

2017 INTEGRATED REPORT





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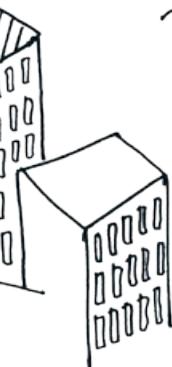
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EDITORIAL

For this first Veolia Integrated Report, we have several aims: to provide a forward-looking view of what we do across all our businesses; to show how we are doing all we can to meet the challenges of this century; to tell how we create economic and social value; and to encourage a fuller, more detailed study of our company's performance.

As the global leader in environmental services, we work to support cities and companies in their shift toward an economy that is less wasteful of resources, less dependent on carbon, less polluted, that demonstrates greater solidarity, and that has a smaller impact on the environment and a greater impact on society. Due to its leadership position and its creativity, Veolia is at the cutting-edge of activities that are preparing tomorrow's world. Just as new forms of pollution require new treatment methods, new scarcities require new resources. The future has always been a new frontier, and our company explores this frontier with great passion. "Repairing" today's world and preparing tomorrow's, or "resourcing" it, is what we strive to do day in, day out. It is also our way of contributing to the common good.

Our successes open up new avenues but, above all, they incite us to engage even more intensely. For Veolia, leadership is more about responsibility than reward. Rather than an end goal, we see leadership as an incentive to go further. That, too, is what we want to express in this Integrated Report.

Veolia is undoubtedly a global group, but its roots are above all local, set down in the regions where it works to serve its customers and focused on the long term, essentially because environmental protection requires a long-haul approach. When writing this report, these were the themes that were at the forefront of our mind.

Shareholders, employees, customers, suppliers, together with nonprofits, supported employment, start-ups, public powers, regions where we operate, future generations, and more: Veolia adopts a broad view of its relationships with all these stakeholders. We foster close, transparent, balanced relationships based on listening and trust. We do so because our performance is only achieved through the collective: cooperation drives our progress and our partners help us become a better company.

We have a lot to gain from talking, thinking and working with each and every one of these stakeholders. Each change taking place in the world is an invitation to create, build and work together. We hope that this report will contribute to that end.

Antoine Frérot,
Chairman and Chief Executive Officer of Veolia

RESOURCING THE WORLD, A LONG-TERM MISSION

Veolia is very much aware that natural resources are becoming increasingly scarce at a time when needs are growing in an increasingly populous, urbanized world that is confronted with climate change. Against this backdrop, Veolia has set itself the mission of "Resourcing the world." The company designs and deploys water, waste and energy management solutions that contribute to the sustainable development of cities and industries. Through its 3 complementary areas of business, Veolia is switching its focus from a resource-consumption regime to a use-and-recover approach in today's circular economy. In so doing, it is helping improve access to resources while at the same time protecting and renewing them.

OUR 3 MISSIONS

IMPROVE ACCESS TO RESOURCES

Veolia proposes operational solutions that are more cost-effective and have a smaller ecological footprint than existing solutions, in order to increase both the potential and accessibility of available resources.

PRESERVE RESOURCES

Veolia develops solutions to improve how resources are used, helps save them and protect their quality and effectiveness throughout the cycle of their use.

REPLENISH RESOURCES

Veolia makes it possible to create new secondary resources that are gradually offsetting the growing scarcity of primary natural resources, and creating new opportunities for economic and social development that is more caring of the environment.

OUR 3 BUSINESS LINES

WATER

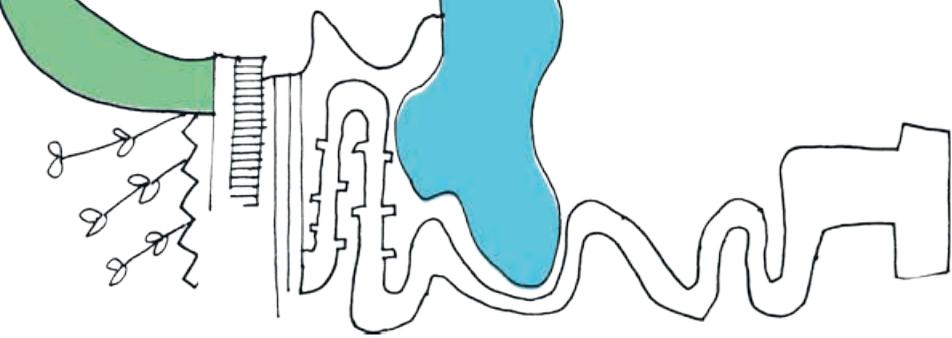
Veolia's expertise spans treatment of water to monitoring **its quality** at each stage in the cycle from extraction to discharge back into the natural environment. We innovate to protect resources and encourage recycling and reuse of water by cities and industry.

WASTE

Veolia is the specialist **in waste management**, whether for liquid or solid, nonhazardous or hazardous waste. Our areas of expertise cover the waste life cycle from collection to recycling, and on to its final recovery as materials or energy.

ENERGY

As an expert **in energy services**, Veolia supports the economic growth of its municipal and industrial customers while helping reduce their ecological footprint. Whether in energy efficiency, efficient management of heating and cooling networks, or green energy production, we have unique expertise for a more sustainable world.



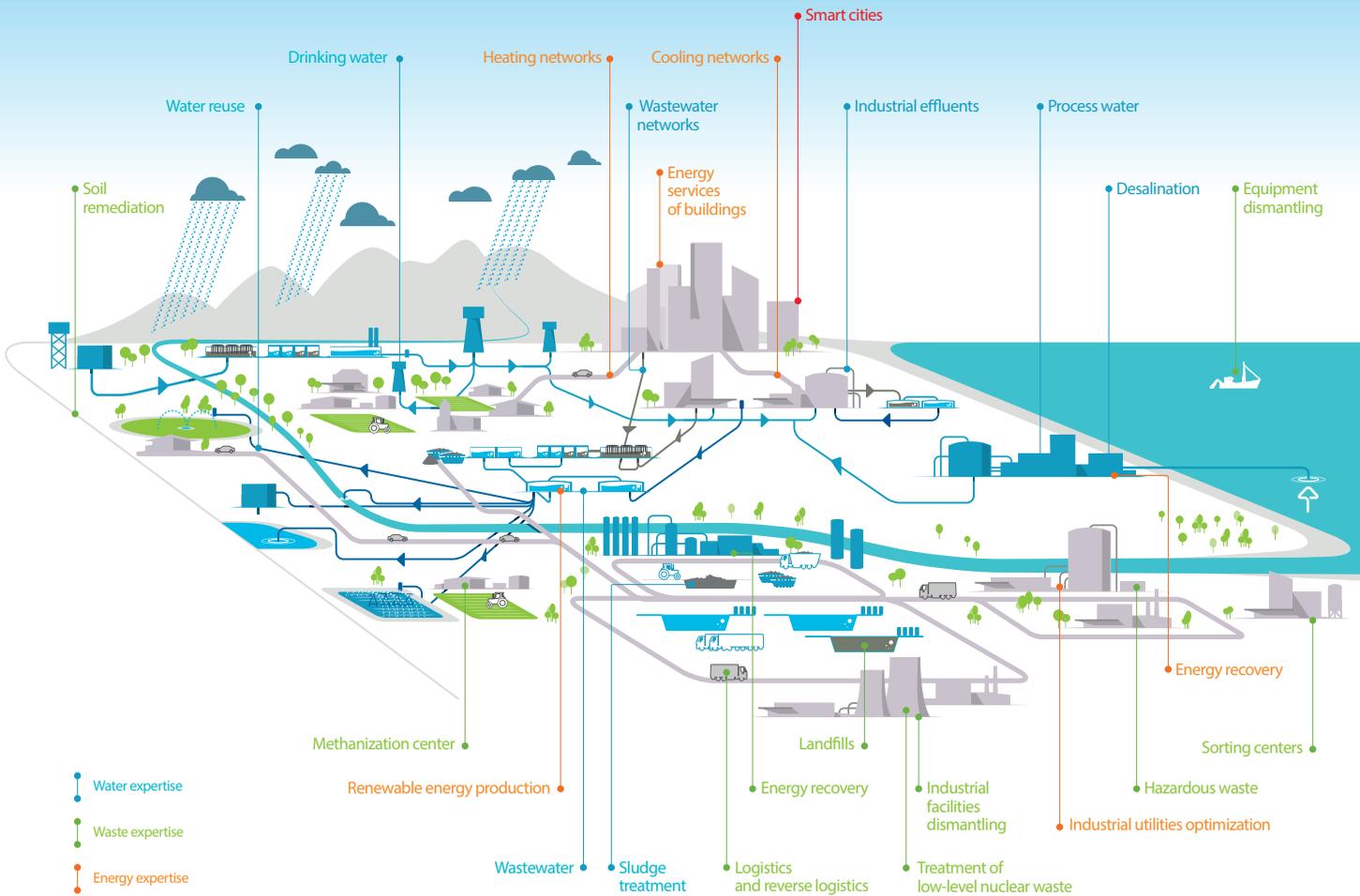
In 2017,
€25.1
billion
in revenue

96
million
people supplied
with water

47
million
metric tons of waste
treated

45
million
megawatt-hours
produced

62
million
people connected to
wastewater systems

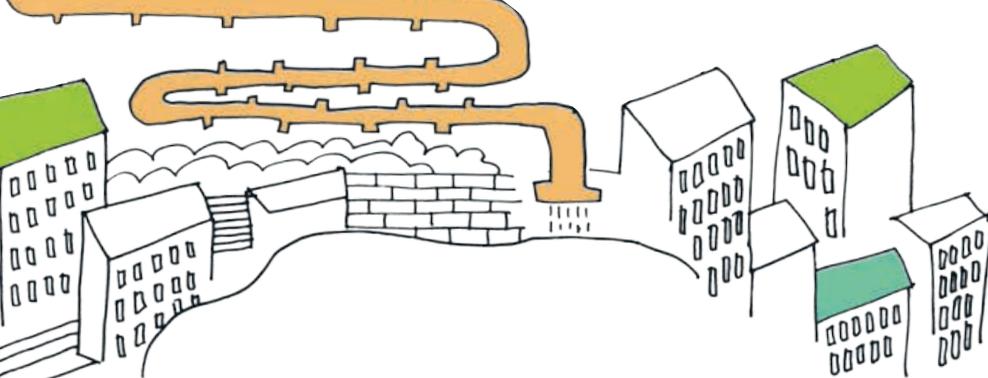


TAKING UP THE CHALLENGES OF TOMORROW'S WORLD



Climate change, urban spread, population growth: all these challenges create potential opportunities for Veolia. Whether to reinforce cities' resilience or reduce the environmental impact of industrial concerns, or when providing access to basic services for vulnerable populations, Veolia deploys innovative operational solutions.

