

# VALEO RECEIVES THE 2023 COMPETITIVE STRATEGY LEADERSHIP AWARD

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*Identified as best in class in the European  
circular economy and sustainability initiatives  
for mobility industry*



## Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Valeo excels in many of the criteria in the circular economy and sustainability initiatives for mobility space.

AWARD CRITERIA	
<i>Strategy Innovation</i>	<i>Customer Impact</i>
Strategy Effectiveness	Price/Performance Value
Strategy Execution	Customer Purchase Experience
Competitive Differentiation	Customer Ownership Experience
Executive Team Alignment	Customer Service Experience
Stakeholder Integration	Brand Equity

### Strategy Effectiveness

The mobility industry is undergoing a critical transformation towards electric mobility solutions. In 2018, only 1% of vehicle sales were electric vehicles (EVs), a number that has increased to 13% by 2023, and it is anticipated that by 2030, 25% of the global car parc will be electric. In this context, industry insiders predict that the transportation sector could account for 80% of future battery consumption. This prediction urges industry participants to take strong circular economy initiatives for resource conservation and planet preservation. The circular economy aims to consume as less new raw materials as possible. The industry needs to optimize the consumption of resources considering the scarcity of raw materials as well.

In this context, Christophe Périllat, Valeo’s chief executive officer has stated that “the automotive sector has begun the biggest transformation in its history and Valeo fully intends to play its part in contributing to a greener mobility. We must ensure that our industry optimizes the consumption of resources, considering their scarcity. Remanufacturing is a cornerstone of Valeo’s 4Rs Strategy. Today, we remanufacture one million products every year. By 2030 we will double this volume.”

Valeo is one of the first to recognize the urgency of offering circular economy initiatives to be sustainable in the mobility space and its remanufacturing production scale is within the global top three. Valeo’s manufacturing techniques aim to establish a circular economy, and the company leads the industry in that regard thanks to its strategy’s four fundamental tenets, the 4Rs introduced by Christophe Périllat: robust

design, remanufacturing, repair, and recycle. Most of Valeo's competitors operate under these tenets only partially.

**Robust design** means that products are engineered and designed for longer life which can subsequently be repaired or remanufactured after end-of-life. To this end, Valeo partnered with Renault to co-develop e-motors without using any rare earth metals.

Regarding **remanufacturing** ("reman"), Valeo has been in the auto parts remanufacturing business for over 40 years and has a strong reputation for it. Valeo's remanufacturing process involves reusing 80% of end-of-life components that it restores to their original brand-new quality. This contributes immensely to the circular economy. As a testament to its success, Valeo currently remanufactures one million products annually and aims to double this capacity by 2030, further accelerating its impact. This scale-up will go

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through a few phases: the expansion of existing portfolio and reman production locations; increasing the remanufacturing of electronic components and next-gen reman products (mainly EV specific) such as power electronics, batteries, and electric drive units; and expanding its reman portfolio beyond cars, starting with eBike Motors, whose production will start at the end of 2023.

As for **repair**, Valeo's team emphasizes product repair (i.e., replacement of damaged components) rather than replacing the entire product. This kind of repair service improves circularity and reduces the consumer's vehicle maintenance and repair costs. This also addresses the significant increase in electronics within vehicles, which are expensive to replace.

Finally, for the **recycle** aspect, Valeo is leading the industry in recyclability—the company demonstrated the usage of 100% recycled polypropylene in HVAC components (which industry insiders considered to be impossible) in early 2023. Valeo aims to use 30% recycled polymer by 2025 and reach its 100% target by 2050. Valeo uses AI image analysis to sort and qualify cores or used parts for its circular economy and remanufacturing program, as core condition or quality is essential for the success of the program.

## Strategy Execution

Valeo is accelerating the expansion of reman products by launching the first Remanufactured automotive windshield-mounted video camera with Stellantis. In 2022, Valeo established the Circular Electronics Lab in Nevers, focusing on a unique Reman approach for rapid, high-quality product development, testing, and delivery. Collaborating with Stellantis, Valeo successfully launched a remanufactured video camera within a year, saving up to 99% of natural resources compared to new ones. This camera, the first of its kind from Valeo, offers the same 2-year warranty and performance as new parts. Stellantis is the first car-maker to integrate it in its aftersales offer and making it a trailblazer of an entire new product line dedicated to ADAS in the SUSTAINera REMAN range, thus counting now 38 product lines. A skilled



workforce with the necessary expertise is crucial for accelerating the circular economy and expanding remanufacturing to bring more sustainable products on the market. For this reason, Stellantis and Valeo are investing in employee development and upskilling, demonstrated through initiatives like at Valeo's Circular Electronics Lab in Nevers, France, and Stellantis' first SUSTAINera Circular Economy Hub inaugurated on November 23 at the Mirafiori site in Italy.

