

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 ⁽¹⁾	◆	Chairman	12/01/17	75%	4
Homaira Akbari	◆	Member	04/21/16	75%	
Jacques Aschenbroich	◆	Member	12/12/12	50%	
Daniel Bouton ⁽²⁾		Member	11/02/09	100%	
Isabelle Courville ⁽³⁾	◆	Member	12/01/17	N/A	
Pierre Victoria *	N/A	Member	11/05/14	100%	
INDEPENDENCE RATE	80%				

(1) Member of the Accounts and Audit Committee since December 12, 2012 and Chairman of the Committee since Decemb^{er} 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.

Planned changes in 2018

The Board of Directors' Meeting of March 6, 2018, taking due note of the non-renewal of Mr. Daniel Bouton's term of office as Director, at his request, decided not to replace him at the end of the Combined Shareholders' Meeting of April 19, 2018 on the Accounts and Audit Committee.

Duties of the Committee

The duties of the Accounts and Audit Committee, according to its internal regulations adopted by the Board, include the tasks assigned by the regulations governing the internal control of financial and accounting information stipulated by the Order of December 8, 2008 enacting into French law the Eighth Directive on the Statutory Audit of Accounts (Directive 2006/43/EC) and the AMF recommendations of July 2010.

In general, the Accounts and Audit Committee is responsible for monitoring matters concerning the preparation and control of accounting and financial information and, in particular, for monitoring: (i) the integrity of the Group's financial statements and the process for preparing financial information; (ii) the effectiveness of internal control systems concerning financial and accounting information and the Group's management system for risks expressed in the accounting statements or identified by Executive Management that may affect the financial statements; (iii) the Group's compliance with statutory and regulatory requirements where these are relevant to financial reporting or internal control; (iv) the assessment of the Statutory Auditors' capabilities and independence; and (v) the performance by the Group's Internal Audit Department and the Statutory Auditors of their duties with respect to auditing the parent company and consolidated financial statements. In this regard, the Committee monitors more particularly the following activities:

- **the process of preparing accounting and financial information:** (i) together with the Statutory Auditors, reviewing the relevance and consistency of the accounting methods used to prepare the parent company and consolidated financial statements, examining whether major transactions are adequately processed on a Group-wide level; (ii) reviewing the scope of the consolidated companies and the procedures for collecting financial and accounting information and seeking the explanations and comments of the Statutory Auditors in this respect, where necessary; (iii) giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by Executive Management before those statements are presented to the Board; (iv) interviewing the Statutory Auditors, the members of Executive Management and financial officers, particularly on the off-balance sheet commitments, depreciation/amortization, provisions, goodwill and principles of consolidation; such interviews may be conducted without the presence of the Company's Executive Management; (v) acquainting itself with, and expressing an opinion on the process of preparing press releases on the publication of the annual or interim financial statements and the quarterly information; and in the context of the Board's examination of the press releases concerning, in particular, the annual and interim financial statements, making sure that the presentation of this financial information to the market is consistent with the information in the financial statements, according to the information in its possession;
- **internal audit:** (i) acquainting itself with the Company's Audit Charter; (ii) examining the Group's annual internal audit program on a yearly basis; (iii) periodically receiving information from the

Company with regard to progress with the internal control audit program and the self-assessment of the internal control and risk management system, summaries of the audit assignments carried out and, once a year, an overall analysis of the main lessons learned from the auditing year; and (iv) interviewing the head of the Internal Audit Department and giving the Committee's opinion on the organization of the work of this department;