TRENDS	CHALLENGES	VEOLIA SOLUTIONS
<p>CLIMATE CHANGE</p> <p>The 5th IPCC report (2014) identified the impacts climate change is having on communities and ecosystems.</p> <p>Water resources, land-based and marine biodiversity, food production and health are all threatened. Climate events and economic and social inequality are becoming more acute, resulting in the emergence of new risks for cities: increased precipitation, epidemics, water stress and air pollution.</p> <p>Economic stakeholders are also threatened, especially their ability to continue their business activity without interruptions and to protect the integrity of their assets.</p>	<p>CHANGE CONSUMPTION REGIMES</p> <p>Contrary to the "Take, Make, Dispose" regime, the circular economy model is more efficient and consumes fewer resources. Companies and communities can contribute by encouraging waste recycling and recovery in other production processes, by improving their energy efficiency or developing energy supply systems based on sustainable resources.</p> <p>HELP REGIONS RESPOND TO NEW CHALLENGES</p> <p>Cities must anticipate the risks ahead in order to guarantee their citizens access to essential services and ensure their regions' smooth economic, ecological and social functioning.</p> <p>ENSURE SERVICE CONTINUITY</p> <p>To prepare for the impacts of flooding (such as disruptions to electricity, heating and other services), communities and industry need to adapt and strengthen their infrastructure.</p>	<p>PROVIDE MITIGATION AND ADAPTATION SOLUTIONS</p> <p>For both municipal and industrial customers, Veolia provides solutions for low carbon and resilience: diagnostic tools, improved energy efficiency for installations and services, use of renewable and alternative energy, recovery of materials and energy and, for countries where water is an increasingly scarce resource, reuse of wastewater and seawater desalination.</p> <p>The Green Path decision-aid tool, co-constructed with the customer, helps choose between several technical solutions as a function of their environmental performance.</p> <p>MAKE CITIES RESILIENT</p> <p>As part of the first international resilience partnership signed in 2016 with Swiss Re, under the aegis of the Rockefeller Foundation, Veolia is helping cities repair the damage to their vital infrastructure more quickly following natural disasters.</p>
<p>RAMPANT URBANIZATION</p> <p>More than 3.5 billion people (around 50% of the world's population) live in cities. In 2030, this figure will be almost 5 billion and then 6.7 billion in 2050.</p> <p>The accompanying social, economic and environmental transformations are unprecedented challenges.</p>	<p>DELIVER ESSENTIAL SERVICES</p> <p>Energy, drinking water and waste management are essential services. Helping municipalities to provide these basics remains one of the main means of ensuring that no citizen is left by the wayside.</p>	<p>INNOVATE FOR ACCESS TO SERVICES</p> <p>ACCESS is a pool of expertise applied to 3 specific fields (technical engineering; financial and institutional engineering; social engineering with the development of online communities and customer relations), which Veolia offers in all countries to promote access to essential services for the greatest number of people possible.</p>



Lack of access to essential services undermines human dignity and consequences can be dramatic. Experience shows that only the active participation of all stakeholders – governments, the private sector, civil society and NGOs – can guarantee social equality, citizens’ safety and the prosperity of regions.

Cities are hubs of economic development and a means of providing citizens with the conditions for pleasant housing, job opportunities and access to public services. As such, they can create the framework for social transformation.

ENSURE SOCIAL COHESION

Cities are developing solutions to create ties between individuals, encourage social diversity and strengthen affinities between communities. By supporting the development of durable infrastructure and ensuring good management of public services, cities encourage social diversity. They thereby contribute to making regions more attractive, and encourage employment growth.

IMPROVE QUALITY OF LIFE

When taken into account in urban policy for livable cities, citizens’ well-being becomes a key aspect of a region’s attractiveness. Such cities are also more concerned about their environmental footprint and their impact on resources.

ENCOURAGE DYNAMIC LOCAL ECONOMIES

Through its social incubator system, POP UP by Veolia, the Group encourages the development of start-ups in the local social and solidarity economy.

MAKE CITIES MORE PLEASANT TO LIVE IN

Veolia designs facilities where urban ecology and the art of living combine, such as T-Park in Hong Kong, the world’s largest wastewater sludge treatment plant. Self-sufficient in water and energy, and compliant with the most stringent environmental standards, the site also provides entertaining and educational activities for the general public.

GLOBAL POPULATION GROWTH

In 2050, the world’s population will reach 9.7 billion. This trend raises an important question about the policies and solutions needed to mitigate risks associated with this growth. It points to the need to reduce the environmental footprint of human activity.

The extraction of natural resources far exceeds the Earth’s biocapacity. A paradigm shift is needed to move away from the production and consumption regime that has been the norm since the Industrial Revolution.

MEET NEEDS WHILE REDUCING THE ENVIRONMENTAL IMPACT OF ACTIVITIES

Our communities must respond to the absolute necessity for energy efficiency and GHG emission reduction. The increased threat of water stress must prompt each of us to reduce water consumption. And the pollution caused by discharges from human activity must be reduced in order to limit their impact on people and ecosystems.

According to a report from the Ellen MacArthur Foundation, the circular economy could enable a net savings of raw materials of \$340 billion to \$630 billion in Europe alone.

EXTEND CIRCULAR ECONOMY PRINCIPLES TO CITIES AND INDUSTRY

For plastics, Veolia aims to structure a recycling and recovery industry to provide an alternative to virgin materials. The Group is now creating industrial sites for this in Europe and Asia.

TECHNOLOGICAL BREAKTHROUGHS

The digital transformation of the economy and practices is fast and omnipresent.

In response to stakeholders’ increasing demands, 51% of company heads are making extensive changes in the way their company uses technology.

These changes also affect cities. More connected and better managed, smart cities optimize the way that infrastructure is used and improve cities’ competitiveness, attractiveness and sustainability. More efficient and transparent, they are better attuned to their citizens’ new expectations for greater participation in how their city is managed.

MEET EXPECTATIONS FOR HIGH QUALITY SERVICE

The smart city empowers its citizens by providing them with more information. New technology helps improve cities’ operational performance, provides more opportunity for interaction with citizens and reduces the environmental footprint.

DIGITALIZATION TO HELP DECISION-MAKING

For industrial concerns, automated tracking of energy and water consumption costs is a differentiating factor in maintaining a competitive edge. Digitalization optimizes the way operations are tracked and improves the knowledge needed to make strategic decisions.

DEVELOP INNOVATIVE MODELS

With its partners (start-ups, data suppliers and urban service operators), Veolia is developing the Urban X range of digital solutions for urban citizens.

ENHANCE PERFORMANCE

Veolia’s smart technologies contribute to continuous improvement of operational performance: Hubgrade is the solution specifically designed to optimize the performance of water, energy and waste services operated by the Group on behalf of its municipal, business and industrial customers.

VEOLIA, A LEADER IN MEETING...

OUR STRENGTHS...

- Worldwide operations
- Lead positions in markets for global environmental issues
- 3 complimentary areas of business supported by global offers
- Balanced portfolio between municipal (54%) and industrial (46%) businesses
- Strong balance sheet: ratio of net debt to EBITDA of 2.4
- Presence in vibrant markets (Asia, North America and Latin America)
- 6 research centers, and an open innovation ecosystem created in 2010
- 168,800 competent, engaged employees
- Diversity of skills represented on Board of Directors
- Multicriteria ExCom remuneration system (including CSR criteria) comprised of short-, medium- and long-term components
- Recognized sustainable development strategy (RobecoSam sector leader)
- Partnership relationship with suppliers (CSR clause for 57% of contracts in the Group supplier database)

... FOR RESOURCING

MUNICIPALITIES

Veolia works for cities that are:

DESIGN:

- Facilities for the production of drinking water, energy and industrial utilities, and treatment and recovery centers
 - Distribution networks for water, heating, cooling and electricity, and collection systems for wastewater and waste

TREAT:

- Municipal water and wastewater treatment
- Industrial process water and wastewater treatment
- Hazardous and nonhazardous waste treatment
 - Site and facility decommissioning and cleanup

OPERATIONS AND PERFORMANCE

SALES AND BUSINESS DEVELOPMENT

RESEARCH AND INNOVATION

LEGAL AND ETHICS COMPLIANCE

HUMAN RESOURCES

FINANCE

PURCHASING

INDUSTRY

5 drivers for creating value for industrial customers:

IMPROVE ACCESS TO RESOURCES

7

RENEW

... 21ST CENTURY CHALLENGES

THE WORLD...

