculated by dividing total quantity by sales for the relevant sites. Across all indicators, the lowest coverage rate is 96%. The majority of environmental indicators have a response rate of 100%.

Source of data

Environmental data are collected by a centralized online tool (Valeo Environmental Indicators, VEI), except for environmental indicators relating to the consumption of raw materials, ISO 14001, ISO 50001 and OHSAS 18001/ISO 45001 certification and indirect greenhouse gas emissions relating to logistics, inputs and the use of products sold by Valeo. The other aforementioned data are collected from the relevant internal department and consolidated by the Health, Safety and Environment (HSE) Department. Financial data (sales) and those relating to raw materials for the Scope 3 calculation are sent directly by the Group's Finance Department.

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that existed prior to this law and are published in this document. The information was also subject to an external audit (see below).

Controls and external verification

Consistency checks on data for each site in the scope are performed by the Business Groups' and Valeo Service's HSE managers, the HSE 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, VEI 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.

EY & Associés, 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.

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;
- use of estimates where measurements are not possible, for example for atmospheric VOC⁽¹⁾ emissions;
- the limited availability of external data required in particular for calculating indirect greenhouse gas emissions (logistics and transportation);
- the absence of a confirmed methodology for calculating indirect emissions related to the use of the Group's products.

Precise definitions of indicators included in VEI and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. They 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 II" decree of April 24, 2012.

Scope and consolidation

Scope

The Group includes in its worldwide scope of consolidation its 187 plants, 20 research centers, 43 development centers and 15 distribution platforms located in 33 countries. As such, all countries and Business Groups are concerned, including Valeo Service. Health and safety indicators only cover plants. 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

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

Reporting on labor-related indicators only includes the data of fully consolidated companies.

Source of data

Labor-related indicators are collected by the Business Groups' and Valeo Service's Human Resources Departments and the Group's Human Resources Department via a personal data management application, PeopleSoft.

Financial data are sent directly by the Group Finance Department.

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that already existed before this law and are published in this document. The information was also subject to an external audit (see below).

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. The labor-related data provided in the report of the independent third-party on the non-financial information statement has been certified by the independent firm EY & Associés and are also subject to an external audit by the Statutory Auditors. Precise definitions of indicators included in the tool and user guides have been prepared in French and English, to improve the reliability of reporting and reduce unreliable sources. They are regularly updated and distributed to all contributors.

Reporting methodology for social indicators

The social indicators were prepared in accordance with the commitments 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 187 plants, 20 research centers, 43 development centers and 15 distribution platforms located in 33 countries, 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 local plant initiatives, which allow the Group to monitor initiatives aimed at local populations and communities, are reported through a single centralized tool used by Human Resources departments. As all the sites surveyed responded to this questionnaire, the published data covers the Group's entire scope of consolidation;

(1) See sustainable development glossary, page 295.

- data concerning Valeo's purchases and suppliers were collected and analyzed jointly by the Purchasing and Sustainable Development and External Affairs 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 63% of the total value of the Group's production purchasing;
- data concerning fair practices and compliance were collected by the Ethics and Compliance Office. Quantified data on training on risks related to corruption and anti-competitive practices were collected by the Human Resources network, which regularly records training data (see reporting methodology for labor-related indicators).

Specifications

In view of the French law on the duty of care of parent companies and ordering companies, additional data have been attached to the presentation of environmental, social and labor-related data. Most were taken from internal data sources that already existed before this law and are published in this document. The information was also subject to an external audit (see below).

Controls and external verification

The social data provided in the report of the independent third-party on the non-financial information statement has been certified by the independent firm EY & Associés in the form of a statement of completeness and a limited assurance report, and are also subject to verification by the Statutory Auditors.

