

## 7.2 Activities of the Board of Directors and its Committees <sup>AFR</sup>

### 7.2.1 ACTIVITIES OF THE BOARD OF DIRECTORS

#### 7.2.1.1 Corporate Governance principles and the AFEP-MEDEF Code

The Company applies a corporate governance Code in accordance with the provisions of the French Commercial Code and as part of the listing of its shares on the Euronext Paris regulated market.

It is recalled that the Company's Board of Directors confirmed that the Company follows the AFEP-MEDEF Corporate Governance Code

of listed corporations (hereinafter the "AFEP-MEDEF Code") (<http://www.afep.com/publications/code-afep-medef/>).

In accordance with the "comply or explain" rule introduced by Article 2.7.1 of the AFEP-MEDEF Code, the Company notes that no recommendations of this Code were disregarded in fiscal year 2017.

#### 7.2.1.2 Change in the composition of the Board of Directors

In accordance with the AFEP-MEDEF Code, Article 11 of the Company's Articles of Association provides for a four-year term of office for directors and the renewal of the offices of one quarter of Board members.

##### Changes in 2017

The Combined General Meeting of April 20, 2017 notably renewed the terms of office as director of Caisse des dépôts et consignations, represented by Mr. Olivier Mareuse, Mrs. Marion Guillou and

Mr. Paolo Scaroni for a four-year period expiring at the end of the General Shareholders' Meeting that will be called to approve the financial statements for the fiscal year ending December 31, 2020.

Date of GSM	Expiry of term of office	Renewal	Appointment
April 20, 2017	None	Caisse des dépôts et consignations, represented by Olivier Mareuse Marion Guillou Paolo Scaroni	None

The Board of Directors' Meeting of November 6, 2017, at the recommendation of the Nominations Committee, appointed Mrs. Maryse Aulagnon as Senior Independent Director from December 1, 2017 to replace Mr. Louis Schweitzer, who continues to exercise his duties of Vice-Chairman.

##### Proposed changes in 2018<sup>(1)</sup>

As part of the annual renewal of the Board of Directors, at its meeting of March 6, 2018, the Board of Directors formally noted the expiry of the terms of office of three Directors (Mr. Antoine Frérot, Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company, represented by Mr. Nabeel Al-Buenain) at the end of the Shareholders' Meeting on April 19, 2018 and that Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company did not seek the renewal of their terms of office at the end of this Shareholders' Meeting.

At the recommendation of the Nominations Committee, the Board of Directors' meeting of March 6, 2018 decided to recommend the renewal by the Combined General Meeting of April 19, 2018 of the term of office as Director of Mr. Antoine Frérot, for a period of four years expiring at the end of the 2022 Ordinary General Meeting called to approve the financial statements for the year ending December 31, 2021. In addition, the Board took due note that Mr. Paul-Louis Girardot would not seek the renewal of his term of office as a non-voting member (*censeur*) at the Combined General Meeting of April 19, 2018.

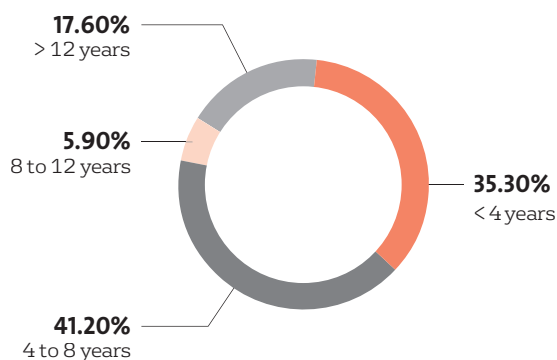
Following this proposed renewal, and subject to its approval by the Shareholders' Meeting of April 19, 2018 and taking account of the non-renewal/non-replacement of Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company, represented by Mr. Nabeel Al-Buenain, the Board of Directors would have fifteen members, including two Directors representing employees and six women (i.e. 46%<sup>(2)(3)</sup>), as well as one non-voting member (*censeur*).

(1) Subject to approval by shareholders at the Combined General Meeting of April 19, 2018.

(2) In accordance with Article L. 225-18-1 of the French Commercial Code.

(3) Excluding Directors representing employees in accordance with the AFEP-MEDEF Code.