... AND CREATING VALUE FOR ALL

**RESILIENT
INCLUSIVE
SMART
CIRCULAR
LIVABLE**

SERVE:

- Produce, transport and distribute water and energy
- Collect municipal and industrial wastewater and solid waste
 - Urban and industrial cleaning services
 - Industrial utility services and facilities management

RECOVER:

- Energy produced from waste and wastewater
- Production of secondary raw materials and soil improvers
- Recovery of by-product energy and coproducts
- Reuse of treated wastewater

**RIGHT TO OPERATE
OPERATING EFFICIENCY
AND COST REDUCTION
FINANCIAL ENGINEERING
MAXIMIZING YIELD
BRAND IMAGE, CSR**

CONSERVE

CUSTOMERS	<ul style="list-style-type: none"> • RECOVER 65% recovery rate for treated waste • OPTIMIZE 73.7% efficiency rate of drinking water networks 87% energy efficiency of heating networks
EMPLOYEES	<ul style="list-style-type: none"> • SATISFACTION 86% manager commitment rate • TRAINING 72% of employees trained each year • SAFETY 34% reduction in accident frequency between 2012 and 2017 • REMUNERATION 37% of shareholder employees hold 1.57% of the share capital
REGIONS	<ul style="list-style-type: none"> • WEALTH CREATION 85.4% of expenditure reinvested in regions €12.2 billion procurements
SHAREHOLDERS	<ul style="list-style-type: none"> • REMUNERATION Return on investment: Current net income per share at December 31, 2017: €1.13 2017 P/E ratio: 18
USERS	<ul style="list-style-type: none"> • ACCESSIBILITY Number of people provided with services <ul style="list-style-type: none"> • 96 million for drinking water • 62 million for wastewater • 40 million for solid waste collection • 7.97 million people with water supply and 3.54 million with sanitation in countries with an access deficit 59% of customers on a progressive tariff contract • QUALITY 99.7% compliance rate for drinking water quality • OPTIMIZATION 5.1 million smart meters installed
PLANET	<ul style="list-style-type: none"> • ENVIRONMENTAL IMPACT REDUCTIONS €4.4 billion revenue from the circular economy 95.8% treatment efficiency of wastewater treatment plants (expressed in BOD₅) 44 million metric tons CO₂ eq. emissions reduced since 2015 18 million metric tons CO₂ eq. emissions avoided since 2015 78% of business units have produced a biodiversity conservation plan

TOWARD SUSTAINABLE GROWTH AND PERFORMANCE

Veolia began implementing a development plan in 2016 to work toward targeted, steady, profitable and sustainable growth. It builds on what has already been achieved in the company's transformation: refocusing on the most profitable geographic areas and businesses, significant debt reduction, a more integrated and reactive organizational structure, and a substantial cost-cutting program. The plan has two main thrusts – ongoing growth and improved operational efficiency – and is supported by a CSR strategy aimed at serving people without doing disservice to the environment.

TARGETED GROWTH IN PRIORITY MARKETS

Veolia is concentrating its development efforts on markets offering the greatest scope for growth and profitability primarily through organic growth projects. The ultimate aim is to work toward a portfolio that is equally balanced between municipal and industrial customers. For industry, Veolia has decided to focus its strategy on six growth markets and areas: oil and gas and chemicals; mining, metals and energy; food and beverage and pharmaceuticals; circular economy; difficult pollution; and management of end-of-life industrial facilities and equipment.

At the end of 2016, Veolia therefore strengthened its sales and marketing organization through introducing a structured approach to deploying its best products and services, strengthening its industry key account program, sharing the Group's expertise, and transferring skills through forming internal communities for market intelligence, development, key accounts and technical excellence. Small- and medium-sized bolt-on acquisitions extend the coverage of the portfolio of businesses into targeted geographic regions.

IMPROVE OPERATIONAL EFFICIENCY

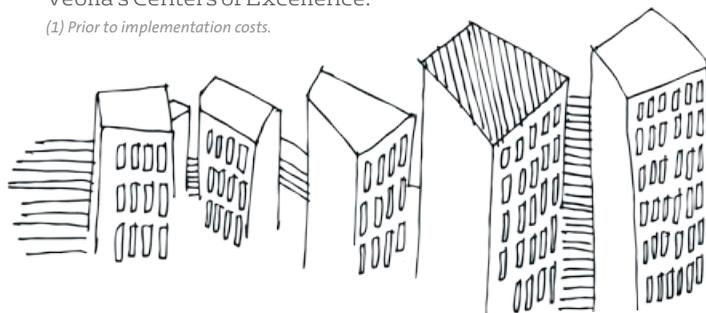
For the period 2016 to 2018, Veolia launched a new efficiency plan using a similar method to the previous one: identification of improvement projects in each country together with centralized monitoring. The initial objective was increased from €600-800 million gross additional savings⁽¹⁾ by 2018. In 2016 and 2017, savings of €245 million and €255 million were made respectively; for 2018, savings are expected to exceed €300 million.

The plan covers 3 key areas for improvement:

- purchasing;
- organizational costs;
- operations.

The operational efficiency improvement plan is based in particular on benchmarking operations and performance standards developed by Veolia's Centers of Excellence.

(1) Prior to implementation costs.



INTEGRATE SUSTAINABLE PERFORMANCE

Veolia's CSR strategy translates into **9 commitments** divided into 3 categories:

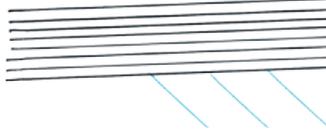
- **RESOURCING THE PLANET**, because Veolia's core business is the environment;
- **RESOURCING THE REGIONS**, because Veolia's business entails local approaches;
- **THE WOMEN AND MEN WE EMPLOY**, because our performance is dependent on their well-being.

The 9 commitments apply to all Veolia businesses, in all countries and to all employees. They are supported by the company's top management. They are steered under the responsibility of the various governance bodies and implemented by the operational teams. The 9 commitments are supplemented by 12 targets for 2020.

	9 COMMITMENTS	2020 TARGETS	2017 PERFORMANCE
ENVIRONMENTAL PERFORMANCE	STEER ENVIRONMENTAL PERFORMANCE	Deploy our internal EMS at 100% of our operational activities	51.1%
	1 SUSTAINABLY MANAGE NATURAL RESOURCES BY SUPPORTING THE CIRCULAR ECONOMY	Achieve €3.8 billion revenue in the circular economy	€4.4 billion
	2 CONTRIBUTE TO COMBATING CLIMATE CHANGE	<ul style="list-style-type: none"> • Over the 2015-2020 period, achieve 100 million metric tons of CO₂ eq. of reduced emissions and achieve 50 millions of CO₂ eq. of avoided emissions • Capture more than 60% of methane at landfills 	44 million metric tons of CO ₂ eq. reduced since 2015 18 million metric tons of CO ₂ eq. avoided since 2015 51%
SOCIAL PERFORMANCE	3 PROMOTE AN ECO-FRIENDLY APPROACH TO PRESERVE BIODIVERSITY	Carry out a diagnosis and implement an action plan at 100% of sites with significant biodiversity issues	54%
	4 BUILD NEW MODELS FOR RELATIONS AND VALUE CREATION WITH OUR STAKEHOLDERS	Have established a major partnership based on creating shared value in every zone and every growth segment	Examples of major partnerships signed: Danone, IBM, Huawei, CCSL, Livelihoods, Swiss Re
	5 CONTRIBUTE TO LOCAL DEVELOPMENT	Maintain expenditure reinvested in the regions above 80%	85.4% ⁽¹⁾
WORKFORCE-RELATED PERFORMANCE	6 SUPPLY AND MAINTAIN SERVICES CRUCIAL TO HUMAN HEALTH AND DEVELOPMENT	Contribute to the United Nations Sustainable Development Goals, in the same way as we contributed to the Millennium Development Goals	7.9 million people given access to drinking water and 3.54 million to sanitation
	7 GUARANTEE A HEALTHY AND SAFE WORKING ENVIRONMENT	Achieve an injury frequency rate of less equal to or below 6.5	9.55
	8 ENCOURAGE THE PROFESSIONAL DEVELOPMENT AND COMMITMENT OF EACH EMPLOYEE	<ul style="list-style-type: none"> • Deliver training to over 75% of employees annually • Maintain the manager commitment rate at over 80% 	72% 86%
	9 GUARANTEE RESPECT FOR DIVERSITY AND HUMAN AND FUNDAMENTAL SOCIAL RIGHTS	Ensure over 95% of employees have access to a social dialogue mechanism	89%

(1) Average calculated over the main geographic zones representing nearly 71% of revenue in 2017.

A COMPANY GUIDED BY EXPERTISE



The Board of Directors occupies a key position in Veolia's governance system. It is responsible for all matters concerning the smooth running of the company, such as deciding strategic directions, monitoring their implementation, approving the financial statements, appointing the chairman and setting the agenda for the Annual Shareholders' Meeting.

WHO ARE THE MEMBERS OF THE BOARD OF DIRECTORS?

At December 31, 2017, the Veolia Environnement Board had 17 directors, of whom 10 were independent, and 2 employee representative directors; two thirds of the Board are therefore independent directors, which exceeds the recommendations of the Afep-Medef⁽¹⁾ Code. With the exception of the employee representative directors, the members of the Board are appointed by the ordinary general meeting of shareholders for a period of four years upon a proposal by the Board on the recommendation of the Nominations Committee. Their term may be ended at any time on the decision of the general meeting of shareholders. Each director of the Board, except the employee representative directors, must own at least 750 Veolia Environnement nominative shares. Additionally, a representative of the Works Council attends the Board meetings on a consultative basis.

17
directors

2
directors representing employees

5
non-French directors

90.2%
average attendance rate in 2017

40%
female directors⁽²⁾

60
average age of directors

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

(2) Excluding directors representing the employees in accordance with the Afep-Medef Code.



THE BOARD OF DIRECTORS

In addition to increasing the number of women directors, the Board is committed to diversifying the profile, French and international, of its directors, while making sure that it includes a balanced representation of the company's different stakeholders. At December 31, 2017, around one-third of the Board directors were from countries other than France: United States, Canada, Italy, Qatar, and the Czech Republic.