- **the effectiveness of internal control and risk management systems,** particularly in the context of Article L. 823-19 of the French Commercial Code (see the Order of December 8, 2008, enacting the Eighth Directive on the Statutory Audit of Accounts):
 - *concerning the monitoring of the effectiveness of internal control systems:* (i) periodically receiving information from the Company about the organization and procedures of internal control relating to financial and accounting information; (ii) interviewing the head of internal control and giving the Committee's opinion on the organization of the work of his/her department; (iii) hearing an annual report from the Ethics Committee on the whistle blowing system available to employees with respect to accounting, finance, management control and audit and all ethics issues; having significant matters referred to it by the Ethics Committee in such fields and ensuring the follow-up of those cases with this Committee,
 - *concerning the monitoring of the effectiveness of the management system for risks expressed in the accounting statements or identified by Executive Management that may have an impact on the financial statements:* (iv) periodically examining the mapping of the main risks identified by Executive Management that may impact the financial statements; (v) acquainting themselves with the main characteristics of the procedures for managing those risks and their results, based in particular on the work of the Risk Management Department, the Internal Audit Department and the Statutory Auditors in relation to internal control procedures; and (vi) following up on the implementation of corrective actions in relation to any identified weaknesses that might have an impact on the financial statements;
- **Statutory Auditors:** (i) reviewing the Statutory Auditors' planned work on an annual basis; (ii) interviewing the Statutory Auditors and the executives in charge of finance, accounting and treasury, in certain cases without the presence of members of the Company's Executive Management; (iii) supervising and making recommendations in respect of the Statutory Auditor selection process; (iv) expressing its opinion on the amount of Statutory Auditor fees; (v) giving its prior approval to auditors' activities that are strictly ancillary or directly complementary to the audit of the financial statements; and (vi) being informed of the fees that the Company and the Group pay to the audit firm and its network, ensuring that the amount of these payments or the share of these payments in the firm's and the network's revenue does not call into question the independence of the Statutory Auditors, and reviewing together with the Statutory Auditors the risks threatening their independence and the precautionary measures taken to reduce such risks.

Activities in 2017

The Accounts and Audit Committee organized its activities, as before, within the framework of a program drawn up for the year and approved by the Committee. Minutes are taken of the meetings and the Committee Chairman produces a report for the Board of Directors.

The Committee may interview persons outside the Company if it deems such interviews useful for the performance of its duties. In addition, the Committee may consult outside experts. It may also interview the Company's financial officers or the Statutory Auditors without the presence of the Chief Executive Officer. During the past year, the Chairman of the Accounts and Audit Committee and/or the Committee members interviewed and met: the Chairman and Chief Executive Officer, the Chief Financial Officer, the Director of Financial Control, the Legal Director and secretary of the Committee, the Group Audit Director, the Risk Management, Insurance and Compliance Officer, the Information Systems Director, the Tax Director, the Chairman of the Ethics Committee, the Cash flow and Financing Director, and the Company's Statutory Auditors.

During these meetings, the Accounts and Audit Committee particularly:

- reviewed the main accounting options, the annual and interim financial statements and the associated business reports;
- reviewed impairment tests;
- reviewed the draft financial communications;
- reviewed at-risk contracts and the main tax risks to which the Company is exposed;
- examined the financial information and business reports for the first and third quarters of 2017;
- examined the summary of the internal control self-assessment for fiscal year 2016 and the Statutory Auditors' opinion;
- examined reports on fraud and reviewed the action plans, as well as the report on the activities of the Ethics Committee;
- examined summaries of internal audits conducted in 2016 and the first half of 2017, and approved the internal audit program for 2018;
- reviewed with Company management the following key processes contributing to its duties: the financial policy and planned financing transactions, changes in internal control, investment and divestment procedures and processes, the legal reporting of major disputes;
- reviewed the risk management system including the risk mapping, the materiality matrix of CSR issues and the Group's insurance program;
- examined planned divestitures and acquisitions and progress with Group restructuring transactions;
- reviewed the Statutory Auditors' assignments for 2017. The Committee also reviewed the Statutory Auditors' fee budget for 2017, non-audit services (NAS) and the distribution of assignments between the joint auditors, as well as their independence, how they organized their tasks and their recommendations.
- supervised the process and conditions for the renewal of the offices of the Statutory Auditors on their expiry.
- examined the Company's cybersecurity, including its place in Group policy, its organization, the cyber risk mapping and related actions plans and training programs.