4.6.2 Cross-reference with national and international guidelines

SASB (Sustainability Accounting Standards Board) industry standard

Sustainability disclosure topics and accounting metrics

Themes	Accounting indicators	Category	Unit of measure	Code	Chapters/Sections	Pages
Energy management	(1) Total energy consumed, (2) share of grid electricity, (3) share of renewable energy	Quantitative	Gigajoules (GJ) Percentage (%)	TR-AP-130a.1	4.5.3 – Environmental commitments	282-286
Waste management	(1) Total amount of industrial waste, (2) share of which hazardous waste, (3) share of recycled waste	Quantitative	In metric tons (t), Percentage (%)	TR-AP-150a.1	4.3.3 – Valeo's non-financial risks 4.5.3 – Environmental commitments	228-253 282-286
Product safety	Number of recalls issued, customers, number of products recalled	Quantitative	Number	TR-AP-250a.1		
Energy-efficient design	Sales derived from products contributing to energy efficiency and/or reducing GHG emissions ⁽¹⁾	Quantitative	Euros	TR-AP-410a.1	4.5.3 – Environmental commitments	282-286
Purchases of raw materials	Description of the management of risks associated with the use of hazardous materials	Discussion and Analysis	N/A	TR-AP-440a.1	4.3.3 – Valeo's non-financial risks 4.5.3 – Environmental commitments	228-253 282-286
Material recycling	Share of products sold that are recyclable	Quantitative	Percentage (%)	TR-AP-440b.1	4.5.3 – Environmental commitments	282-286
	Share of supplies containing recycled or reconditioned materials	Quantitative	Percentage (%)	TR-AP-440b.2	4.5.3 – Environmental commitments	282-286

(1) See sustainable development glossary, page 295.

Activity measures

Number of parts produced in 2019 (Code: TR-AP-000.A): 1,345 million.

Cross-reference table with the Global Reporting Initiative (GR)

GRI code		Description of the indicator	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	198-199
G4-2	●	Key impacts, risks and opportunities	4.3.3 – Valeo's non-financial risks	228-253
ORGANIZATIONAL PROFILE				
G4-3	●	Name of the organization	7.1.1 – Company name and headquarters	450
G4-4	●	Primary brands, products and services	1.3 – Operational organization	52-71
G4-5	●	Headquarters	7.1.1 – Company name and headquarters	450
G4-6	●	Countries where the organization operates and which are specifically relevant to the sustainability topic covered in the report	7.2 – Information on subsidiaries and affiliates	452-453
G4-7	●	Ownership and legal form	7.1.2 – Legal structure and governing law 6.6.1 – Changes in share capital	451 443
G4-8	●	Markets served (geographic breakdown, sectors served and types of customers and beneficiaries)	Integrated Report – Environment in (r)evolution 1.3 – Operational organization	21-27 52-71
G4-9	●	Scale of the organization (number of employees, locations)	Integrated Report – 4 coherent, well-balanced Business Groups 1.3 – Operational organization 4.1.4 – Sustainable development policies	33-35 52-71 208-217
G4-10	●	Breakdown of employees by employment type, employment contract, region and gender	4.1.4 – Sustainable development policies	208-217
G4-11	●	Percentage of total employees covered by collective bargaining agreements	4.5.4 – Employee-related commitments	274-281
G4-12	●	Description of the organization's supply chain	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders 4.1.4 – Sustainable development policies	256-258 208-217
G4-13	●	Significant changes during the reporting period	1.1 – History and development of the Group 5.1.5 – Investments over the past three years 6.4 – Share ownership	50-51 306-310 435-440
G4-14	●	Precautionary principle and actions in this area	4.3.3 – Valeo's non-financial risks	228-253
G4-15	●	External charters, principles and initiatives to which the Group subscribes	4 – Interview with Jacques Aschenbroich 4.5.4 – Employee-related commitments	198-199 274-281
G4-16	●	Membership of associations and/or advocacy organizations	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders 4.5.5 – Social commitments	256-258 282-286
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
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	287-289
G4-18	●	Procedure for defining report content	4.1.2 – Sustainable development challenges and non-financial risks	201-205
G4-19	●	List of material aspects	4.1.2 – Sustainable development challenges and non-financial risks	201-205
G4-20	●	Boundary of each material aspect within the organization	4.1.4 – Sustainable development policies 4.5.5 – Social commitments	208-217 282-286
G4-21	●	Boundary of each material aspect outside the organization	4.1.4 – Sustainable development policies 4.5.5 – Social commitments	208-217 282-286
G4-22	●	Restatements of information provided in previous reports	No restatements in 2020	N/A
G4-23	●	Changes in the scope and aspect boundaries	No substantial changes were observed in 2020	N/A