## Length of service of directors as of December 31, 2017



## Selection criteria for directors

Based on the following expertise chart, the Nominations Committee advises the Board of Directors on the selection of candidates, where appropriate with the assistance of an external firm, for the purpose

	Experience in Veolia's businesses	International experience	Industry	R&D	Bank Finance	CSR	Digital
Antoine Frérot	●	●		●	●	●	
Louis Schweitzer		●	●		●	●	
Homaira Akbari		●	●	●			●
Jacques Aschenbroich		●	●	●	●		
Maryse Aulagnon	●	●	●		●		
Daniel Bouton		●			●		
Caisse des dépôts et consignations, represented by Olivier Mareuse			●		●		
Isabelle Courville	●	●	●		●	●	
Clara Gaymard		●	●		●	●	●
Marion Guillou		●		●		●	
Pavel Páša, Director representing employees	●					●	
Baudouin Prot		●			●		
Qatari Diar Real Estate Investment Company, represented by Nabeel Al-Buenain		●	●		●		
Nathalie Rachou		●			●		
Paolo Scaroni		●	●		●		
Guillaume Texier	●	●	●		●		
Pierre Victoria, Director representing employees	●					●	
<b>RATE PER CRITERIA</b>	<b>35.29%</b>	<b>82.3%</b>	<b>58.8%</b>	<b>23.5%</b>	<b>76.4%</b>	<b>41.1%</b>	<b>11.7%</b>

of renewing the composition of the Board of Directors primarily based on the following criteria:

- management skills acquired in major French and non-French international corporations;
- familiarity with the Group and its industry;
- professional experience;
- financial and accounting expertise;
- CSR, R&D and digital skills;
- sufficient availability.

In addition to increasing the number of female directors, the Board is striving to diversify the profiles of its members, of both French and non-French nationality, while ensuring the balanced representation of the Company's various stakeholders. As of the date of filing of this Registration Document, the Board has five non-French directors (Mrs. Homaira Akbari, a US citizen; Mrs. Isabelle Courville, a Canadian citizen; Mr. Paolo Scaroni, an Italian citizen; Mr. Nabeel Al-Buenain, a Qatari citizen; and Mr. Pavel Páša, a Czech citizen), representing 29.41% of total Board members.

### Training and integration of directors

At the request of the Board of Directors, the Company organizes training for new directors on the specific aspects of the Group's businesses to facilitate their integration, particularly through site visits. Moreover, to facilitate their integration, new Board members may meet the Group's key executive officers.

Thus, in the context of the integration of two directors representing employees at the end of 2014, the Company organized in 2014 and 2015, an internal training session for them and enrolled them in an outside training program designed by the IFA and Sciences Po which led to the issue of a Corporate Director's Certificate.

In addition, since 2015, the Company has organized meetings between directors and economic and political leaders and director visits to Group operating sites, including exchanges with Group operating teams, notably in the Czech Republic, the United Kingdom and China.

These annual visits contribute to a better understanding of Veolia's businesses.

#### 7.2.1.3 Independence of directors

##### Director independence criteria

According to the internal regulations of the Board of Directors, regularly updated to incorporate legal and regulatory changes, members are considered independent if they have no relationship with the Company, its Group or its management that might compromise their ability to exercise their judgment objectively. The internal regulations adopt the Independent Director criteria set-out in the AFEP-MEDEF Code:

- 1) not to be and not to have been during the course of the previous five years an employee or executive corporate officer of the Company, an employee, executive corporate officer of a company or a director of a company consolidated within the Company or an employee, executive corporate officer or a director of the Company's parent company or a company consolidated within this parent (**criterion no. 1**);
- 2) not to be an executive corporate officer of any company in which the Company directly or indirectly holds a directorship, or in which an employee appointed as such or a corporate officer of the Company (current or within the past five years) is a director (**criterion no. 2**);
- 3) not to be a customer, supplier, investment banker or commercial banker that is material for the Company or its Group or for which the Company or its Group represents a significant part of its business (nor be directly or indirectly linked with such a person) (**criterion no. 3**);
- 4) not to have any close family ties with a director or corporate officer (**criterion no. 4**);
- 5) not to have been a Statutory Auditor of the Company within the past five years (**criterion no. 5**);

- 6) not to have been a director of the Company for more than twelve years. Loss of the status of Independent Director occurs on the date at which this period of twelve years is reached (**criterion no. 6**).

In the case of directors holding 10% or more of the Company's share capital or voting rights, or representing a legal entity with such shareholdings, the Board, based on a report from the Nominations Committee, shall decide whether or not they are independent, taking into account the composition of the Company's share capital and the existence of any potential conflicts of interest.

Those criteria are assessed and weighted by the Board of Directors, which may decide that a director who does not meet the criteria defined in the internal regulations may nevertheless be described as independent in light of his/her particular situation or that of the Company, given its shareholding structure or any other reason, or vice versa.

The internal regulations also stipulate that, before publishing the Registration Document each year, the Board of Directors must assess the independence of each of its members based on the criteria set out in the aforementioned regulations, any special circumstances, the situation of the person in question, of the Company and of the Group and the opinion of the Nominations Committee.