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Alison Jones, Senior Vice President, Global Circular Economy, said "This is a great example of Stellantis and Valeo delivering new Remanufacturing products through Collaborative Supplier-Customer development for a Sustainable Future. Together, we are committed to achieving our challenge of being carbon net zero, ensuring sustainability for our customers, employees, company, and planet."

Mino Yamamoto, Valeo Group Circular Economy Director, commented: "With a vision to make a positive contribution to preserve our planet's resources, Valeo is continuously

pushing boundaries to develop innovative solutions that promote the circular economy. Thanks to the upskilling of our employees in the Circular Electronics Lab of Nevers and successful collaboration with Stellantis, we are proud to expand our Reman range with the first remanufactured video cameras."

Valeo is also part of the collaborative Magnolia program in France, launched in April 2022, that brings together key value chain stakeholders, such as parts manufacturers (like Valeo), old part or core collectors, and parts recyclers, in the high-performance permanent magnet sector. The aim is to create an industrial base in France for manufacturing permanent sintered neodymium iron boron (NdFeB) magnets from independent material sources. The broader objective of this program is to secure France's energy transition and industrial sovereignty.

Circularity aims to retain the value of the final assembled product for as long as possible. Valeo aims to raise public awareness about the benefits of a circular economy and works with all the policymakers to define the right incentives around the core collection, core repair to give the part second life, recovery of valuable components such as electronics, works closely with end-of-life vehicle centers or scrapyards to optimize the collection of parts, for repair, recycle or remanufacturer to achieve a circular economy. Such initiatives demonstrate that Valeo utilizes best practices to execute circular economy and sustainability programs.

### **Price/Performance Value**

Valeo is a renowned global premium remanufacturer because of its high-quality reman auto parts, offering them at a price that is 15% to 20% lower compared to new automotive parts. This is one of the most competitive prices among premium brands in Europe offering both new and reman parts in both the original equipment (OE) market and the aftermarket. The company's reman parts are backed by competitive warranty coverage which signifies strong part performance and durability. Valeo's in-house reman production facilities have high production capacities and low labor costs. They have been built in

strategic locations (Amiens, France for commercial vehicle (CV) clutches, and Małopolska, Poland for starters and alternators), which grants the company the capacity to deliver a high price/performance value.

### Customer Purchase and Service Experience

Valeo has one of the most comprehensive reman auto part portfolios in the European aftermarket which every major distributor seeks to partner with. Valeo offers starters, alternators, dual mass flywheels, brake calipers, torque converters, CV clutches, air conditioning compressors, and dual wet clutches. Valeo's reman products are comparable to new products because they are manufactured to the same OEM specifications and carry the same warranty coverage as new ones. Valeo's OE pedigree coupled with a strong OE services footprint demonstrates a solid commitment to consistent quality and performance.

Valeo aims to reach carbon neutrality by 2050. To that effect, the company has improved its remanufacturing process significantly. In line with the group's sustainability plan, Valeo Service (Valeo's entity dedicated to aftermarket activities) created a strategy named "I Care 4 the Planet", whereby the company is fully committed to progressively reducing the adverse impact of the automotive aftermarket on the environment. "I Care 4 the Planet" represents environmentally friendly products.

Environmental impact reduction mainly concerns three areas: product portfolio, packaging, and logistics across the value chain i.e., product flow from the manufacturer to the end user.

Regarding **Product portfolio**—the "I Care 4 the Planet" strategy is the extension of Valeo's 40 years of remanufacturing expertise. During remanufacturing, an average of 80% of the material of the existing product is reused and only 20% is replaced with new components. Thanks to its high production quality and rigorous testing, Valeo provides a minimum of a two-year and unlimited mileage warranty period which is the highest in the industry for reman products. Such products are not only durable but also sustainable and circular.

"I Care 4 the Planet" is more than a strategy: it is the first and unique identification mark in the industry signifying product sustainability. It helps aftermarket technicians and consumers make the right sustainable choice and allows them to identify initiatives that lower environmental impact.

Valeo's launched "Canopy" in June 2023, – a new range of innovative and sustainable wiper blades for light vehicles that perfectly exhibits the company's "I Care 4 the Planet" strategy. This is because it offers more sustainable rubber, 100% cardboard packaging that is recyclable, and is locally produced.

Canopy wiper blades are built with a co-extruded rubber that is more sustainable as it is composed of more than 80% of natural, renewable, or recycled materials such as cane sugar, vegetable oils or carbon black from recycled tires because of which Canopy offers an excellent wiping performance over time. Valeo Original Equipment (OE) standard is a co-extruded rubber composed of both synthetic and natural rubber which provides the best wiping quality and durability. Valeo Canopy rubber is based on the same technology replacing most of the petroleum-based elements by more sustainable materials.

In 2022, in collaboration with garage partners, Valeo Service used digital training sessions to successfully train more than 100,000 technicians. These sessions covered pure electrification topics (mild-hybrid

technologies and the “basic” level of full electrification), EV-associated products (such as dual dry clutches, dual wet clutches, and torque converters), and the sustainability/circularity of remanufactured products.