GRI code		Description of the indicator	Chapters/Sections	Pages
STAKEHOLDER ENGAGEMENT				
G4-24	●	List of stakeholders	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders	256-258
G4-25	●	Basis for the identification and selection of stakeholders	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders	256-258
G4-26	●	Stakeholder engagement	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders	256-258
G4-27	●	Topics raised through stakeholder engagement and how the organization has responded	4.5.1 – A commitment to sustainable development based on strong relationships with stakeholders	256-258
REPORT PROFILE				
G4-28	●	Reporting period	4.6.1 – Sustainable development reporting methodology	287-289
G4-29	●	Date of most recent previous report	4/28/2020	
G4-30	●	Reporting cycle	4.6.1 – Sustainable development reporting methodology	287-289
G4-31	●	Contact point	6.2 – Investor relations	430-434
G4-32	●	"Compliance" option chosen and GRI G4 index	4.6.2 – Cross-reference with national and international guidelines	289-294
G4-33	●	Independent verifier's report	4.8 – Independent third party's report on the non-financial information statement	296-297
GOVERNANCE AND COMMITMENTS				
G4-34	●	Governance structure	4.1.1 – Sustainable development governance	200-201
G4-35	●	Process for delegating authority for economic, environmental and social topics from the Board of Directors to senior executives and other employees	1.3 – Operational organization	52-71
G4-36	●	Senior executives responsible for economic, environmental and social issues, and relationship with the Board of Directors	4.1.1 – Sustainable development governance	200-201
G4-37	●	Stakeholder consultation by the Board of Directors	7.1.10 – Shareholders' Meetings	451
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	104-153
G4-39	●	Independence of the Chairman of the Board of Directors	3.2.1 – Composition of the Board of Directors	104-132
G4-40	●	Nomination and selection processes for the Board of Directors and its specialized committees, and the experience 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	104-132 133-145
G4-41	●	Process established by the Board of Directors to avoid and manage conflicts of interest; disclosure of conflicts of interest to stakeholders	3.2.3 – Declarations concerning the Group's corporate officers	145-146
G4-42	●	Role of the Board of Directors and senior executives 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	-	N/A
G4-43	●	Measures taken to develop and improve the collective knowledge of the Board of Directors on economic, environmental and social impacts	4.1.1 – Sustainable development governance	200-201
G4-44	●	Evaluation of the Board of Directors on economic, environmental and social topics	4.1.1 – Sustainable development governance	200-201

GRI code		Description of the indicator	Chapters/Sections	Pages
G4-45	●	Role of the Board of Directors in the identification and management of economic, environmental and social impacts, risks and opportunities	3.2.2 – Preparation and organization of the Board of Directors' work	133-145
G4-46	●	Role of the Board of Directors in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	3.2.2 – Preparation and organization of the Board of Directors' work	133-145
G4-47	●	Frequency of reviews of economic, environmental and social impacts, risks and opportunities by the Board of Directors	4.1.1 – Sustainable development governance	200-201
G4-48	●	Committee or highest-level position that formally reviews and approves the sustainable development report	5.6.5 – The Sustainable Development Report is an integral part of the Management Report, reviewed and approved by the Board of Directors	423-426
G4-49	●	Process for communicating critical concerns to the Board of Directors	7.1.10 – Shareholders' Meetings	451
G4-50	○	Nature and total number of critical concerns communicated to the Board of Directors and the mechanism used to address and resolve them	-	N/A
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)	3.3 – Compensation of corporate officers, Board members and other Group executive managers	154-195
G4-52	●	Process of determining compensation and participation in compensation committees	3.3 – Compensation of corporate officers, Board members and other Group executive managers 3.2.2 – Preparation and organization of the Board of Directors' work	154-195 133-145
G4-53	●	Method used to seek and take into account the views of stakeholders on compensation	7.1.10 – Shareholders' Meetings	451
G4-54	○	Ratio of the annual total compensation of the highest-paid individual in the organization to the median total annual compensation	-	N/A
G4-55	○	Ratio of the percentage increase of the annual total compensation of the highest-paid individual in the organization to the median percentage increase in annual total compensation	-	N/A
INNOVATION				
G4-DMA	●	Management approach	Integrated Report	3-48
G4-EN7	●	Reduction in energy requirements of products and services	Integrated Report – Strategy	28-47
G4-DMA	●	Management approach	4.3.3 – Valeo's non-financial risks	228-253
G4-EN2	●	Percentage of materials used that are recycled input materials (packaging only)	4.3.3 – Valeo's non-financial risks	228-253
G4-EN27	●	Extent of mitigation of environmental impacts of products and services	4.3.3 – Valeo's non-financial risks	228-253
G4-EN28	●	Percentage of products sold and their packaging materials that are reclaimed by category	4.5.3 – Environmental commitments	262-274
G4-DMA	●	Management approach	4.1.4 – Sustainable development policies	208-217
G4-EC8	●	Significant indirect economic impacts, including extent of impacts	4.1.4 – Sustainable development policies 4.5.2 – Technological commitments	208-217 259-261
ENVIRONMENTAL ECO-EFFICIENCY				
G4-DMA	●	Management approach	4.5.3 – Environmental commitments	262-274
G4-EN3	●	Direct energy consumption by primary energy source	4.5.3 – Environmental commitments	262-274
G4-EN4	●	Indirect energy consumption by primary energy source	4.5.3 – Environmental commitments	262-274
G4-EN5	●	Energy intensity	4.5.3 – Environmental commitments	262-274
G4-EN6	●	Reduction of energy consumption	4.5.3 – Environmental commitments	262-274
G4-EN15	●	Direct greenhouse gas emissions (Scope 1)	4.5.3 – Environmental commitments	262-274
G4-EN16	●	Energy-related indirect greenhouse gas emissions (Scope 2)	4.5.3 – Environmental commitments	262-274