##### Assessment of the independence of directors

At its meeting of March 6, 2018, the Board of Directors carried out its annual review of the independence of Directors after hearing the opinion of the Nominations Committee. Taking note of the increasing Director independence requirements resulting from both legal rules and governance Codes, the Board decided that, from now on, it would strictly apply the independence criteria set out in the AFEP-MEDEF Code and particularly the criterion concerning the length of time a director has been on the Board.

The Board classified the following 10 Directors as independent (out of a total of 15, excluding the two Directors representing employees): Homaira Akbari, Jacques Aschenbroich, Maryse Aulagnon, Isabelle Courville, Clara Gaymard, Marion Guillou, Qatari Diar Real Estate Investment Company represented by Nabeel Al-Buenain, Nathalie Rachou, Paolo Scaroni and Guillaume Texier.

The following table presents the compliance of each Director with the independence criteria defined by the AFEP-MEDEF Code. The criteria corresponding to the numbers in the following table are presented on the preceding page in the Section "Director independence criteria".

	Criterion no. 1	Criterion no. 2	Criterion no. 3	Criterion no. 4	Criterion no. 5	Criterion no. 6	Classification
Antoine Frérot		◆	◆	◆	◆	◆	Not independent
Louis Schweitzer	◆	◆	◆	◆	◆		Not independent
Homaira Akbari	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Jacques Aschenbroich	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Maryse Aulagnon	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Daniel Bouton	◆	◆	◆	◆	◆		Not independent
Caisse des dépôts et consignations, represented by Olivier Mareuse	◆			◆	◆	◆	Not independent
Isabelle Courville	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Clara Gaymard	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Marion Guillou	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Pavel Pása, Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Baudouin Prot	◆	◆	◆	◆	◆		Not independent
Qatari Diar Real Estate Investment Company, represented by Nabeel Al-Buenain	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Nathalie Rachou	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Paolo Scaroni	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Guillaume Texier	◆	◆	◆	◆	◆	◆	<b>Independent</b>
Pierre Victoria, Director representing employees	N/A	N/A	N/A	N/A	N/A	N/A	N/A

◆ indicates compliance with the AFEP-MEDEF Code in relation to the independence criteria.  
N/A: Not applicable.

As of the date of filing of this Registration Document, the Company's Board of Directors therefore has **10 independent members out of a total of 15 Directors** (the Directors representing employees are not taken into account when determining these percentages), representing a rate of **66.6%**, in excess of the AFEP-MEDEF Code recommendation<sup>(1)</sup>.

Subject to the approval of the renewal of the term of office of Mr. Antoine Frérot proposed to the Shareholders' Meeting of April 19, 2018 and the non-renewal/non-replacement of Mr. Daniel Bouton and Qatari Diar Real Estate Investment Company, represented by Mr. Nabeel Al-Buenain, the Board of Directors would have nine Independent Directors out of a total of 13 Directors (excluding the two Directors representing employees).

(1) Pursuant to Article 8.3 of the AFEP-MEDEF Code, "The Independent Directors should account for half the members of the Board in widely-held companies without controlling shareholders. In controlled companies, Independent Directors should account for at least one third of Board members. Directors representing employee shareholders and Directors representing employees are not taken into account when determining these percentages."

### 7.2.1.4 Powers and work of the Board of Directors

#### Powers of the Board of Directors

In accordance with the law, the Board of Directors establishes the policies concerning the Company's business and supervises their implementation. Subject to the powers expressly granted to General Shareholders' Meetings and within the limits of the corporate purpose, the Board of Directors has the authority to consider all matters concerning the proper operation of the Company and, by its deliberations, resolves matters that concern the Board.

In addition to the powers conferred on the Board of Directors by the law, its internal regulations impose an internal requirement that certain major decisions of the Chairman and Chief Executive Officer be submitted for prior approval by the Board of Directors. These internal limits on powers are detailed below (see Section 7.3.2 below).

#### Meeting frequency, duration and attendance

According to its internal regulations, the Company's Board of Directors must meet at least four times a year.

In 2017, the Board of Directors met six times and its meetings lasted an average of three hours (as in 2016). In addition, on December 14 and 15, the Board members attended a seminar dedicated to the Group's strategy, during which they reviewed and discussed strategic issues presented by management over two half-days. Based on the expectations expressed during the annual assessment of the Board's activities and those collected from directors in June 2017, discussions notably focused on:

- the Group's current growth and profitability model;
- new strategic directions driven by environmental challenges;
- the additional resources necessary to encourage the Group's growth.

The average attendance rate at Board meetings in 2017 was **90.2%** (compared with 91.6% in 2016). The option to participate through electronic communication was used in three out of six meetings in 2017 (compared with four out of seven meetings in 2016).