BOARD DIRECTORS' EXPERTISE CHART

	EXPERIENCE IN VEOLIA'S BUSINESSES	INTERNATIONAL EXPERIENCE	INDUSTRY	R&D	BANK FINANCE	CSR	DIGITAL
ANTOINE FRÉROT	X	X		X	X	X	
LOUIS SCHWEITZER		X	X		X	X	
HOMAIRA AKBARI ⁽²⁾		X	X	X			X
JACQUES ASCHENBROICH ⁽²⁾		X	X	X	X		
MARYSE AULAGNON ⁽²⁾	X	X	X		X		
DANIEL BOUTON		X			X		
CAISSE DES DÉPÔTS ET CONSIGNATIONS, REPRESENTED BY OLIVIER MAREUSE			X		X		
ISABELLE COURVILLE ⁽²⁾	X	X	X		X	X	
CLARA GAYMARD ⁽²⁾		X	X		X	X	X
MARION GUILLOU ⁽²⁾		X		X		X	
PAVEL PÁŠA ⁽¹⁾	X					X	
BAUDOIN PROT		X			X		
QATARI DIAR REAL ESTATE INVESTMENT COMPANY, REPRESENTED PAR NABEEL AL-BUENAIN ⁽²⁾		X	X		X		
NATHALIE RACHOU ⁽²⁾		X			X		
PAOLO SCARONI ⁽²⁾		X	X		X		
GUILLAUME TEXIER ⁽²⁾	X	X	X		X		
PIERRE VICTORIA ⁽¹⁾	X					X	
EXPERTISE RATE	35.29%	82.3%	58.8%	23.5%	76.4%	41.1%	11.7%

(1) Employee representative directors.

(2) Independent pursuant to the Afep-Medef Code criteria.

FOUR SPECIALIZED COMMITTEES

The Board of Directors is assisted in conducting its business by 4 specialized committees:

- Accounts and Audit Committee chaired by Nathalie Rachou
- Nominations Committee chaired by Louis Schweitzer
- Compensation Committee chaired by Maryse Aulagnon
- Research, Innovation and Sustainable Development Committee chaired by Jacques Aschenbroich.

Their role is to assist the Board of Directors in conducting its business and preparing its deliberations (information, opinions, recommendations, etc.). Each committee has 3 to 6 members.

With the purpose of selecting candidates to renew the composition of the Board of Directors, the Nominations Committee presents to the Board its recommendations on the basis of the following criteria:

- management skills acquired in major French or non-French international corporations;
- knowledge of the company or its business sector;
- professional experience;
- financial and accounting expertise;
- expertise in the fields of CSR, RGD and technology.

THE SENIOR INDEPENDENT DIRECTOR

Maryse Aulagnon was appointed to this position effective from December 1, 2017, by the Board of Directors at its November 6, 2017 meeting.

Selected from among the independent directors, the Senior Independent Director helps the Chairman of the Board of Directors in his role of guaranteeing the smooth operation of the company's governance bodies. She may include an item on the Board's agenda. She is responsible for examining conflicts of interest that may arise within the Board of Directors, in particular, conflicts of interest that may involve Board members or 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. She submits recommendations to the Chairman and the Board after any necessary consultation with the other independent directors. The Senior Independent Director is informed of the concerns of major shareholders not represented on the Board regarding governance matters and ensures that such concerns are addressed. In the context of the assessment of the Board's operations pursuant to its internal regulations, the Senior Independent Director is particularly responsible for assessing the performance of the Chairman of the Board.

DIRECTORS REPRESENTING THE EMPLOYEES

Since October 2014, 2 directors represent the employees on the Board of Directors. Pierre Victoria was elected by the France Group Committee representing all the Veolia works councils in France. He is a member of the Accounts and Audit Committee and the Compensation Committee. Pavel Páša was elected by the Europe Group Committee representing Veolia works councils in Europe. He is a member of the Research, Innovation and Sustainable Development Committee.



REMUNERATE OVERALL PERFORMANCE

The compensation paid to the Chairman and Chief Executive Officer of Veolia is set in accordance with the principles of the Afep-Medef Code, to which the Group refers. The compensation package is reviewed and discussed by the Compensation Committee and then presented for approval to the Board of Directors. The Chairman and Chief Executive Officer's compensation paid or allocated for the previous financial year and the compensation policy applicable to him for the current financial year are decided by the Board of Directors following recommendations by the Compensation Committee. It is put to the vote by the shareholders as part of their "say on pay" role.

COMPENSATION STRUCTURE FOR THE EXECUTIVE DIRECTOR AND THE EXCOM MEMBERS

2017 AND 2018 FIXED COMPENSATION	2017 AND 2018 VARIABLE COMPENSATION CRITERIA	LONG-TERM INCENTIVE COMPENSATION PLAN KNOWN AS THE "MANAGEMENT INCENTIVE PLAN" IN 2017	2018 CHANGE TO THE LONG- TERM INCENTIVE COMPENSATION PLAN
<ul style="list-style-type: none"> • UNCHANGED SINCE 2015 • REVIEWED EVERY 3 YEARS PURSUANT TO RECOMMENDATIONS FROM THE COMPENSATION COMMITTEE 	<p>QUANTITATIVE SHARE (70%) ASSESSED ACCORDING TO FOLLOWING CRITERIA:</p> <ul style="list-style-type: none"> • Current EBIT (20%); • Net free cash flow (20%); • Organic growth in revenue (30%); • After-tax ROCE (30%). <p>QUALITATIVE SHARE (30%), ASSESSED ACCORDING TO FOLLOWING CRITERIA:</p> <ul style="list-style-type: none"> • Workplace health and safety; • Environmental performance; • Managerial performance; • Strategic aspects. 	<p>CO-INVESTMENT APPROACH:</p> <ul style="list-style-type: none"> • Personal investment in company shares in October 2014; • Allocation of a bonus in additional shares financed by the Group subject to performance (increased share price compared with acquisition price and current net income per share), calculated on three separate dates (March 2016, March 2017 and March 2018). 	<p>PROJECT TO ALLOCATE PERFORMANCE SHARES TO AROUND 700 GROUP MANAGERS, INCLUDING THE EXECUTIVE DIRECTOR</p> <ul style="list-style-type: none"> • Subject to approval by the general meeting of shareholders of April 19, 2018 <p>(Cf. Details in the 2017 Registration Document).</p>

ETHICS AND COMPLIANCE: SYSTEM REINFORCED

Veolia's compliance programs are designed to promote its values, while protecting it from legal action and risks to its reputation. These values and conduct rules incorporate the cultural diversity inherent in Veolia and are promoted among stakeholders. They are an integral part of the aim to build, day after day, an economy that serves people without doing a disservice to the environment. In early 2018, Veolia set up a Compliance Department. The aim of the new department is to make the Group more effective in the various areas of compliance and to ensure as best possible the rollout of measures introduced by France's Sapin II Law concerning transparency and combating corruption.

THE ETHICS GUIDE

In 2003, Veolia laid out its values for employees in the *Ethics, Conviction and Responsibility* program. This document is a conduct guide for all employees – at all levels and in all countries – setting out the Group's specific values and associated rules of conduct:

- RESPONSIBILITY;
- SOLIDARITY;
- RESPECT;
- INNOVATION;
- CLIENT FOCUS.

Renamed the *Ethics Guide* in 2013, it is supplemented by two appendices: the *Competition Law Compliance Guide* and the *Guide to Managing and Minimizing Criminal Risk Exposure in Group Operations*. All 3 documents are available on the Veolia intranet and internet sites. Translated into more than 15 languages, these guides are a reference for all employees, who are expected to conduct their work in full awareness of their rights and duties toward the company and its stakeholders. They are the guarantors of the Group's values. Veolia also backs its ethics program with recurring training and awareness actions for its employees worldwide.

THE ETHICS COMMITTEE

Created by the Executive Committee in March 2004, the Ethics Committee has 5 independent members. It is the guarantor of compliance with Veolia's fundamental values, which it ensures are shared by everyone at all levels in the company. The committee also receives and investigates alerts about ethics noncompliances that any employee or third party may submit to it in strict confidentiality. Each year, it reports on its business to the Board of Directors' Accounts and Audit Committee. On October 1, 2017, Veolia decided to appoint a qualified external expert as the committee's chair: Jean-Claude Magendie, first honorary president of the Paris Court of Appeal.



COMPLIANCE PROGRAMS AND ACTIONS

For several years, Veolia has been developing rules to combat corruption, money laundering, funding of terrorism, anticompetition practices, environmental damage, and human rights and privacy breaches. Veolia deploys Group-wide standards that undergo regular internal audits. These standards include a supplier charter, several internal procedures (operations for intermediation and the provision of commercial services, Group legal reporting, management of sponsorship and patronage, prevention and management of conflicts of interest, prevention of criminal liability, alerts and reporting in the event of fraud, etc.), and internal financial audit procedures.

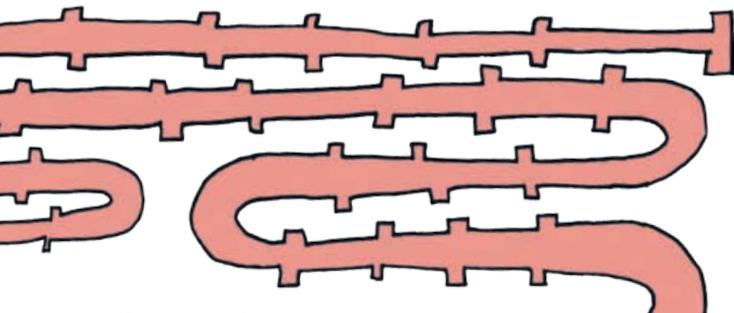
Until 2017, compliance issues (in particular training and awareness actions concerning competition law, prevention of criminal liability and corruption) were handled by the Legal Department. In a demonstration of its commitment to providing effective compliance and ethics policies and systems, Veolia created a Compliance Department in 2018 reporting directly to the Chairman and Chief Executive Officer. The aim of this new department is to strengthen the Group's compliance arrangements by developing systems to prevent and detect risky practices. The Compliance Department is independent from the Group's other departments and acts in a coordinated but autonomous manner in relation to the legal, risk and security procedures already in place.