GRI code		Description of the indicator	Chapters/Sections	Pages
G4-EN17	●	Other indirect greenhouse gas emissions (Scope 3)	4.5.3 – Environmental commitments	262-274
G4-EN18	●	Greenhouse gas emissions intensity	4.1.3 – Valeo's Carbon Neutrality Plan for 2050 4.5.3 – Environmental commitments	206-207 262-274
G4-EN19	●	Reduction of greenhouse gas emissions	4.1.3 – Valeo's Carbon Neutrality Plan for 2050 4.5.3 – Environmental commitments	206-207 262-274
G4-DMA	●	Management approach	4.1.3 – Valeo's Carbon Neutrality Plan for 2050 4.3.3 – Valeo's non-financial risks 4.5.3 – Environmental commitments	206-207 228-253 262-274
G4-EN20	●	Emissions of ozone-depleting substances (ODS)	4.5.3 – Environmental commitments	262-274
G4-EN21	●	Emissions of nitrogen oxides (NOx) and sulfur oxides (SOx) and other significant atmospheric emissions	4.5.3 – Environmental commitments	262-274
G4-EN22	●	Total water discharge by quality and destination	4.5.3 – Environmental commitments	262-274
G4-EN23	●	Total weight of waste by type and disposal method	4.3.3 – Valeo's non-financial risks	228-253
G4-EN24	●	Total number and volume of significant spills	4.3.3 – Valeo's non-financial risks	228-253
G4-EN25	●	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention	4.3.3 – Valeo's non-financial risks	228-253
G4-DMA	●	Management approach	4.5.3 – Environmental commitments	262-274
G4-EN30	●	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	4.5.3 – Environmental commitments	262-274
G4-EN1	●	Consumption of raw materials (packaging only)	4.5.3 – Environmental commitments	262-274
G4-DMA	●	Management approach	4.5.3 – Environmental commitments	262-274
G4-EN8	●	Total water withdrawal by source	4.5.3 – Environmental commitments	262-274
G4-EN9	●	Water sources significantly affected by withdrawal of water	4.5.3 – Environmental commitments	262-274
G4-EN10	●	Percentage and total volume of water recycled and reused	4.5.3 – Environmental commitments	262-274
G4-DMA	●	Management approach	4.5.3 – Environmental commitments	262-274
G4-EN11	●	Operational sites owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4.5.3 – Environmental commitments	262-274
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	Not disclosed	N/A
G4-EN13	●	Habitats protected or restored	4.5.3 – Environmental commitments	262-274
G4-EN14	○	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	Not disclosed	N/A
EMPLOYEES				
G4-DMA	●	Management approach	4.3.3 – Valeo's non-financial risks	228-253
G4-LA5	●	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on workplace health and safety programs	4.5.4 – Employee-related commitments	274-281
G4-LA6	●	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by geographic area and by gender	4.3.3 – Valeo's non-financial risks	228-253
G4-LA8	●	Health and safety topics covered in formal agreements with trade unions	4.5.4 – Employee-related commitments	274-281
G4-DMA	●	Management approach	4.3.3 – Valeo's non-financial risks	228-253
-	●	Response rate to the Employee Feedback Survey	4.3.3 – Valeo's non-financial risks	228-253