**Individual attendance rates** are presented in Section 7.1.1.2 above.

Date of Board of Directors' Meeting (2017)	Attendance rate
February 22	15/17 (88.24%)
March 7	15/17 (88.24%)
April 20	16/17 (94.12%)
May 3	14/17 (82.35%)
July 28	16/17 (94.12%)
November 6	16/17 (94.12%)

#### Work of the Board of Directors in 2017

In 2017, the Board of Directors examined the following points in particular:

##### ▪ Financial and cash positions and commitments of the Group:

- review of the 2016 annual financial statements and the 2017 first-half financial statements,
- accounting information for the first and third quarters of 2017,
- corresponding draft financial communications,
- renewal of the financial and legal authorizations granted to the Chairman and Chief Executive Officer, notably with regard to financing transactions and off-balance sheet commitments and authorization of the Group's significant guarantee transactions,
- dividend policy, proposed appropriation of net income and payment of the dividend,
- self-assessment of internal control and approval of the Chairman's report,
- examination of the summaries and reports issued by its Chairman on the work of the Accounts and Audit Committee (see Section 7.2.2.1 below);

##### ▪ Monitoring of the Group's strategic direction and major transactions and CSR policy:

- review of the 2017 budget and the long-term plan,
- review of several Group activities and notably activities in Northern Europe, Waste activities in France and SARP Industries,
- review of and developments concerning the transaction to withdraw from the share capital of Transdev Group,
- review of the risk mapping and the materiality matrix of CSR issues,
- review of the Group's non-financial ratings and the extent of roll-out of its sustainable development commitments,
- review of the Group's human resources policy and in particular the management policy for executives and talent and the policy for increasing the number of women managers,
- review of succession plans for Executive Committee members and the Chairman and Chief Executive Officer,
- examination of the summaries and reports issued by its Chairman on the work of the Research, Innovation and Sustainable Development Committee (see Section 7.2.2.4 below);

■ **Corporate governance:**

- approval of the Chairman and Chief Executive Officer compensation policy and amount for 2016 and 2017 at the recommendation of the Compensation Committee,
- examination of a free share and performance share grant plan,
- review of the selection of directors when renewing the composition of the Board,
- review of the Group's compliance and ethics structure,
- assessment of the independence of directors,
- allocation of director's fees,
- examination of the summaries and reports issued by their chairmen on the work of the Nominations (see Section 7.2.2.2 below) and Compensation (see Section 7.2.2.3 below) Committees,
- review of the provisions of the French Sapin II law of December 2016 (anti-corruption provisions and regulations governing interest representatives) and the law of March 2017 on the corporate duty of care;

■ **Other:**

- convening of the annual Combined General Meeting and approval of the reports and draft resolutions,
- review of multi-year regulated agreements and commitments,
- monitoring of changes in the Company's share ownership and report by Executive Management on the road shows held following publication of the accounts.

In 2017, the Board of Directors was regularly informed of key commercial developments and the initiatives planned by Executive Management. The Board of Directors, mainly through the reports of the Accounts and Audit Committee, was periodically informed of changes in the Group's financial and cash position and off-balance sheet commitments, as well as changes in significant litigation. The Group's Chief Financial Officer, General Counsel and the Legal Director attended Board meetings in 2017. The directors receive a monthly report on the Company's share price and a review of analysts' recommendations. Every six months, Executive Management provides the Directors with detailed documentation regarding the Group's business activities, Research and Innovation initiatives, internal matters (appointments and social policy), corporate activities (initiatives with various institutions in France, Europe and abroad, and updates on regulatory changes) and CSR and sustainable development actions.

Furthermore, in line with the expectations expressed during the last annual assessment of the Board's activities, the Directors met, from their May 3, 2017 meeting, in an executive session without the presence of the Chairman and Chief Executive Officer. During these sessions the Directors held informal discussions on specific topics and news issues.

A digital platform is also available to directors for the performance of their duties since 2014. This "Board Vantage" platform can be accessed *via* an application on tablets provided by the Company

to all Board members. The platform provides secure access to documents for Board of Directors and Committee meetings.

### Assessment of the Board of Directors and Executive Management actions

Once a year, the Board must devote one point on its agenda to an assessment of how it operates, to be prepared by the Nominations Committee, and arrange a discussion about the way in which it operates in order to improve its effectiveness, check that major issues are suitably prepared and discussed by the Board and measure the effective contribution of each member to the Board's work. Furthermore, the Board's internal regulations require that a formal assessment be performed every three years by an external organization under the supervision of the Nominations Committee, with the aim of checking that the operating principles of the Board have been complied with and identifying possible improvements in its operation and effectiveness. The Nominations Committee produces an annual report for the Board of Directors, which the Directors discuss, assessing how the Chairman and directors have performed, as well as the actions taken by Executive Management.

