Subject: letter to Veolia shareholders from Mrs Maryse Aulagnon, Senior Independent Director and Chairman of the Compensation Committee.

Dear shareholder,

In the context of the shareholder engagement campaign that has started this year, I wish to provide you with specific clarification of the key factors underlying **resolutions 12** (the "ex post" vote on the compensation paid or allocated to Mr. Antoine Frérot, Chairman and Chief Executive Officer, in respect of fiscal year 2020), and **9, 10 and 11** (amendment of the economic performance criterion of the performance share allocation plans 2018-2019 and 2020) on which you are asked to vote. Insofar as necessary, the key factors underlying these draft resolutions clarify the decisions that have been taken by the Board of Directors on the proposal of its Compensation Committee:

1. **<u>The 2020 variable compensation of the Chairman and Chief Executive Officer and its link to the company's performance</u>:**

- **Reminder of the context:** the exceptional health crisis caused by Covid-19 obliged the company to suspend its financial targets at the beginning of April 2020. Consequently, the Board decided that it would revise the 2020 budget when the accounts for the 1st half were settled, and that the quantitative financial part of the 2020 bonus of the Chairman and Chief Executive Officer and management executives would be determined on the basis of new updated targets. Following its meeting on July 29, 2020 and in the context of the uncertainty as to how the crisis would develop, the Board informed the market of ambitious guidelines for 2020, announcing a "return by Q4 2020 to an operational performance at a level equivalent to that of 2019, and a start to the fiscal year 2021 having erased the stigma of the health crisis".
- **Veolia's performance in the second half of 2020 was, in particular, as follows:**

a) <u>commercial performance</u>

- Essential services were maintained throughout the world, including during the periods of strict lockdown that were experienced in all geographical areas (Veolia was the "second line");
- The industrial activity lost in the first half was regained by a recovery of the business in the second half, in particular thanks to development operations.

b) <u>economic performance</u>

- The plan to make recurring annual savings of €250 million per year was maintained, and, in spite of the crisis, was supplemented by a further savings plan ("Recover and Adapt") of €250 million in the last seven months of the fiscal year 2020. The target set by these plans was eventually exceeded (with total savings of €550 million);
- The budgetary targets set by the Board of Directors at the end of July 2020 reflected a strong ambition and were based on assumptions that did not take a second wave of the pandemic into account;
- The economic targets set by this budget were achieved or even exceeded in spite of the second wave of the pandemic that occurred in the second half. In fact, the results announced to the market on February 25, 2021 showed that the results for the 4th quarter were higher than in 2019, and that the targets announced at the end of July 2020 had been exceeded.

c) <u>social performance</u>

- It will be recalled that Veolia did not make any staff redundant as a result of the health crisis. Furthermore, exemplary support measures were put in place to offset or limit its impacts. These measures were adapted according to the national arrangements made by governmental authorities in the various countries concerned: thus, in France, short-time working was paid at a rate of 100% for the employees, with on-site bonuses.

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- Robust measures were taken to protect employees' health, in particular with the systematic introduction of testing arrangements, individual protective equipment and sanitary protocols. It should be noted that the 2020 results for the "safety at work" metric of Veolia's "multi-faceted performance" show an improvement compared to those of 2019 (a rate of 6.6 compared to 8.12);
- The survey of the commitment of Group employees carried out by an independent body (the company Ipsos) shows exceptionally high results in terms of satisfaction, which reflect the fact that social cohesion was strengthened during the health crisis;
- The rate of subscriptions for the 2020 employee shareholding plan reached a historically high level and the percentage of the employees' stake in the Company's capital doubled, from 2% to 4%.

d) **multi-faceted performance and the strategic "Impact 2023" program**

- Veolia's multi-faceted performance targets linked to its "purpose", which had been announced in the context of the strategic plan Impact 2023, have not been changed as a result of the health crisis. It will be recalled that these targets are included in the calculation of the short- and long-term variable compensation of the Chairman and Chief Executive Officer and management executives.
- The level of ambition has been preserved, both for the long-term and short-term targets, with the exception of the training criterion, where the 2020 results were at lower level than in 2019, due to the absence of many employees from their workstations (due to lockdown and telecommuting), however the ambitious target for 2023 remains unchanged.

e) **strategic performance**

In the 2nd half of 2020 Veolia acquired 29.9% of the capital of Suez from Engie, and this was followed on February 8, 2021 by the launch of a public takeover bid for the company's capital, putting into effect a major strategic plan to merge with this competitor.