GRI code		Description of the indicator	Chapters/Sections	Pages
G4-LA1	●	Total number and rates of new employee hires and employee turnover by age group, gender and region	4.3.3 – Valeo's non-financial risks	228-253
G4-LA9	●	Average hours of training per year, per employee, by gender and by employee category	4.3.3 – Valeo's non-financial risks	228-253
G4-LA10	●	Programs for competences management and lifelong learning that support the continued employability of employees and assist them in managing career endings	4.3.3 – Valeo's non-financial risks	228-253
G4-LA11	●	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	4.3.3 – Valeo's non-financial risks	228-253
G4-DMA	●	Management approach	4.5.4 – Employee-related commitments	274-281
G4-LA12	●	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	4.5.4 – Employee-related commitments	274-281
COMMITMENT TO CORPORATE CITIZENSHIP				
G4-DMA	●	Management approach	1.4 Operational organization	72
G4-PR1	●	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	1.4 Operational organization	72
G4-DMA	●	Management approach	4.3.3 – Valeo's non-financial risks	228-253
G4-EN32	●	Percentage of new suppliers that were screened using environmental criteria	4.3.3 – Valeo's non-financial risks	228-253
G4-LA14	●	Percentage of new suppliers that were screened using labor practices criteria	4.3.3 – Valeo's non-financial risks	228-253
G4-S09	●	Percentage of new suppliers that were screened using criteria for impacts on society	4.3.3 – Valeo's non-financial risks	228-253
G4-HR10	●	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	4.3.3 – Valeo's non-financial risks	228-253
G4-EC9	●	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	4.1.4 – Sustainable development policies	208-217
G4-DMA	●	Management approach	4.3.3 – Valeo's non-financial risks	228-253
G4-56	●	Codes of conduct and ethics	4.3.3 – Valeo's non-financial risks	228-253
G4-57	●	Advisory mechanisms (ethical and lawful behavior)	4.3.3 – Valeo's non-financial risks	228-253
G4-58	●	Alert mechanisms (unethical and unlawful behavior)	4.3.3 – Valeo's non-financial risks	228-253
G4-S04	●	Communication and training on anti-corruption policies and procedures	4.3.3 – Valeo's non-financial risks	228-253
G4-DMA	●	Management approach	4.5.5 – Social commitments	282-286
G4-DMA	●	Management approach	4.5.5 – Social commitments	282-286
G4-S06	●	Total value of political contributions by country and recipient/beneficiary	4.5.5 – Social commitments	282-286
G4-DMA	●	Management approach	4.5.5 – Social commitments	282-286
G4-S01	●	Percentage of operations with implemented local community engagement, impact assessments and development programs	4.5.5 – Social commitments	282-286
G4-EC6	●	Proportion of senior executives hired from the local community at significant operation sites	4.5.5 – Social commitments	282-286

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 SUSTAINABLE DEVELOPMENT GLOSSARY

CMR	Substances classified as carcinogenic, mutagenic, or reprotoxic.
ELV Directive	Directive 2000/53 of the European Parliament and of the Council of September 18, 2000, aiming to reduce end-of-life vehicle waste through prevention, collection, treatment and recycling measures.
GHG	Greenhouse gas: gases which absorb infrared rays emitted by the Earth's surface, contributing to the greenhouse effect.
Greenhouse Gas Protocol (GHG) Protocol or GHG Protocol	The GHG Protocol is a multi-stakeholder partnership between businesses, NGOs, governments, academic institutions and other entities, organized by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Launched in 1998, it aims to develop internationally accepted GHG accounting and reporting standards and tools, and to promote their adoption in order to achieve a low-carbon global economy. All GHG Protocol standards and guidelines can be found at www.ghgprotocol.org .
GRI	Global Reporting Initiative: a non-profit organization that develops globally applicable guidelines on corporate sustainability policy and reporting. www.globalreporting.org
ISO 14001	International standard on environmental management systems.
ISO 50001	International standard on energy management systems.
OHSAS 18001	International standard on occupational health and safety management systems.
Open Innovation	Open Innovation is a concept that involves promoting innovation by deriving the maximum possible benefit from the ecosystem surrounding the company, primarily through collaboration between various players (governmental organizations, private companies, academic and research companies, innovative start-ups, etc.).
QRQC	Quick Response Quality Control: four-step problem resolution method: Detection, Communication, Analysis and Verification.
REACH Regulation	European Regulation No. 1907/2006 of December 18, 2006 (Registration, Evaluation, Authorisation and Restriction of Chemicals).
RMI	The Responsible Minerals Initiative, formerly the Conflict-Free Sourcing Initiative, helps companies and organizations make informed choices about responsibly sourced minerals in their supply chains. The initiative, which brings together more than 360 companies from ten different industries, has defined common principles and provides shared monitoring of high-risk suppliers.
SAE International	Society of Automotive Engineers International: a US-based association. Similarly to the VDA (see below), this organization has defined six levels of driving automation, from 0 (no automation, the driver must control everything) to 5 (full automation, no driver input required). Levels 3 and 4 correspond respectively to "conditional automation" and "high automation".
Seveso	The Seveso European Directive requires European Union member states to identify industrial sites which present risks of major accidents. Companies can be Seveso-classified based on the quantities and types of hazardous products on site.
Scopes 1, 2 and 3	Scope 1 covers CO ₂ emissions directly emitted by the Group's activities (including combustion emissions from stationary sources on sites, emissions from fuel combustion by Group vehicles, direct emissions from non-energy processes such as the incineration of VOCs, and direct fugitive emissions relating to refrigerant leaks. Scope 2 covers CO ₂ emissions related to the consumption of electricity, steam, compressed air and other sources. Scope 3 covers other CO ₂ emissions related to purchases of products used in industrial processes, and the transportation of goods and people, as well as indirect CO ₂ emissions related to the use of Valeo products.
VDA	<i>Verband der Automobilindustrie</i> is a German automotive industry association. Similarly to SAE International (see above), this organization has defined six levels of driving automation, from 0 (no automation, the driver must control everything) to 5 (full automation, no driver input required).
VOC	Volatile organic compound: VOCs are composed of carbon, oxygen and hydrogen and are readily found as atmospheric gases.