The Chairman of the Nominations Committee reported to the **Board of Directors' Meeting of March 7, 2017** on the results of the annual assessment conducted with the assistance of an external firm and by interviewing nearly all Board members on their individual contribution. Once again and generally speaking, the Directors expressed considerable satisfaction with the activities of the Board, their relations with Executive Management and its actions. Nearly all the Directors that had participated in the previous assessment considered the Board's activities to be highly satisfactory. The 2016 strategy seminar organized over two half-days was particularly appreciated, both with regards to its format (identification beforehand of the expectations of directors to determine the issues covered) and content, enabling an extended period of debate. The areas for improvement identified include the desire to spend more time on human resource issues and the ex-post monitoring of acquisitions. Furthermore, the results of this assessment led to the decision that three times a year, directors would meet alone without the Chairman and Chief Executive Officer for 30 minutes (Executive sessions), to allow informal discussions on any specific topics or news issues. The directors considered the activities of the Board Committees to be satisfactory and that they facilitate decision-making by the Board. As during the previous assessment, the composition of the Board was considered globally appropriate. Finally, in response to a significant minority of directors who would like to see a reduction in the size of the Board of Directors, a review was launched of its composition. The directors also remain split on whether they are missing certain expertise. The selection and nomination process is considered adequate and enabled a significant change in the current composition of the Board.

The Chairman of the Nominations Committee reported to the Board of Directors' meeting of March 6, 2018, on the results of the formal assessment of the Board, its Committees and Executive Management action, performed with the assistance of an external firm and using a questionnaire sent to each Director, completed by individual interviews. Since the last assessment, the Directors are satisfied with the implementation of the resulting recommendations and unanimously noted improvements in the

Board's activities, its momentum (quality of Director involvement in the decision process) and performance (quality of decisions made). They welcomed, in particular, the quality of the annual seminar on the Group's strategy, the opening-up of debate within the Board, the attentiveness and reactivity of the Chairman and Chief Executive Officer in implementing the recommended areas for improvement and the efforts made to enable Directors to deepen their knowledge of the various Group businesses. The organization of visits to the Group's operating sites is, in particular, considered extremely useful for improving understanding of the Group's businesses and enables operating managers to be met at this time. Areas for improvement identified include closer monitoring of certain Board decisions and of the conduct of business at country level, as well as a more in-depth analysis of certain strategic issues (notably digital challenges in the Group's businesses and human resources policy). With regards to governance, the Directors consider that the executive sessions without the presence of the Chairman and Chief Executive Officer introduced in 2017 at the end of each Board meeting could be usefully followed by a second executive session involving the Chairman and Chief Executive Officer. They are satisfied with the work performed by the Board Committees, as well as the changes in the chairmen and composition of the Accounts and Compensation Committees, resulting in an increased female presence on these Committees. Continuing the discussions launched in 2017 on the size and composition of the Board, a majority of Directors would like to see a reduction in the Board's size and continued discussions on the areas of Board expertise which require strengthening.

#### Role of non-voting members (*censeurs*)

The duties of non-voting member (*censeur*) in public limited companies are not recognized by law. Within Veolia Environnement, the Board of Directors may appoint one or more non-voting member (*censeurs*) pursuant to Article 18 of the Articles of Association. Pursuant to the Articles of Association the Board of Directors sets the duration of their term of office, which they may terminate at any time.

The role of a non-voting member (*censeur*) is to attend the Board of Directors' Meetings in an advisory capacity, and the Board may freely ask their advice.

As of the date of the filing of the Registration Document, the Board of Directors has two non-voting members (*censeurs*): Mr. Paul-Louis Girardot appointed on April 24, 2014 for a period of four years, expiring at the end of the 2018 General Shareholders' Meeting and Mr. Serge Michel appointed on April 21, 2016 for a period of four years, expiring at the end of the 2020 General Shareholders' Meeting. They are consulted extremely regularly due to their experience and knowledge of the Group and its businesses.

It is recalled that Mr. Paul-Louis Girardot did not seek the renewal of his term of office expiring at the end of the Combined Shareholders' Meeting of April 19, 2018.

In addition, this position also offers a way to integrate one or more director candidates before proposing their appointment to a General Shareholders' Meeting. This technique was adopted with Mrs. Isabelle Courville, who performed these duties prior to her appointment as a director by the General Shareholders' Meeting of April 21, 2016.

#### 7.2.1.5 Role of the Chairman of the Board of Directors

The internal regulations of the Board set out the role of the Chairman of the Board of Directors.

The Chairman of the Board of Directors organizes and directs the work of the Board, on which he reports to General Shareholders' Meetings. He is responsible for preparing reports on the organization of the Board's work, internal control and risk management. He chairs General Shareholders' Meetings.

More generally, the Chairman of the Board of Directors ensures the proper operation of the Company's corporate bodies and compliance with good governance principles and practices, in particular regarding the Board Committees. He ensures that the Directors are capable of performing their duties and that they are adequately informed. He devotes the time necessary to questions concerning the Group's future and, in particular, those relating to the Group's strategy.