➢ Against this background, the Board, at its meeting on March 9, 2021, determined that the rates of achievement of the bonus criteria were as follows:

Table summarizing the determination of 2020 variable compensation

Criteria	**Weighting**	**Percentage payment of the basic target bonus**	**Amount** *(in euros)*
Quantifiable financial (1)	50%	143.41%	702,709 (*)
Quantifiable non-financial (1)	30%	122.74%	360,841
Qualitative	20%	160.00%	313,600
TOTAL VARIABLE COMPENSATION 2020	**100%**	**140.52%**	**1,377,150 (*)**

(1) Details of the rate of payment of the quantifiable financial and non-financial parts appear in section 3.4.1.1.2 of the Universal Registration Document 2020 (p. 148).

(*) Quantifiable financial part reduced to €491,896 and total variable compensation 2020 reduced to €1,166,337 after the Chairman and Chief Executive Officer waived 30% of the quantifiable financial part.

The Board considered that this rate of achievement reflected the business's overall performance in the difficult circumstances of the health crisis as well as the decisive role played by the Chairman and Chief Executive Officer and his management teams in the spectacular and encouraging turnaround seen in the second half. It is recalled that **at its meeting on July 29, 2020, the Board of Directors had decided, on a proposal from its Compensation Committee, that the 2020 variable compensation of the Chairman and Chief Executive Officer could not in any event exceed the amount of his 2019 variable compensation, namely €1,206,684. In spite of achieving and exceeding the ambitious targets set by the 2020 budget, as revised by the Board of Directors on July 29, 2020, Mr. Antoine Frérot unilaterally decided to waive 30% of the quantitative financial part of his 2020 bonus so as to align himself with the efforts required from the Group's stakeholders and particularly from its shareholders. Consequently, after taking this unilateral decision of Mr. Antoine Frérot into account,**

his total variable compensation (quantifiable and qualitative parts) is therefore reduced to €1,166,137 from €1,377,150 in respect of fiscal year 2020.
It will be noted that the fairness ratio of the Chairman and Chief Executive Officer has gone down compared to that of 2019 (France 2020 median of 65 compared to 66 in 2019).

2. **The 2020 variable compensation of the Chairman and Chief Executive Officer and its link with the merger project with Suez**

The 2020 compensation of Mr. Antoine Frérot, Chairman and Chief Executive Officer, does not specifically take into account the launch of the major merger project with Suez which took place from August 2020. The launch of this major project is a simple component of the qualitative part of the 2020 bonus. This major and difficult project led to great mobilization of Mr. Antoine Frérot and his management teams. Therefore, it should be noted, that neither for 2020, nor in the 2021 compensation policy, there is any exceptional or specific compensation for carrying out this project, which creates value for Veolia shareholders. The press release of April 12, 2021 announcing the conclusion of an agreement in principle on the main terms and conditions of a merger entered into between the two Board groups was warmly welcomed by the market and on this occasion, Veolia's share price rose by 9%.

3. **The adjustments made to the 2018-2019 and 2020 performance share plans**

In resolutions 9, 10 and 11, the Board proposes that the Shareholders' Meeting on April 22, 2021 approve the adjustment of the economic performance criterion (current net income attributable to owners of the company ("CNIGS")) of the 2018, 2019 and 2020 performance share plans (the "LTIP") together with a corresponding reduction in the number of performance shares allocated to the Chairman and Chief Executive Officer, also applicable to the other beneficiaries of these plans. The other performance criteria of these plans remain unchanged.
The appendix to this letter contains a table summarizing the adjustments made to the financial targets of the economic performance criterion of the 2018, 2019 and 2020 plans, whose relative weighting is decreasing (100% in 2018, 50% in 2019 and 25% in 2020). The relevant details also appear in section 3.4.3.1 of the Company's URD 2020 (p. 160 *et seq*.)

With respect to the LTIP 2018, it is recalled that the whole of this plan is subject to a single condition based on the increase in CNIGS, and that the market was informed of the adjustment to the financial target of this plan on April 1, 2020. At its meeting on April 1, 2020, the Board of Directors decided, on the recommendations of the Compensation Committee and in order to take account of the exceptional circumstances caused by the Covid-19 pandemic, to amend this economic performance target by neutralizing the fiscal year 2020 and reducing the number of share rights allocated by one third. After this adjustment, the original number of performance shares allocated was reduced to 1,154,303, including 32,865 shares for the Chairman and Chief Executive Officer. The plan's maturity date remains unchanged (May 2, 2021).