7.2.2.2 Nominations Committee⁽¹⁾

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2017
Louis Schweitzer, <i>Vice-Chairman</i>		Chairman	03/25/14	100%	
Maryse Aulagnon, <i>Senior Independent Director</i>	◆	Member	03/25/14	100%	4
Paolo Scaroni	◆	Member	04/21/16	75%	
INDEPENDENCE RATE	66.6%				

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

In accordance with its internal regulations, the Nominations Committee is comprised of three to six members, who are appointed by the Board of Directors at the recommendation of the Nominations Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors at the recommendation of the Committee.

Duties of the Committee

The duties of this Committee are as follows:

- **nominations:** the Committee is charged with making recommendations regarding the future composition of the Company's management bodies and, more importantly, it is responsible for selecting the Company's corporate officers and developing a succession plan; it also recommends the appointment of directors and of the members, as well as the

(1) The Nominations Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' Meeting of March 25, 2014.

Chairman of each Board Committee, striving to ensure diversity in experience and points of view, while making certain that the Board of Directors retains the necessary objectivity and independence vis-à-vis any specific shareholder or group of shareholders. The Committee gives its opinion on the succession plan for the Company's key managers who are not corporate officers of the Company. The Committee strives to ensure that at least (i) one-half of the Directors, (ii) two-thirds of the members of the Accounts and Audit Committee and (iii) one-half of the members of the Nominations Committee are Independent Directors. Each year, the Nominations Committee conducts a case-by-case assessment of each director with regard to the independence criteria set forth in the internal regulations of the Board of Directors and makes proposals to the Board of Directors for the Board's review of the position of each director in question;

- **assessment:** the Nominations Committee assists the Board in its periodic assessments. It prepares the Board's annual assessment of its organization and operation, and leads the formal assessment of the Board that is carried out every three years by an outside organization. Each year, the Committee provides the Board of Directors with a report assessing the performances

of the Chairman and of the Directors, as well as the actions of Executive Management. Lastly, each year, the key managers who are not corporate officers of the Company meet with each member of the Committee.

Activities in 2017

In 2017, the Nominations Committee focused on:

- changes in the composition of the Board and its Committee;
- the search for and review of candidates to serve on the Board;
- the report of the formal assessment of the Board and its Committees;
- the review of the independence of directors.

Meetings focused on various governance issues, the succession plan for key managers (including the Chairman and Chief Executive Officer) and reviewing the actions of the Chairman and Chief Executive Officer. The latter participated in the governance activities of the Committee (appointment and renewal of directors) and work on the succession plan for key managers.

7.2.2.3 Compensation Committee⁽¹⁾

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2017
Maryse Aulagnon ⁽¹⁾ , <i>Senior Independent Director</i>	◆	Chairman	12/01/17	50%	4
Daniel Bouton		Member	04/01/05	100%	
Clara Gaynard	◆	Member	04/21/16	100%	
Marion Guillou	◆	Member	11/05/14	100%	
Louis Schweitzer ⁽²⁾ , <i>Vice-Chairman</i>		Member	04/30/03	100%	
Pierre Victoria*	N/A	Member	11/05/14	75%	
INDEPENDENCE RATE	60%				

(1) Member of the Compensation Committee since April 20, 2017 and Chairman of the Committee since December 1, 2017. Following her appointment, Mrs. Maryse Aulagnon attended one of two meetings.

(2) Chairman of the Compensation Committee until November 30, 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.

In accordance with its internal regulations, the Compensation Committee has between three and six members, who are appointed by the Board of Directors at the recommendation of the Compensation Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors at the recommendation of the Committee.

The Board of Directors changed the composition of the Compensation Committee at its meeting of March 7, 2017, appointing Mrs. Maryse Aulagnon (Independent Director) as an additional member from the end of the General Shareholders' Meeting of April 20, 2017. At its

meeting of November 6, 2017, Mrs. Maryse Aulagnon was appointed Committee Chairman to replace Mr. Louis Schweitzer with effect from December 1, 2017.