Lastly, a coordination and steering unit headed by the Chairman of the Ethics Committee has been created. The role of this Compliance Committee is to ensure flawless implementation of compliance actions in the Group's various entities. Its members are the Director of Compliance, the General Counsel, and the heads of the Legal, Security, Internal Audit, Communications and Risk Management Departments.

SCOPE AND MISSIONS OF THE COMPLIANCE DEPARTMENT

The department's road map indicates three main missions:

- 1. STRENGTHEN COMPLIANCE CULTURE** within Veolia and in its relations with customers, partners, intermediaries, suppliers and subcontractors. The department has many tools at its disposal, such as compliance programs, training, and awareness courses. Its main task is to supervise compilation, updating and distribution of all necessary policies, procedures, guides, charters and codes.
- 2. DETECT ALL NONCOMPLIANCES** using several tools: noncompliance risk mapping, alerts relating to its scope of activity, reviews of Veolia's entities and its partners, additional enquiries coordinated by the Security Department.
- 3. PROCESS THE DISCOVERY OF ANY NONCOMPLIANCE ACT**, in liaison, if necessary, with the Legal Department and the relevant regulatory authorities (anticorruption, competition, financial markets, etc.), and propose any necessary corrective measures.



CREATING VALUE FOR ALL

Companies are now confronted with the need to revive trust in the components of their ecosystem. They need to explain their value-added because they are now expected to contribute to the common good. Given its mission of “Resourcing the world”, Veolia is able to put forward innovative collaborative solutions based on creating and sharing value with its various stakeholders. As expert observers of this approach, Maryse Aulagnon, Senior Independent Director of the Veolia Board of Directors, and Philippe Peuch-Lestrade, Strategic Senior Executive for the International Integrated Reporting Council (IIRC), present their viewpoints.



Creating shared value is central to Veolia's strategy.

In early 2018, Laurence D. Fink, CEO of the BlackRock investment fund, sent a long letter to the heads of the companies in which BlackRock had invested. He explained his vision of what a company is and his desire for new governance and investment criteria. “To prosper over time,

every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”

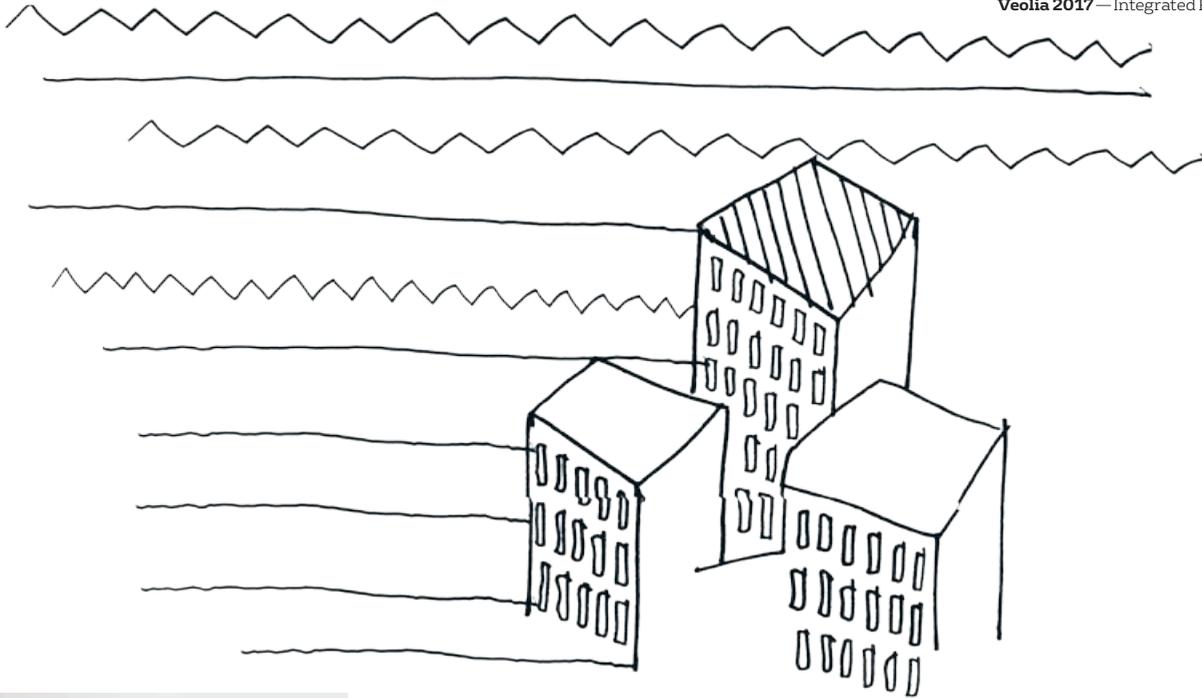
BlackRock is clearly inviting us to go beyond corporate social responsibility (CSR) standards, as it considers that a company's financial performance must go hand in hand with its social, societal and environmental “profitability.” Creating shared value is central to Veolia's strategy. It informs our goal of “Resourcing the world” and is embedded in our nine sustainable development commitments for 2015-2020: three for the planet, three for regions, and three for employees. However, above all, these commitments emerge from our businesses as a manager of environmental services for public-sector and industrial customers. During World Water Day on March 22, 2017, UN-Water, which coordinates all water-related actions within the United Nations, asked us to present our actions in Durban, South Africa, as part of the presentation of the world report on “Wastewater: The Untapped Resource.” Durban, a city of 3.5 million people, is confronted with growing pressures on its water resources. Under a public-private partnership, Veolia not only manages the wastewater treatment plant but sells treated

wastewater to industry for use in their manufacturing processes. The profit is shared with the municipality, which allocates the money to improve water access within its region. The contract includes a significant social clause covering diversity, local employment, training and skills transfer. The origins of this “shared value” experience are the trust established between the municipality and the company, an overview of the entire region and its difficulties, and a call for innovation – not only for technology, but also for social and contractual aspects. Only innovation can lead to doing more with less, which implies conserving resources while continuing to find answers to our customers' growing needs.

I am in no doubt that the creation of shared value will, in the near future, lead us to specify conditions for sharing between customers, shareholders, employees and the other stakeholders, especially regional authorities and suppliers. “A company's ability to manage environmental, social and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth, which is why we are increasingly integrating these issues into our investment process,” wrote the CEO of BlackRock. In February, it announced that it had exceeded the 5% threshold of ownership in Veolia's share capital.

Maryse Aulagnon,

Senior Independent Director of the Veolia Board of Directors



How do you view Veolia's mission of "Resourcing the world?"

Philippe Peuch-Lestrade: It sums up the mission Veolia has set itself: to do everything in its power to ensure its businesses respect natural resources — i.e., exploit them in a durable manner — as the starting point for guaranteeing community well-being. The company is not just a

production or distribution center; one perceives a major source of sociability and drive, and a growing need to find meaning. This pathway leads toward reconciliation, which was the theme of the recent discussions in Davos, "Creating a Shared Future in a Fractured World." Rather than presenting what has been achieved in the past, the trajectory of overall performance should be highlighted: financial, social, environmental and societal. This is the essential condition for the company's action to be considered as legitimate and sincere by public opinion, and an issue to which investors are now paying close attention.

What can a more far-reaching integrated-thinking approach bring to stakeholders?

P.P.-L.: Any overt integrated approach demonstrates the commitment of management bodies to innovate in two ways:

- explain their strategic directions, the balance they maintain between risks and opportunities, and the differentiation factors that create value;
- incorporate, with the involvement of the organization's major players across all businesses, more dialogue with stakeholders and new forms of working relations: intrapreneurialism, co-construction, networking, and so on.

This impetus contributes to a climate of trust, which in turn enables the engagement of all those who contribute to value creation.

In your opinion, what major challenges will Veolia face in the coming 20 years?

P.P.-L.: Like all leading players, Veolia is confronted with two major challenges:

- how to deal with the long and short terms. It will have to constantly adapt its organization so that, in the short and medium terms, it serves its long-term targets; day-to-day operational efficiency is the key to sustainable overall performance;
- it will also need to deal with the deep-seated changes in mentalities, technologies and regulations that are taking place in a world suffering the effects of climate change, violence and rampant population growth.

Committing to an integrated approach will allow Veolia to clarify its management of opposing forces. This will involve finding the right relationship between:

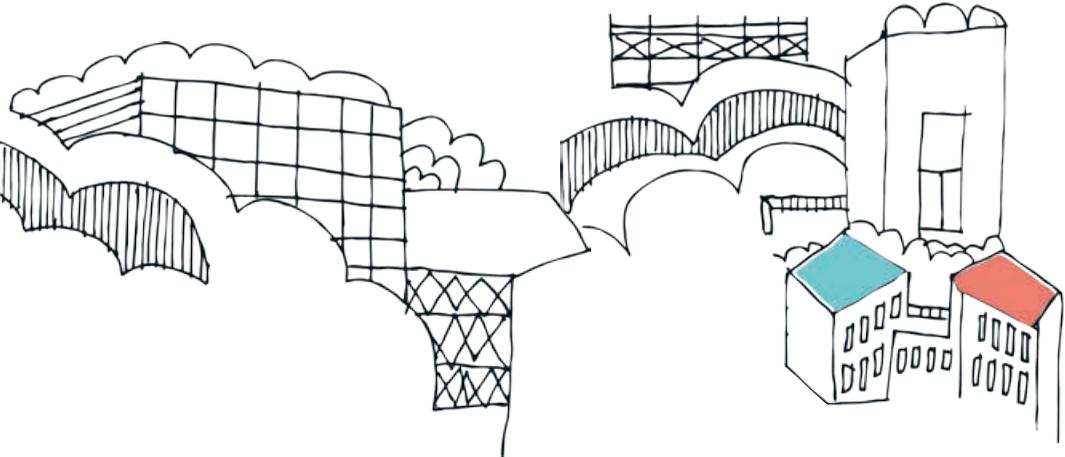
- strong financial performance while needing to inscribe the company's actions in the long term;
- its different internal and external components, which have to come together around a shared vision of the economic model, strategy, organization and governance.