With respect to the LTIP 2019 and 2020, the adjustment only affects the financial criterion (the targets and weightings of the other criteria remain unchanged), and the relative weighting of this criterion in the total allocation is decreasing (50% and 25%, respectively). As for the 2018 plan, the purpose of this adjustment is to keep all the staff motivated in an environment that remains uncertain and difficult, while reflecting the impact of the crisis: in consideration of this, the size of the allocation in respect of this criterion is reduced by one third for each of these plans. After these adjustments, the original number of performance shares allocated in respect of the 2019 and 2020 LTIPs are thus reduced, in the case of the 2019 plan, to 942,764 including 39,518 shares for the Chairman and Chief Executive Officer, and in the case of the 2020 plan, to 1,016,987 including 47,662 shares for the Chairman and Chief Executive Officer.

With respect to the proposed 2021 LTIP and in order to avoid any windfall effect, which would allow advantage to be taken of the impact of the health crisis on the 2020 results and would make the targets to be achieved less demanding, the Board has decided, on the recommendations of the Compensation Committee, to take the year 2019 (and not 2020) as the baseline for determination of the performance targets.

Conclusion: in the exceptional context caused by the Covid-19 pandemic, the Board, on a proposal from the Compensation Committee, took the view that the elements relating to the fiscal year 2020 were not representative of the Group's overall performance during the reference period of these plans and would have a

disproportionate impact by resulting in the loss of all rights under this criterion for all beneficiaries who had been asked to do so much to get the company through the health crisis and turn its performance around.
Consequently, on a proposal from the Compensation Committee, the Board of Directors decided on March 9, 2021 to **neutralize the fiscal year 2020** when calculating the achievement of the company's sole economic performance criterion, and to **reduce, by the same proportions as that criterion, namely one third**, the number of share rights in the process of being acquired in respect of that economic criterion (namely a reduction of 16.66% for the 2019 performance share plan, and of 8.33% for the 2020 performance share plan). This adjustment is intended to align the interests of the shareholders with those of the beneficiaries of these plans, who have been working hard to restore the company's post-health crisis performance. ***This decision taken by the Board to adjust these plans, on the proposal of the Compensation Committee, appeared to the Board to be balanced in consideration of the ambitious targets and financial results aimed at returning to and exceeding the company's performance achieved "pre-crisis" in 2019.***
These adjustments are also in line with the following targets that Veolia has set itself for 2021 (at constant exchange rates):

- Revenue in excess of that of 2019 thanks to sustained organic growth;
- EBITDA in excess of €4 billion;
- Net debt of less than €12 billion and a leverage ratio of less than 3x;
- A return to the pre-crisis dividend distribution policy as early as fiscal year 2021.

In summary, the purpose of these adjustments was to achieve a fair balance between motivation, loyalty and discipline, while reflecting the impact of the crisis on the rates of acquisition.
In addition to the link between the financial and operational performance of the company in order to successfully manage the "exit" from the exceptional health crisis of Covid-19, the amount of the 2020 bonus for the Chairman and Chief Executive Officer must also be considered with regard to the launch at the end of August 2020 of the major strategic merger project with Suez, which is a long-term operation, creating value for Veolia shareholders. It should also be recalled the stability and the balanced level of the compensation of the Chairman and Chief Executive Officer, which is ranked 31st among that of the other executive chairmen of French CAC 40 companies (source: 2020 Proxinvest report on the 2019 compensation of executive chairmen of Paris Euronext listed companies).

4. Shareholder democracy: transparency and ad hoc resolutions submitted to the Shareholders' Meeting

• From the start of the crisis, the Board has endeavored to be as transparent as possible regarding the changes made and to satisfy itself that its shareholders agreed with these changes. For this reason, the envisaged adjustments are the subject of specific resolutions for each of the adjusted performance share plans and are presented in detail in the company's documents.
• The Board and the Compensation Committee are very keen to ensure that they have the backing of the Company's shareholders and if any shareholders require further explanations, they are asked to discuss the matter with the Company. Veolia is counting on their support.