Planned changes in 2018

The Board of Directors' Meeting of March 6, 2018, taking due note of the non-renewal of Mr. Daniel Bouton's term of office as Director, at his request, decided not to replace him at the end of the Combined Shareholders' Meeting of April 19, 2018 on the Compensation Committee.

(1) The Compensation Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' Meeting of March 25, 2014.

Duties of the Committee

The duties of this Committee are as follows:

- to study and make proposals regarding the overall compensation of the Company's executive corporate officers, in particular with regard to the rules and criteria governing the variable portion of compensation consistent with the annual assessment of their performance and the medium-term strategy and performance of the Company and the Group, and with regard to the granting of in-kind corporate benefits, share subscription or purchase options and the allocation of free shares, pension plans, termination compensation and any other benefits, ensuring that all such components are taken into account in assessing and setting their overall compensation;
- to recommend to the Board of Directors an overall amount of directors' fees to be paid to directors, as well as the rules for their distribution;
- to present its opinion to the Board of Directors on the general policy and terms and conditions for granting share purchase or subscription options, the allocation of free shares and the setting-up of employee share ownership plans, as well as Company or Group employee profit-sharing measures;
- to make proposals to the Board concerning the granting of stock options and, if applicable, free shares to the Company's corporate officers, as well as with respect to the performance conditions applicable thereto;

- to make proposals to the Board concerning the obligation for the Company's executive corporate officers to hold shares obtained by exercising stock options or, if applicable, the allocation of free shares;
- to present its opinion on the compensation policy for the Company's key managers who are not corporate officers of the Company or of other companies in the Group.

Activities in 2017

In 2017, the work of the Compensation Committee focused on preparing proposals and recommendations for the Board of Directors on the following matters in particular:

- the compensation of the Chairman and Chief Executive Officer paid or payable in respect of 2016;
- the 2017 compensation policy;
- reviewing the Directors' fees' budget and allocation;
- examining a free share grant plan for employees and a performance share grant plan for the Chairman and Chief Executive Officer and key managers;
- examining an employee share ownership plan.

7.2.2.4 Research, Innovation and Sustainable Development Committee

Members and activities

	Independent	Position	First appointment/ Most recent appointment	Attendance rate	Number of meetings in 2017
Jacques Aschenbroich	◆	Chairman	12/12/12	100%	
Isabelle Courville ⁽¹⁾	◆	Member	04/20/17	66.6%	
Clara Gaymard ⁽¹⁾	◆	Member	04/20/17	100%	3
Marion Guillou	◆	Member	12/12/12	100%	
Pavel Páša*	N/A	Member	11/05/14	100%	
Guillaume Texier ⁽¹⁾	◆	Member	04/20/17	33.3%	
INDEPENDENCE RATE	100%				

⁽¹⁾ Member of the Research, Innovation and Sustainable Development Committee since April 20, 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.

According to its internal regulations, the Research, Innovation and Sustainable Development Committee meets when convened by its Chairman or at the request of the Chairman of the Board of Directors. It is required to hold at least three meetings per year. The Committee met three times in 2017 (as in 2016). The average attendance rate was 83.3% (compared with 100% in 2016).

The Research, Innovation and Sustainable Development Committee has between three and five members, who are appointed by the Board of Directors at the recommendation of the Nominations Committee. The Chairman of the Committee is appointed by the Board of Directors at the recommendation of the Chairman of the Board.

During its meeting of March 7, 2017, the Board of Directors adjusted the composition of the Research, Innovation and Sustainable Development Committee introducing Mrs. Isabelle Courville, Mrs. Clara Gaymard and Mr. Guillaume Texier (Independent Directors) as additional members with effect from the end of the General Shareholders' Meeting of April 20, 2017.

Duties of the Committee

The main duty of this Committee is to assess the Group's strategy and policies with regard to research, innovation and sustainable development and to issue an opinion to the Board of Directors.

The Committee is informed of programs and priority actions undertaken and assesses the results thereof. In particular, it keeps abreast of the budgets and staff levels and gives its opinion regarding the allocation of means and resources and whether they are appropriate in light of the strategic choices made.