As for **packaging**, “I Care 4 the Planet” includes the eradication of plastics and the reduction of ink consumption in packaging. These efforts accompany the increased use of recycled materials, and biodegradable materials, and reduce the amount of packaging used. To illustrate an example:

Valeo’s Canopy wiper blades comes in a 100% cardboard packaging made with more than 90% of recycled wood fibers, printed with solvent-free water-based inks and is fully recyclable thereby achieving circularity.

In addition to this action on the specific Valeo Canopy range, Valeo is committed to eliminating single-use plastic packaging from all its wiper blade ranges by the end of 2024 in Europe, replacing them with more sustainable cardboard solutions that are 100% recyclable.

Regarding **logistics**, the final focus area of “I Care 4 the Planet,” it is critical to ensure that goods and services reach customers in a timely and cost-effective manner that is also environmentally friendly. To achieve this, Valeo Service focuses on local production where auto parts would be eventually sold so that the logistics effort required is minimal. To illustrate an example:

Canopy wiper blades are manufactured and packaged in Valeo’s OE wiper plant in Issoire, France which limits environmental impact of transportation and allows shorter lead time and a faster reactivity to peak demand. The Issoire site is particularly committed to an energy efficiency plan for over a decade and is certified “Energy Management” by the ISO 50001 label.

Secondly, the company reduces carbon emissions by directly delivering to customers and avoiding intermediaries. This approach is complemented by the Reforest Action Association—Valeo Service plants a tree for each ton of direct delivery, helping to create a virtual logistics distribution flow. Finally, the company also plans to optimize transportation fill rates by consolidating shipments and improving the inventory of products. All of which will greatly reduce tons of CO2 emissions.

## Brand Equity

Based on Frost & Sullivan’s research performed in 2022 covering the European CV Clutches aftermarket, it was determined that Valeo is associated with high-quality premium products in the automotive OE and aftermarket for passenger and commercial vehicles.

Valeo enjoys technological and industrial leadership in the auto parts remanufacturing industry and is scaling its long expertise to ensure better circularity and sustainability within the mobility industry.

During Rematec (the world’s leading remanufacturing trade show that took place in Amsterdam in June 2023), Valeo stated that, besides the mechanical auto parts, electronic parts must also be granted a second life and need to be part of the circular economy, and that the company is fully committed to achieving this purpose. Electronics remanufacturing is now part of Valeo’s long-term strategy, and the company’s current target is to integrate this notion into its production line.

Marlène Carrias-Iked, vice president of strategic marketing, digital, and innovation for Valeo Service has stated that: “Rematec offers a perfect opportunity to show that Valeo is at the forefront of the

remanufacturing evolution. Valeo will accelerate its offer through the launch of more than 550 references on existing product categories but also extend its remanufacturing portfolio to answer to the growing electronic content in cars driven mainly by EVs and ADAS vehicles. The Group will also expand its portfolio range to include more technical product categories such as e-compressor, e-drive, concentric pneumatic actuator and will also go beyond automobiles, targeting e-bikes as a first step.”

Valeo’s commitment to expanding its product portfolio coupled with improved green economy initiatives, as expressed by Marlène Carrias-Iked, positions the company as the “one-stop green shop” for customers. All these factors significantly enhance the company’s brand equity.

## Conclusion

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Valeo’s commitment to ensuring circularity and sustainability within the mobility industry is unmatched in the industry. Valeo’s 4R strategy, coupled with its “I Care 4 the Planet” initiative to reduce CO2 emissions, its participation in the Magnolia program, and its remanufacturing of electronic components as part of the company’s long-term strategy demonstrates Valeo’s commitment towards executing such initiatives.

With its strong overall performance, Valeo earns Frost & Sullivan’s 2023 European Competitive Strategy Leadership Award for executing circular economy and sustainability initiatives in the mobility industry.

## What You Need to Know about the Competitive Strategy Leadership Recognition

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Frost & Sullivan's Competitive Strategy Leadership Award recognizes the company with a stand-out approach to achieving top-line growth and a superior customer experience.

### Best Practices Award Analysis

For the Competitive Strategy Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

#### *Strategy Innovation*

**Strategy Effectiveness:** Effective strategy balances short-term performance needs with long-term aspirations and overall company vision

**Strategy Execution:** Company strategy utilizes Best Practices to support consistent and efficient processes

**Competitive Differentiation:** Solutions or products articulate and display unique competitive advantages

**Executive Team Alignment:** Executive team focuses on staying ahead of key competitors via a unified execution of its organization's mission, vision, and strategy

**Stakeholder Integration:** Company strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees

#### *Customer Impact*

**Price/Performance Value:** Products or services provide the best value for the price compared to similar market offerings

**Customer Purchase Experience:** Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

**Customer Ownership Experience:** Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

**Customer Service Experience:** Customer service is accessible, fast, stress-free, and high quality

**Brand Equity:** Customers perceive the brand positively and exhibit high brand loyalty