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Enc. Appendix: Summary of adjustments to the financial objective of the economic performance criteria in the 2018, 2019 and 2020 plans

Appendix

Summary of adjustments to the financial objective of the economic performance criteria in the 2018, 2019 and 2020 plans and impact of the change to this financial objective whose relative weighting has been decreasing since 2018 (100% in 2018, 50% in 2019 and 25% in 2020):

	Recap of the economic performance criteria and the proposed adjustments	Weighting of the economic criteria before neutralization of fiscal year 2020	Percentage decrease in the grant after neutralization of fiscal year 2020
2018 Plan (Plan No. 1) Board of Directors' decision of May 2, 2018 Around 700 beneficiaries 1,731,368 shares granted, including 49,296 shares granted to the Chairman and Chief Executive Officer **After adjustment, reduction in the number of shares initially granted to 1,154,303, including 32,865 shares granted to the Chairman and Chief Executive Officer** (resolution 9)	**Initial internal economic performance criteria** Average annual growth in Current Net Income, Group Share (CNIGS) per share for fiscal years 2018, 2019 and 2020: average growth ≥ 10% per year: 100% of performance shares will vest; average growth < 5% per year: no performance shares will vest. Between 5% and 10% shares will vest on a proportional basis. 2017 CNIGS baseline. Before neutralization of fiscal year 2020, the average growth in CNIGS compared with the 2017 base year is less than 5% and no shares would therefore vest in respect of this criteria. **Proposed adjustments:** neutralization of fiscal year 2020 and one-third reduction in the total number of share rights.	100%	33.33%

	Recap of the economic performance criteria and the proposed adjustments	Weighting of the economic criteria before neutralization of fiscal year 2020	Percentage decrease in the grant after neutralization of fiscal year 2020
2019 Plan (Plan No. 2) Board of Directors' decision of April 30, 2019 Around 450 beneficiaries 1,131,227 shares granted, including 47,418 shares granted to the Chairman and Chief Executive Officer **After adjustment, reduction in the number of shares initially granted to 942,764, including 39,518 shares granted to the Chairman and Chief Executive Officer** (resolution 10)	**Initial internal economic performance criteria** Average annual growth in CNIGS per share for fiscal years 2019, 2020 and 2021: average growth ≥ 10% per year: 100% of performance shares will vest; average growth < 5% per year: no performance shares will vest. Between 5% and 10% shares will vest on a proportional basis. 2018 baseline: €654.6 million. Due to the significant fall in 2020 CNIGS per share compared with 2019 (-46%), the average growth in CNIGS over the initial reference period of the plan would be below 5% and no shares would therefore vest in respect of this criteria. **Proposed adjustments:** neutralization of fiscal year 2020 and one-third reduction in the number of share rights for this criteria. Adjustment of this economic performance criteria as follows: Annual average growth in CNIGS in fiscal years 2019 and 2021 (neutralization of 2020): average growth ≥ 10% per year: *i.e.* 2021 CNIGS of €792.1 million: 100% of performance shares will vest; average growth < 5% per year: no performance shares will vest if 2021 CNIGS is below €721.7 million. Between 5% and 10% shares will vest on a proportional basis. 2018 CNIGS baseline. **The other stock market and CSR performance conditions remain unchanged.**	50%	16.66%

	Recap of the performance criteria and the proposed adjustments	Weighting of the economic criteria before neutralization of fiscal year 2020	Percentage decrease in the grant after neutralization of fiscal year 2020
2020 Plan (Plan No. 3) Decision of the Board of Directors on May 5, 2020 Around 450 beneficiaries 1,109,400 shares granted, including 51,993 shares granted to the Chairman and Chief Executive Officer **After adjustment, reduction in the number of shares initially granted to 1,016,987 including 47,662 shares granted to the Chairman and Chief Executive Officer** (resolution 11)	**Initial internal economic performance criteria** Annual average growth in the current net income attributable to owners of the company (CNIGS) of 7% per year over the fiscal years 2020, 2021 and 2022: if CNIGS as of December 31, 2022, is < than or = to €768 million (€847 million before fiscal year 2020 neutralization): no performance shares will vest under this indicator; if CNIGS as of December 31, 2022 is > than or = to €845 million (€931 million before 2020 fiscal year neutralization): 100% of the performance shares will vest under this indicator. Between these two thresholds, shares will vest on a proportional basis. 2019 reference base: €738.4 million. **Proposed adjustments:** neutralization of fiscal year 2020 and one-third reduction in the number of share rights for this criteria. Adjustment of this economic performance criteria as follows: Annual average growth in CNIGS in fiscal years 2021 and 2022 (neutralization of 2020): average growth ≥ 7% per year, *i.e.* 2022 CNIGS of €845 million: 100% of performance shares will vest; average growth < 10% per year: no performance shares will vest if 2022 CNIGS is below €768 million. Between these two thresholds shares will vest on a proportional basis. 2019 CNIGS baseline. **The other stock market and CSR performance conditions remain unchanged.**	25%	8.33%