Philippe Peuch-Lestrade,
Strategic Senior Executive, International Integrated Reporting Council

CREATING VALUE FOR MUNICIPAL CUSTOMERS...

Veolia deploys solutions to meet the needs of cities and is broadening an integrated approach to its business activities and solutions based around five main topics for value creation for cities. These topics are naturally complimentary and can be adapted to all geographic areas as the specific context demands.

	VALUE CREATED	APPROACH/MODEL	EXAMPLE(S)/RESULTS
THE RESILIENT CITY	<ul style="list-style-type: none"> • FORWARD-PLANNING FOR CRISIS SITUATIONS • INFRASTRUCTURE PERFORMANCE • SAVINGS • FASTER RETURN TO NORMAL POSTCRISIS 	<p>Help with long-term decision-making.</p> <p>Veolia and its partner, insurer Swiss Re, have introduced an all-inclusive process for assessing risk and prevention and strengthening measures to ensure cities' resilience.</p>	<p>NEW ORLEANS, NORTH AMERICA</p> <p>Over a period of 4 months, 30 Veolia and Swiss Re experts, in liaison with local stakeholders, examined 200 water, wastewater and storm water evacuation facilities in the city, to determine their vulnerability and recommend appropriate measures to improve their resistance to extreme events.</p>
THE LIVABLE CITY	<ul style="list-style-type: none"> • REDUCE THE ENVIRONMENTAL FOOTPRINT • INCREASE REGIONS' ATTRACTIVENESS 	<p>Maintain quality of life for residents; protect the environment and urban infrastructure.</p> <p>Particular attention is paid to biodiversity protection, upkeep of open spaces, air and water quality, use of renewable energy (biomass, biogas, etc.), and to reducing noise pollution generated by its business activities.</p>	<p>MÉTROPOLÉ EUROPÉENNE DE LILLE, FRANCE</p> <p>Ovilléo, a new-generation wastewater treatment plant, complies with high environmental standards (nitrogen and phosphate removal), in particular to protect water quality in the neighboring river.</p> <p>Located in the city center, the sources of emissions are kept under constant control at the plant to minimize odor problems for neighbors.</p>



THE DIGITAL CITY

- IMPROVE SERVICE PERFORMANCE
- OPTIMIZE INFRASTRUCTURE OPERATION
- REINFORCE SECURITY
- INCLUDE STAKEHOLDERS
- MANAGE THE CITY TRANSPARENTLY

Improving the level of services provided by the city to its residents, with 4 watchwords: speed of rollout, cost containment, cybersecurity and reliability.

As an example, the Hubgrade hypervision center enables municipalities to optimize management of their water and energy networks, to aim for improved environmental performance and to enhance their residents' quality of life.

HUBGRADE, THE SMART MANAGEMENT CENTER. Over 300,000 smart sensors send data in real time from thousands of sites to the Hubgrade centers installed around the world. The detailed analysis of this data is used to improve facility consumption.

For example, connecting the air quality analysis of a building with occupation data is used to continuously adjust the air-conditioning systems, thereby maximizing comfort and minimizing energy consumption.

THE INCLUSIVE CITY

- ACCESS TO SERVICES FOR THE MOST VULNERABLE MEMBERS OF THE COMMUNITY
- INCLUSION OF LOCAL STAKEHOLDERS
- IMPROVED SOCIAL SUSTAINABILITY IN THE CITY

Support economic and social initiatives through its presence and recognition of local stakeholders.

Take a solidarity approach to encourage access to essential services for the greatest possible number of people, in particular by tailoring customer service management to each user and deploying specific social and financial engineering solutions.

BANGLADESH

Veolia and Grameen Bank implemented a social enterprise project in cooperation with local communities and authorities, resulting in 6,000 people in Goalmari and Padua having access to drinking water.

WORLD

Worldwide, 59% of consumers provided with drinking water by Veolia have access to a progressive water tariff.

THE CIRCULAR CITY

- CONSERVE REGIONAL RESOURCES
- ENHANCE LOCAL SYNERGY
- TRANSITION TO A LOW-CARBON ECONOMY
- EASE ACCESS TO RENEWED MATERIALS

Offer operational solutions and new business models that encourage development of the circular economy within regions.

Renew resources by recycling materials, recovering renewable and recoverable energy, or transforming waste into compost or energy.

Conserve resources by reducing consumption, improving energy efficiency and adopting systemic approaches (eco-design, for example).

DURBAN, SOUTH AFRICA

Veolia is working with the municipality to conserve its water resources efficiently.

Recycling municipal wastewater for use by local industry means potable water can be reserved for domestic uses. As a result, 98% of water is recovered so that an additional 28,000 cubic meters of potable water is made available each day.

...CREATING VALUE FOR INDUSTRIAL CUSTOMERS

Industrial companies face crucial challenges for their growth: increasingly stringent environmental regulations, increasingly scarce resources, social acceptability of their activities, the need to contain production costs, and operational and reputational risks. Veolia has made a concerted effort to focus its industrial market growth strategy on 6 buoyant markets and business sectors.



	VALUE CREATED	APPROACH/MODEL	EXAMPLE(S)/RESULTS
CHEMICALS, OIL AND GAS	<ul style="list-style-type: none"> • RIGHT TO OPERATE • OPERATING EFFICIENCY AND COST REDUCTION • MAXIMIZING YIELD • BRAND IMAGE AND CSR 	<p>Meet the challenges around water and energy supply, waste treatment and performance for these industries. Veolia builds and operates treatment systems for input and output water and has a range of services tailored to the sector's specific needs. It treats process water, wastewater, cooling water and hazardous waste. It produces steam and electricity, optimizes facility energy efficiency, and recovers by-products and hazardous waste (solvents, oily sludge, etc.).</p> <p>The products and services provided by Veolia to the oil and gas sector in the United States were extended following the acquisition of Chemours' sulfur products division in 2016.</p>	<p>SINOPEC, CHINA</p> <p>China and Asia's leading refiner selected Veolia to manage the full water cycle at its Yanshan petrochemicals complex, near Beijing. The aim is to minimize the consumption of water and boost its recycling rate to reduce the site's water footprint and comply with local standards, which are the most stringent in the world.</p>
MINES, METALS AND ENERGY	<ul style="list-style-type: none"> • RIGHT TO OPERATE • OPERATING EFFICIENCY AND COST REDUCTION • MAXIMIZING YIELD • FINANCIAL ENGINEERING • BRAND IMAGE AND CSR 	<p>Improve its customers' operations and environmental asset maintenance while reducing costs.</p> <p>Veolia improves waste management to increase recovery of mineral by-products. By helping its customers minimize pollution and supporting them in postoperation management of their sites, it helps improve the environmental acceptability of projects. Veolia contributes its technology portfolio, operator expertise, global network, and its ability to work on isolated sites and provide finance.</p>	<p>NWWA, AUSTRALIA</p> <p>Veolia joined forces with an Aboriginal company to create the North West Waste Alliance (NWWA). This joint venture employs Aborigines to provide water, energy and waste services to local industrial concerns. This structure is helping support mining industries become socially and environmentally acceptable.</p>



**FOOD AND BEVERAGE,
PHARMACEUTICALS
AND COSMETICS**

- RIGHT TO OPERATE
- OPERATING EFFICIENCY AND COST REDUCTION
- BRAND IMAGE AND CSR

Help customers reduce their environmental impact by improving the performance of their water cycle and energy management, and recovering operation by-products. With its comprehensive range of integrated services that combine management and treatment solutions for water, waste and energy, along with its proprietary technology (anaerobic digestion of organic waste, for example), Veolia helps support the growth of businesses in these sectors.

UNITED STATES

Veolia and DanoneWave entered into a commercial agreement to manage and recycle waste from DanoneWave factories, with the stated ambition of developing advanced solutions for the circular economy, ending waste being sent to landfill, and reducing operational costs.

**CIRCULAR
ECONOMY**

- OPERATING EFFICIENCY AND COST REDUCTION
- BRAND IMAGE AND CSR

Veolia's offer is two-pronged:

- provide materials and products manufactured or recovered from waste, wastewater and by-product energy;
- design and implement customized solutions to help customers conserve and renew their resources (integrated resource management, multicustomer platforms, energy and electricity efficiency).

This will contribute to the emergence of local supply loops.

Also, Veolia has joined the Ellen MacArthur Foundation's "New Plastics Economy: Rethinking the future of plastics" initiative examining the future of this material across the entire value chain.

PLASTICS STRATEGY

Veolia defined a strategy to guarantee its industrial customers the supply of quality recycled plastics corresponding to their requirements and comparable to virgin materials. Veolia is forming partnerships with companies to intervene right from the design phase in order to make products easier to recycle and use as secondary raw materials, such as in France with SEB and the Ecosystèmes nonprofit for the collection of small household appliances.

**COMBATING HARD-
TO-TREAT
POLLUTION**

- RIGHT TO OPERATE
- OPERATING EFFICIENCY AND COST REDUCTION
- BRAND IMAGE AND CSR

Provide a global network of experts ready to intervene rapidly, a comprehensive range of technology and services to deal with difficult-to-treat effluent, hazardous waste and soil pollution in accordance with best standards and with the support of cutting-edge research programs.

Very active in Europe, Asia, the United States and China, Veolia is extending its presence in Africa and the Middle East, and Latin America through targeted acquisitions.

HAZARDOUS WASTE

Veolia applies recycling and regeneration solutions for many compounds and solvents, especially in the pharmaceutical and automobile industries. Using both evaporation and distillation processes, the product recovery rate is between 75% and 80%. The quality levels achieved for solvent regeneration are such that Veolia can provide a service that includes solvent provision, recovery of used solvents and solvent regeneration for return into the supply circuit.