In accordance with the internal regulations, the Directors are required to promptly inform the Chairman and the Board of all conflicts of interest, even if only potential, and of all proposed agreements that may be entered into by the Company in which they may have a direct or indirect interest.

The Chairman of the Board chairs Board meetings and prepares and coordinates the Board's work.

In this regard he:

- convenes Board meetings in accordance with the timetable of meetings agreed upon with the Directors and decides if it is necessary to convene Board meetings at any other time;
- prepares the agenda for meetings, supervises the preparation of documentation to be provided to the Directors and ensures that the information contained in them is complete;
- ensures that certain subjects are discussed by the Committees in preparation for Board meetings and ensures that the Committees perform their duty of making recommendations to the Board;
- leads and directs the Board's discussions;
- ensures that directors comply with the provisions of the internal regulations of the Board and of the Committees;
- monitors the implementation of the Board's decisions;
- in conjunction with the Nominations and Compensation Committees, prepares and organizes the periodic assessment of the Board's activities.

The Chairman has all the means required for the performance of his duties.

### 7.2.1.6 Vice-Chairman/Senior Independent Director

#### Appointment of a Vice-Chairman/Senior Independent Director

On October 21, 2009, the Board of Directors decided to create the position of Vice-Chairman, to assist the Chairman with his duty to ensure the proper operation of the Company's governing bodies, based on the British model of the Senior Independent Director. In accordance with the internal regulations of the Board, the Senior Independent Director is chosen from among the Directors classified as independent for the duration of his/her term of office as an Independent Director. The Board appointed the Independent Director Mr. Louis Schweitzer to assume this position of Vice-Chairman, effective November 27, 2009.

At the recommendation of the Nominations and Compensation Committee, the Board decided to appoint him, with effect from the Annual General Meeting of May 16, 2012, as Senior Independent Director responsible for performing duties relating to the smooth running of the Company's governance bodies for the duration of his term of office, insofar as he remains an Independent Director as determined by the Board. At the meeting of May 14, 2013 and after approval by the General Shareholders' Meeting of the same day of the amendment to Article 12 of the Company's Articles of Association, increasing the maximum age for a Vice-Chairman from 70 to 75 years, the Board of Directors approved, at the recommendation of the Nominations and Compensation Committee, the renewal of Mr. Louis Schweitzer's appointment as Vice-Chairman, which he previously held up to the 2012 General Shareholders' Meeting. From this date, Mr. Louis Schweitzer exercised the duties of Vice-Chairman and Senior Independent Director.

**From December 1, 2017**, in order to strictly apply the AFEP-MEDEF Code independence criteria and at the recommendation of the Nominations Committee, the Board of Directors meeting of November 6, 2017 appointed Mrs. Maryse Aulagnon, Independent Director, as Senior Independent Director, to replace Mr. Louis Schweitzer, who continues to exercise the duties of Vice-Chairman for the remainder of his term of office as director, renewed at the General Shareholders' Meeting of April 22, 2015.

Mrs. Maryse Aulagnon, for the term of her office as director and of her appointment as Senior Independent Director as determined by the Board, is responsible for performing duties relating to the smooth running of the Company's governance bodies.

The Board of Directors' Meeting of March 6, 2018 therefore adjusted the duties of the Vice-Chairman and the Senior Independent Director in its internal regulations.

#### Role of the Vice-Chairman

The Vice-Chairman chairs the meetings of the Board and organizes and directs its work when the Chairman is absent or unable to do so. In particular, he chairs the sessions bringing together members of the Board without the Chairman and Chief Executive Officer (executive sessions) and discussions assessing the performance and setting the objectives and compensation of the Chairman and Chief Executive Officer and potentially renewing his appointment.

### Role of the Senior Independent Director

The Senior Independent Director's duties include:

- helping the Chairman ensure that the Company's governance bodies are running smoothly. The Board can task him with specific governance assignments;
- considering conflicts of interest that may arise within the Board of Directors. He examines, in particular, conflicts of interest, including potential conflicts of interest that may concern the Chairman of the Board with regard to the interests of the Company, whether they arise in connection with operational projects, strategic policies or specific agreements. He submits recommendations to the Chairman and the Board, after any necessary consultation with the other Independent Directors.
- obtaining an understanding of the concerns of major shareholders not represented on the Board regarding governance matters and ensuring that such concerns are addressed. In agreement with the Chairman and the Vice-Chairman of the Board, he may also respond directly to questions from major shareholders and meet with them, if the ordinary avenues involving the Chairman and Chief Executive Officer, or the Chief Financial Officer have been unable to deal with such concerns or if the nature of the matter itself renders these ordinary avenues inadequate or inappropriate.
- assessing, notably, the performance of the Chairman of the Board as part of the assessment of the Board's activities in accordance with the internal regulations.