The Committee's main contacts are the Chairman of the Company's Board of Directors, Executive Management and the Executive Committee, the Group's Research, Innovation and Sustainable Development Departments, as well as any other manager within the Company who has information or opinions that may be of use to the Committee.

The Committee may also interview persons outside the Company if it deems such interviews to be of use in the performance of its duties. In addition, it may consult outside experts.

The Committee seeks to analyze the content of Veolia's service offerings, its potential clients, the size of markets, the Group's competitive advantages, its competitors, its research programs, technologies and the best economic balance for each area addressed.

Activities in 2017

In 2017, the Committee focused successively on:

- the Group's strategy in the Oil and gas market;
- the Group's approach to the energy efficiency market;
- Veolia's positioning in coal-based energy production;
- the Group's CSR performance and non-financial ratings;
- the extent of roll-out of the Group's sustainable development commitments.

7.3 Executive Management and the Executive Committee

7.3.1 FORM OF ORGANIZATION OF EXECUTIVE MANAGEMENT'S POWERS

The law provides that the Board of Directors elects a Chairman from among its members, who must be a natural person. The duties of the Chairman are presented in Section 7.2.1.5 above. The Board of Directors entrusts the Executive Management of the Company to either the Chairman of the Board of Directors (referred to as the Chairman and Chief Executive Officer), or to another natural person, who may or may not be a director, referred to as the Chief Executive Officer.

As mentioned in the AFEP-MEDEF Code, the law states no preference between those two options. Accordingly, the Board of Directors may choose between these combined or separate forms of Executive Management in accordance with its specific requirements.

A review of the practices of CAC 40 companies, shows the combined approach to be the preferred management system, with most companies with a Board of Directors having opted for this form of management.

In December 2010, following the departure of Henri Proglio, Chairman of the Board of Directors and at the recommendation of the Nominations and Compensation Committee, the Board of Directors decided to combine the duties of Chairman of the Board with those of Chief Executive Officer, by appointing Antoine Frérot, Chief Executive Officer since November 27, 2009, Chairman of the Board. This choice was confirmed by the Board of Directors on two occasions: on the decisions to propose the renewal of Antoine Frérot's term of office to the General Shareholders' Meeting, on April 24, 2014 at the recommendation of the Nominations and Compensation Committee and, more recently, on February 21, 2018, at the recommendation of the Nominations Committee.

The Veolia Group has a diverse range of business lines and operates in numerous countries in a highly decentralized manner. This combined form of governance, led by the Chairman and Chief Executive Officer who has in-depth knowledge of the Group's activities and businesses, offers the advantages of tighter and more

effective control and management, simplifying the decision-making process.

During the period of far-reaching transformation of the Group completed in 2015 and the current roll-out of the 2016-2019 plan aimed at achieving profitable, targeted and consistent growth by building on the achievements of the previous transformation period, this form of governance enabled and continues to enable greater responsiveness in the implementation, by the Business Units, of the strategic direction defined by the Board of Directors and faster escalation to Executive Management of the operating reality.

Substantial counter-balances exist within the Board of Directors, providing all the guarantees necessary to the exercise of this form of governance in accordance with best governance practices:

- the existence of a Vice-Chairman and a Senior Independent Director, whose duties, means and prerogatives are presented in Section 7.2.1.6 above;
- the presence of a significant majority of Independent Directors and two directors representing employees on the Board of Directors;
- the appointment of Independent Directors to chair Board Committees;
- the organization of an executive session at the end of each Board meeting, without the presence of the Chairman and Chief Executive Officer and led by the Vice-Chairman;
- the organization of governance roadshows by the Vice-Chairman and the Senior Independent Director;
- in-depth assessments of the activities of the Board;
- limits on powers set-out in the internal regulations of the Board of Directors providing for approval by the Board of Directors of all decisions of a major strategic nature or likely to have a material impact on the Company (see Section 7.3.2 below).