**MANAGING INDUSTRIES'
END-OF-LIFE CYCLES**

- RIGHT TO OPERATE
- OPERATING EFFICIENCY AND COST REDUCTION
- BRAND IMAGE AND CSR

Develop a position across the entire value chain: decommissioning, compliance and materials recovery. Veolia stands out for its state-of-the-art technology for soil remediation, waste recovery and hazardous pollution treatment. Its project management expertise across the entire value chain also means it can provide comprehensive waste traceability.

DECOMMISSIONING

In partnership with Peterson, Veolia is providing a comprehensive oil platform decommissioning service covering decontamination, deconstruction, waste management and environmental services, together with logistics operations at sea and wharfside. At the Lutelandet site in Norway, Veolia is dismantling and recycling the 14,000 metric ton YME platform, while giving new life to precious metals, iron, steel and electrical equipment at the site. In the UK, at the Great Yarmouth site, Veolia is recycling 96% of the materials extracted from offshore platforms at end of life.

CREATING VALUE FOR OUR EMPLOYEES

Veolia has a responsibility to develop and implement an effective, ambitious model for its employees. That model has to be one that takes care of employees and unites them behind strong values, while paving the way for their future as well as that of customers. To ensure its employees' well-being and fulfilment, human resources are based on the Group's 5 values of responsibility, solidarity, respect, innovation and customer focus. Veolia's overall performance depends on its ability to attract and retain talented individuals.

VALUE CREATED	APPROACH/MODEL	EXAMPLE(S)/RESULTS
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">IMPROVING THE HEALTH AND SAFETY OF ALL</p> <ul style="list-style-type: none"> • EMPLOYEE AND SUBCONTRACTOR SAFETY • IMPROVED RELATIONS WITH CUSTOMERS 	<p>VEOLIA'S CONTINUOUS IMPROVEMENT APPROACH to health and safety is the responsibility of the Chairman and CEO, who is the sponsor of a dedicated CSR commitment. It is divided into 5 specific areas:</p> <ul style="list-style-type: none"> – involve the entire managerial line; – train and involve all other employees; – improve communication and dialogue; – improve risk management by identifying, assessing and mapping risks; – monitor performance. <p>A HEALTH AND SAFETY CENTER OF EXCELLENCE provides the Executive Committee with a health and safety road map. Its members are experts from all countries in order to ensure consistency and coordination between zones and by country.</p> <p>THE HEALTH AND SAFETY MANAGEMENT SYSTEM is based on:</p> <ul style="list-style-type: none"> – mapping risks, analyzing the causes and circumstances around accidents, near-accidents and occupational diseases; – ensuring action plans are implemented following audits. 	<p>INTERNATIONAL HEALTH AND SAFETY WEEK: in 2017, this 3rd week focused on:</p> <ul style="list-style-type: none"> – managing high-risk activities; – promoting 5 new safety standards (now making a total of 10) for electrical risks, use of high-pressure water, lifting operations, working at height and ensuring facility safety. <ul style="list-style-type: none"> • More than 56% of employees had received safety training in 2017 • 3.78% reduction in the number of lost-time workplace accidents (2010-2017) • 9.55: workplace accident frequency in 2017 (direct employees) <p>MANAGEMENT OF SUBCONTRACTORS IN THE UNITED KINGDOM</p> <p>To promote the internal procedure for managing subcontractors, a video about the specific risks and safety rules applicable at Veolia sites has been included in the welcome pack for subcontractor company operators. The video is screened every 6 months and operators must watch the video again each time they begin work at a new site. To ensure a sound level of understanding, operators must achieve a score of 8/10 in the questionnaire after viewing the video. Failing which, they must watch the video again and repeat the test. In the event of a second failure, the operator is refused authorization to enter the Veolia site.</p>

DEVELOPING SKILLS

- IMPROVED EMPLOYABILITY
- IMPROVED OPERATIONAL EFFICIENCY
- ATTRACT AND RETAIN TALENTED INDIVIDUALS

A COMPREHENSIVE CAREER MANAGEMENT SYSTEM

Veolia seeks to attract, train and retain its employees at all qualification levels and in all areas where it operates. It relies on a comprehensive career management system: talent management team, performance assessment model, and job mobility and recruitment assistance tools, such as its dedicated committee and career portal.

AN AMBITIOUS TRAINING POLICY

Main challenges:

- support Veolia’s strategy;
- support Veolia’s performance and business development;
- constantly adapt skills to increasingly complex businesses, in particular by training employees in new and digital technology;
- encourage career development.

As part of its commitment to sustainable development, Veolia aims to provide training to more than 75% of its employees each year.

Veolia provides training for everyone through diploma-track courses, its special-purpose training centers, educational partnerships and manager pathways.

For Veolia, work-study programs are an ideal way to train employees in its businesses, especially under apprenticeship and professional development contracts. Work-study is a key recruiting tool for helping young workers into stable employment.

The number of employees having benefited from at least one training course in the year was 72% in 2017.

- More than 2.6 million hours of training provided.

JIVE: these 3 annual sessions are designed for managers hired, promoted or joining Veolia in all its businesses and countries. Based on discussions with professionals in the field, site visits, meetings with executives and so on, the sessions are an opportunity for everyone to build an internal and international network and to take up Veolia’s cultural values. In 2017, more than 600 managers took part, of whom 50% were non-French and 35% were women.

The network of Veolia campuses is active in 9 countries. It includes 14 centers covering two-thirds of the regions where the Group operates and provides more than 2,470 training courses.

PANGEO is a program providing an international experience lasting 12 to 24 months for talented individuals aged under 28. It enables Veolia to create a multicultural pool of employees trained in its areas of business. The program largely relies on VIE (volunteering for international experience) contracts. Since 2015, almost 150 contracts have been signed with young people, of whom 38% have been women. In 2017, 72% of participants received a job offer from Veolia at the end of their contract.

WORK-STUDY

At the end of 2017, Veolia had almost 2,400 work-study contracts, including 1,400 in France, more than 400 in the United Kingdom, 300 in Germany and almost 100 in Colombia.

SHARING PERFORMANCE

- IMPROVED ENGAGEMENT
- IMPROVED ATTRACTION

EMPLOYEES’ INTERESTS ALIGNED WITH VEOLIA’S STRATEGY

The bases for this commitment are:

- a balanced, shared remuneration policy;
- welfare benefits tailored to each country;
- profit-sharing agreements that take into account Veolia’s financial and nonfinancial performance;
- a concerted employee share-ownership policy.

Gender respect for equal qualifications and job responsibilities.

EMPLOYEE SHARE OWNERSHIP

In 2015, an operation was presented to around 111,000 employees in 20 countries. The overall subscription rate was 26.3% and exceeded 65% in several countries, such as South Korea (100%), the Czech Republic (92%), Hong Kong (82%), Hungary (82%), China (80%) and Slovakia (68%). At the end of 2017, 37% of employees were shareholders, holding 1.57% of the company’s share capital.

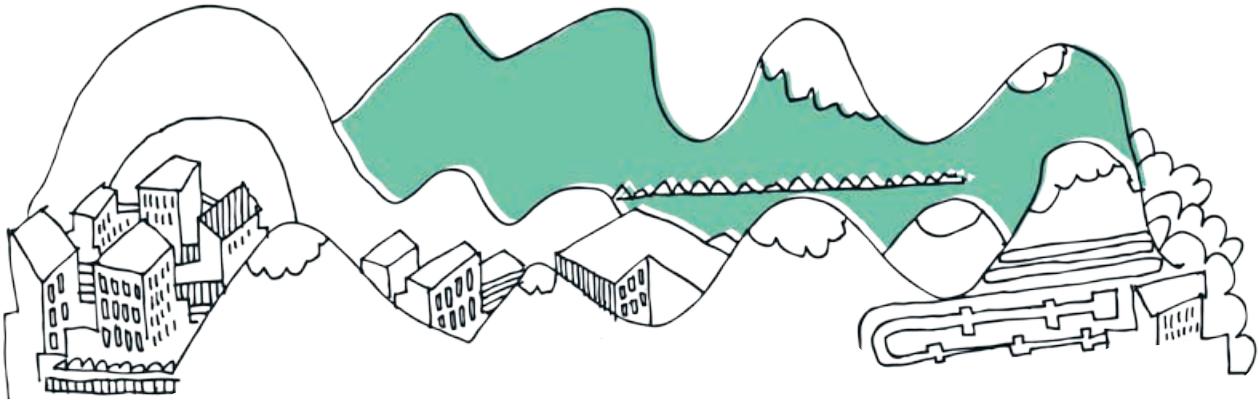
The average annual gross compensation for all Group employees was €32,870 in 2017. The average annual gross compensation for men was €33,584 in 2017, while that of women was €29,853, representing an average difference of €3,731.

Between 2013 and 2017, Veolia reported a reduction of more than 8% in the average difference between men’s and women’s compensations.

CREATING VALUE FOR REGIONS

Veolia contributes to the attractiveness and dynamism of regions by implementing socially and economically efficient solutions. These initiatives create shared value for the local population, end-users, suppliers and subcontractors with economic and social benefits for the entire system.