The Senior Independent Director can also add points to the agenda of Board meetings.

In January 2018, as at the end of 2016, the Vice-Chairman and the Senior Independent Director held a series of meetings in Paris and London with proxy advisors and the Governance Departments of certain major investors. These meetings enabled the Vice-Chairman and the Senior Independent Director to identify the expectations of these advisors and investors and to discuss a range of issues concerning governance and the compensation policy.

### 7.2.1.7 Securities trading by corporate officers

#### Reporting obligations and ban on securities trading

According to the Board's internal regulations, each director and non-voting member (*censeur*) must report all transactions in the Company's securities to the AMF (the French Financial Markets Authority) and to the Company and comply, in particular, with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF's general regulations (a table detailing transactions in Veolia Environnement securities carried out by directors in 2017 is presented in Section 7.5.1 below). The members of the Board of Directors and Company executives or key senior management, or any person with close ties to them, shall report all acquisitions, sales, subscriptions or trades in the Company's securities and financial instruments to the AMF, within three trading days of completion.

In addition, directors and executive corporate officers are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of privileged information. In



accordance with Regulation (EU) no. 596/2014 and Commission Implementing Regulation (EU) 2016/347 of March 10, 2016, the Company prepares and updates a list of insiders, which is made available to the AMF.

The Company's directors and executive corporate officers are required to comply with the provisions of the Company's Code of Conduct with respect to securities transactions (see Chapter 5, Section 5.2.2.6 above). In that respect, the members of the Board of Directors and of the Executive Committee in particular, may not buy or sell the Company's securities, directly or through a third-party intermediary, during certain periods: during the five-week period up to and including the date of publication of the annual financial statements, the four-week period up to and including the publication of the interim financial statements, and the two-week period up to and including the date of publication of quarterly financial information, or even outside of those periods so long as they possess insider information. In order to prevent any difficulties relating to the application of the Code of Conduct, the individuals in question should consult with the Group's Legal Department or the General Counsel.

#### **Obligation to hold shares and ban on hedging transactions applicable to executive corporate officers and members of the Executive Committee**

Pursuant to the AFEP-MEDEF Code (see Article 22), which requires the Board of Directors to set a minimum quantity of shares to be held by executive corporate officers in registered form until the termination of their duties, and the similar provisions of Article L. 225-197-1 II, paragraph 4 of the French Commercial Code applicable in the event of performance share grants to executive corporate officers, it was decided during the Board meeting of March 6, 2018 to apply the following share retention rules:

- with regard to the bonus share grant in April 2018 to Mr. Antoine Frérot under the long-term incentive plan known as the Management Incentive Plan (details of this plan can be found in Section 7.4.3.2 below), the Board of Directors' Meeting of March 6, 2018, at Mr. Antoine Frérot's proposal to the Compensation Committee, took due note of his decision to hold until termination of his duties, 40% of the total share bonus granted under this plan, net of applicable social security contributions and taxes, until a total shareholding equal to 200% of his gross annual fixed compensation has been reached;
- with regard to the planned grant in 2018 of performance shares to a group of approximately 700 top executives, high potential employees and key contributors of the Group, including the Chairman and Chief Executive Officer, presented in the 21st resolution to the Combined Shareholders' Meeting of April 19, 2018, the Board of Directors' Meeting of March 6, 2018 decided, subject to the adoption of this resolution and in the event of implementation of this plan:
  - (i) for the Chairman and Chief Executive Officer, an obligation to hold until the termination of his duties, 40% of total performance shares granted under this plan, net of applicable social security contributions and taxes, until he has reached a total shareholding equal to 200% of his gross annual fixed compensation,

- (ii) for members of the Company's Executive Committee, an obligation to hold until the termination of their duties, 25% of total performance shares granted under this plan, net of applicable social security contributions and taxes, until they have reached a total shareholding equal to 100% of their gross fixed compensation.

In accordance notably with the AFEP-MEDEF Code to which the Company refers, the Chairman and Chief Executive Officer and Executive Committee members receiving shares may not enter into risk hedging transactions until the end of the share retention period set by the Board of Directors.

#### **7.2.1.8 Other Information on the operation of the Board**

This section summarizes the corresponding sections of the Board of Directors' internal regulations.