4.8 INDEPENDENT THIRD PARTY'S REPORT ON CONSOLIDATED NON-FINANCIAL STATEMENT

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.

Year ended the 31st of December 2020

To the General Assembly,

In our quality as an independent verifier, accredited by the COFRAC under the number n° 3-1681 (scope of accreditation available on the website www.cofrac.fr), and as a member of the network of one of the statutory auditors of your entity Valeo (hereafter "entity"), we present our report on the consolidated non-financial statement established for the year ended on the 31.12.2020 (hereafter referred to as the "Statement"), included in the management report pursuant to the requirements of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

The board of directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available on request from the entity's head office.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of the work

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000⁽¹⁾ :

- we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III of the French Commercial Code
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;

(1) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information

- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to
 - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1; our work was carried out on the consolidating entity and on the following entities: Limoges 1 PTS, Guangzhou 3 CDA, Bietigheim 3 VIS, Chrzanow 1 VIS, Nianjing 1 PTS, Rakovnik 1 THS, Meslin L'Évêque 1 VIS and Zaragoza 1 THS.
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
 - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a contributing entity and covers between 7% and 15% of the consolidated data relating to the key performance indicators and outcomes selected for these tests (7% of the registered headcount, 9% of energy consumption (electricity and gas consumption), 13% of hazardous and non-hazardous waste and 15% of recovered waste, ...);
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our verification work mobilized the skills of five people and took place between October 2020 and March 2021 on a total duration of intervention of about thirteen weeks.

We conducted three interviews with the persons responsible for the preparation of the Statement including in particular the departments of public affairs, sustainable development, human resources, environment, health and safety.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Paris-La Défense, the 24th of March 2021

French original signed by:
Independent third party
EY & Associés

Partner, Sustainable Development
Eric Mugnier

Partner
Jean-François Bélorgey

Appendix 1: The most important information

SOCIAL INFORMATION

Quantitative Information (including key performance indicators)

Frequency rate of work accidents with lost time.
Severity rate of work accidents.
Number of category 1 accidents.
Average number of training hours per employee.
Absenteeism rate.
Voluntary turnover for managers and professionals.

Qualitative Information (actions or results)

Health and safety (prevention actions).
Training.
Employment (attractiveness, retention, absenteeism).

ENVIRONMENTAL INFORMATION

Quantitative Information (including key performance indicators)

Quantity of hazardous and non-hazardous waste,
Breakdown between recovered and non-recovered waste.
Number of accidental spills.
Share of sales generated from products contributing to carbon emissions reduction contributions.
Energy consumption (electricity and natural gas).
Scope 3 - category 11: use of products sold.

Qualitative Information (actions or results)

The results of the policy in terms of environmental / energy policy (certifications, means).
Pollution prevention measures (water, air, soil...).
Circular economy (raw materials, energy, waste management, food waste).
Greenhouse gas emissions.

SOCIETAL INFORMATION

Quantitative Information (including key performance indicators)

Share of production purchases for which the suppliers' sustainable development practices were assessed during the year.
Share of the target population (including newcomers) who have completed the online training program on anti-corruption.

Qualitative Information (actions or results)

Subcontracting and suppliers (environmental and social issues).
Actions taken to prevent corruption.