VALUE CREATED	APPROACH/MODEL	EXAMPLE(S)/RESULTS
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">ENCOURAGE ACCESS TO SERVICES FOR AS MANY PEOPLE AS POSSIBLE</p> <ul style="list-style-type: none"> • SUPPLY OF ESSENTIAL SERVICES • SUPPORT FOR PEOPLE EXPERIENCING HARDSHIP 	<p>Veolia has developed solutions adapted to each local context that ensure access to quality services. For example, EXPERTISE ACCESS (technical, financial and institutional or societal and client engineering) represents a suite of solutions developed initially for access to water in Africa. It is now provided in all countries for all services.</p> <p>Veolia is in favor of policies to help people experiencing hardship and/or the most underprivileged neighborhoods. It works with local government authorities to develop new ways for people to access and pay for services.</p>	<p>Between 2000 and 2017, an additional 7.96 million people were given access to drinking water by Veolia and 3.5 million were provided with sanitation in countries with an access shortfall.</p> <p>Veolia deploys SOCIAL SUPPORT PARTNERSHIPS FOR PEOPLE IN DIFFICULTY AND MEDIATION SERVICES in liaison with nonprofits (e.g., in France with PIMMS and Voisins Malins, and in Latin America with dedicated services for relations with consumers and stakeholders, especially in the most underprivileged neighborhoods).</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">IMPLEMENT RESPONSIBLE RELATIONS WITH SUPPLIERS</p> <ul style="list-style-type: none"> • CONTINUOUS IMPROVEMENT APPROACH TO SUSTAINABLE DEVELOPMENT PERFORMANCE 	<p>CSR requirements have been progressively integrated into contracts with suppliers in a specific clause since 2004 and regularly updated.</p> <p>AN EVALUATION SYSTEM enables Veolia to measure the CSR performance of its strategic suppliers using procurement risk mapping. Supplier documentary audits are conducted by an independent provider. They examine 21 environmental, social, ethical and supplier relations criteria.</p>	<p>57% of active contracts in the Veolia contract database include sustainable development clauses.</p> <p>Purchasing expenditure in 2017 with sheltered-employment organizations totaled €8.8 MILLION (France only).</p>



CONTRIBUTE TO THE VITALITY OF THE LOCAL ECONOMY

- ATTRACTIVENESS
- VITALITY OF LOCAL ECOSYSTEMS
- INTEGRATION, QUALIFICATIONS AND EMPLOYMENT

VEOLIA'S INVOLVEMENT is reflected in economic partnerships with numerous regional actors, local stakeholders, and company creation and innovation support mechanisms.

The **VEOLIA INNOVATION ACCELERATOR** for open innovation helps detect and integrate external solutions, which provide value-added to Veolia's products and services, create new services or improve environmental risk management.

Veolia supports **PROJECTS ENCOURAGING SOCIAL ENTERPRISE** at the regional level, in particular through collaboration with social and solidarity economy stakeholders. These systems combine innovative approaches with support methods as well as the benefit of Veolia's regional coverage, to encourage entrepreneurialism and improve companies' performance and long-term viability.

Direct or indirect employment linked to Veolia's business is by nature nonrelocatable and in many cases accessible to people with limited qualifications. The Group acts as a responsible local employer, an actor in economic and solidarity development through:

- priority given to work-study programs for external recruitment;
- integration through economic activity;
- the creation of bridges to employment within the **CAMPUS VEOLIA** network and with employment professionals in order to prepare young people alienated from the workplace;
- combating discrimination and supporting employment of people with disabilities.

The **VEOLIA FOUNDATION** supports initiatives and structures that encourage the long-term unemployed back into work. The beneficiaries of these projects are mainly young people in difficulty, long-term unemployed, and welfare recipients.

85.4% of Veolia's expenditure was reinvested in regions in 2017 (calculation based on geographic areas representing 71% of revenue).

In 2016, Veolia Germany introduced the **U-START PROGRAM** in partnership with recognized European incubators to encourage innovation with start-ups specializing in the circular economy, climate protection and resource efficiency.

By the end of 2017, 7 start-ups had joined the program.

In France, under the partnership with **ELISE**, office waste is collected and sorted by ELISE, then converted by Veolia into recycled raw materials sold to local industrial concerns, thereby developing local circular economy loops. This partnership will gradually be extended to all regions of France through 50 sites. By 2020, it expects 300 jobs to be created for disabled employees or people experiencing difficulties in entering the workforce.

POP UP BY VEOLIA is a complete approach to creating social enterprise incubators. Following a call for projects, the entrepreneurs are coached and networked. They benefit from the support and expertise of Veolia employees. Pop Up now operates in 5 regions in France and Mexico.

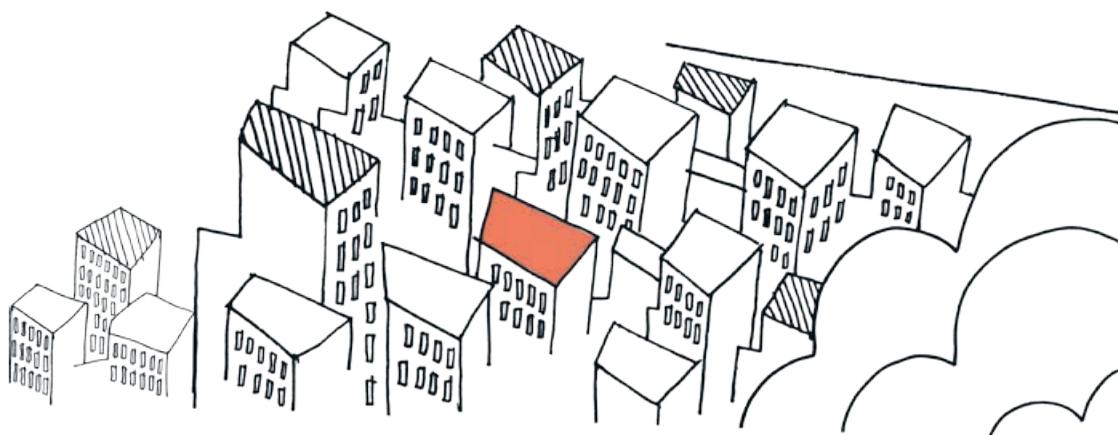
IN THE UNITED KINGDOM, the partnership with the employment integration structures Blue Sky and Jobcentre Plus, aims to get marginalized people back into work. Some 8% of operational staff, i.e., 102 employees, have been hired from among marginalized groups.

In France, the Veolia Foundation works alongside **LULU DANS MA RUE**. These local job banks connect people who need a small job doing with someone able to do the work, thereby providing the "Lulus" with income from their activity as well as an opportunity to break free from their isolation.

CREATING VALUE FOR SHAREHOLDERS

The demand for high-value-added environmental services is increasing, resulting in growth opportunities worldwide. Veolia creates value through expert, innovative solutions. The Group has comprehensively transformed its organization so as to respond better to its customers' needs and to be more profitable, especially through ongoing efforts to improve margins.

	VALUE CREATED	APPROACH/MODEL	EXAMPLE(S)/RESULTS
GROWTH AND EFFICIENCY	<ul style="list-style-type: none"> • REVENUE GROWTH 	<p>The 2016-2018 plan aims in particular to increase the efficiency of revenue growth. To pick up the pace, Veolia has strengthened the organization of its sales and marketing teams to focus more on industrial customers.</p>	<p>The Global Account Management (GAM) program aims to boost the volume of business with several strategic accounts that have significant potential and require sales and marketing leadership, tailor-made value proposals and a structured approach.</p> <p>Additional sales and marketing resources of €40 MILLION were allocated in 2017 to consolidate this business drive.</p>
	<ul style="list-style-type: none"> • IMPROVED OPERATIONAL EFFICIENCY 	<p>For the 2016-2018 period, the efficiency plan uses a similar method to that of the previous one: identification of improvement projects by the countries and central supervision. The initial aim was €600-800 million additional gross savings by 2018. The plan has 3 main improvement thrusts:</p> <ul style="list-style-type: none"> • purchasing; • overheads; • operations. <p>Operations benchmarking, performance standards developed by the centers of excellence, and an internal information-sharing platform contribute to improving operational efficiency.</p>	<p>€255 MILLION REDUCTION IN COSTS IN 2017, which was above the €250 million target.</p> <p>Among the purchasing policy improvements, particular attention was paid to rationalizing subcontracting and energy and chemical product procurements.</p> <p>The CREATION OF A SINGLE HEADQUARTERS in Aubervilliers, just outside Paris, and a reduction in IT system costs will enable Veolia to reduce its overheads. The move into the new headquarters, V, resulted in halving lease costs.</p> <p>By working to improve the efficiency of drinking water networks, optimizing sludge management and facilities' energy efficiency, Veolia is continuing with its measures to improve operational performance.</p> <p>Under the OPERATORS PRIORITIES PROJECT, each operational entity compiles and updates an optimization plan shared with its peers.</p>



<p style="writing-mode: vertical-rl; transform: rotate(180deg);">CONSTANT COMMUNICATION</p> <ul style="list-style-type: none"> • ACCESSIBLE, TRANSPARENT INFORMATION 	<p>A system for shareholders and investors provides them with regular access to all financial information and news about Veolia. Meetings and presentations are held specifically for institutional investors. Each new strategic plan is presented directly to investors.</p>	<p>Shareholders' Club. Consultation committee of individual shareholders. ALMOST 1,000 INVESTORS ATTENDED MEETINGS in 2017. 80 DAYS of investor meetings held each year. Investors Day in December 2015 to present the 2016-2018 strategic plan.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">REMUNERATION</p> <ul style="list-style-type: none"> • SHAREHOLDER REMUNERATION 	<p>Veolia aims to increase the dividend at a pace comparable to that of current net income. Veolia generated free cash flow for the 3rd year running, enabling it to distribute dividends, after investments, to shareholders without increasing debt. RETURN ON CAPITAL EMPLOYED is increasing at a regular rate of 0.5% a year.</p>	<p>For the period 2014-2017, €2.8 BILLION NET FREE CASH FLOW was produced, 80% of which was paid out in dividends. In 2017, the dividend was again increased by 5% to €0.84 per share, taking the total increase to 20% in 3 years. 8.4% RETURN ON CAPITAL EMPLOYED IN 2017 for an average cost of capital employed of 5.8%.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">CREATION OF SUSTAINABLE VALUE</p> <ul style="list-style-type: none"> • LONG-TERM INVESTMENT ENHANCEMENT 	<p>Through its products and services, which contribute to decreasing its customers' environmental footprint, Veolia is seen as a partner of choice for municipalities and industry.</p>	<p>RECOGNIZED NONFINANCIAL PERFORMANCE: in 2017, Veolia was included in the Dow Jones Sustainability World Index and Dow Jones Sustainability Europe Index as a sector leader.</p>

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