##### **Rights and obligations of directors**

According to the Board's internal regulations, its members are subject to the following obligations: to act in the Company's best interests; to inform the Board of any conflict of interest, even potential, and to abstain from voting on any decisions in which they may have a conflict of interest; to perform their duties in accordance with statutory provisions, notably those concerning limits on the number of offices, and to regularly attend Board and Committee meetings; to stay informed in order to be able to deal effectively with the agenda items; to consider themselves bound by professional secrecy and by a duty of loyalty; and, to comply with the Company's Code of Conduct with respect to securities transactions. The members of the Board of Directors and, where applicable, the Chief Executive Officer are required to promptly report to the Chairman of the Board any agreement signed by the Company in which they have a direct or indirect interest or which was concluded through an intermediary on their behalf.

Each director receives a periodically updated "Directors' Guide" which includes the following primary documents: the Company's Articles of Association, the appointment procedure for, and the duties of, the Chairman and Chief Executive Officer, the appointment procedure for, and the duties of the Vice-Chairman and Senior Independent Director, the internal regulations of the Board of Directors and of the Accounts and Audit Committee, the Nominations and Compensation Committees and the Research, Innovation and Sustainable Development Committee, the French regulations applicable to Audit Committees, the Company's Code of Conduct for securities trading and compliance with French stock exchange legislation, the list of directors and the expiry dates of their terms of office, the composition of the Board of Directors' Committees, useful contacts for members of the Board of Directors and the Committees, the composition of the Executive Committee and the current version of the AFEP-MEDEF Code.

##### **Information provided to directors**

The Chairman provides directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman provides the members of the Board with all significant information concerning the Company on an ongoing basis. Each director receives and has the right to request all necessary information to perform his/her duties, and may also

request additional training concerning specific aspects of the Company and the Group.

In order to fulfill their duties, the Directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

At the request of the Chairman or of a director, the heads of the Group's business units may be invited to any Board meeting devoted to the outlook and strategy for their business sector.

### Meeting attendance by electronic means of communication

Directors may participate in Board discussions by videoconference or other electronic means of communication, in the manner and on the terms set out in Articles L. 225-37 and R. 225-21 of the French Commercial Code and as provided for by the internal regulations of the Board of Directors. In such case, directors are deemed to be present for the purpose of calculating quorum and majority, except with regard to the vote on certain major decisions as provided by law and by the Board's internal regulations (in particular, the approval of the annual financial statements and the preparation of the management report and the consolidated financial statements).

## 7.2.2 ACTIVITIES OF THE BOARD COMMITTEES

Since April 30, 2003, when the Company adopted the governance method of a public limited company with a Board of Directors (*société anonyme à conseil d'administration*), the Company's Board of Directors has been assisted by:

- an Accounts and Audit Committee;

- a Nominations Committee;
- a Compensation Committee;
- a Research, Innovation and Sustainable Development Committee.

### 7.2.2.1 Accounts and Audit Committee

#### Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2017
Nathalie Rachou <sup>(1)</sup>	◆	Chairman	12/01/17	75%	4
Homaira Akbari	◆	Member	04/21/16	75%	
Jacques Aschenbroich	◆	Member	12/12/12	50%	
Daniel Bouton <sup>(2)</sup>		Member	11/02/09	100%	
Isabelle Courville <sup>(3)</sup>	◆	Member	12/01/17	N/A	
Pierre Victoria *	N/A	Member	11/05/14	100%	
<b>INDEPENDENCE RATE</b>	<b>80%</b>				

(1) Member of the Accounts and Audit Committee since December 12, 2012 and Chairman of the Committee since Decemb<sup>er</sup> 1, 2017.

(2) Chairman of the Accounts and Audit Committee until November 30, 2017.

(3) Member of the Accounts and Audit Committee since December 1, 2017.

\* Director representing employees, not taken into account when calculating independence percentages pursuant to Article 8.3 of the AFEP-MEDEF Code

◆ Independent pursuant to AFEP-MEDEF Code independence criteria, as assessed by the Board of Directors

N/A: Not applicable.

The Accounts and Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors at least five times a year to review the periodic and annual financial statements before their submission to the Board of Directors and periodically assesses its own work. The Accounts and Audit Committee has between three and six members appointed by the Board of Directors from among the Directors (excluding those in management positions) on the basis of recommendations made by the Nominations Committee. The Committee's Chairman is appointed by the Board.

During its meeting of November 6, 2017, the Board of Directors adjusted the composition of the Accounts and Audit Committee, by appointing Mrs. Nathalie Rachou (Independent Director) as

Chairman to replace Mr. Daniel Bouton and Mrs. Isabelle Courville (Independent Director) as an additional member from December 1, 2017.

According to the internal regulations of the Accounts and Audit Committee, its members are selected for their financial or accounting expertise, and at least one Committee member must have specific financial or accounting expertise and be independent according to the criteria specified in the Board of Directors' internal regulations. On March 24, 2011, the Board of Directors classified Mr. Daniel Bouton, a member of the Accounts and Audit Committee, as a "financial expert" as defined by French law, having determined that he has the necessary qualifications and experience.