

June 15, 2022

**The Chairman and Chief Executive Officer**

Mr Constantin Jung  
DWS Investment GmbH  
Mainzer Landstrasse 11-17  
60329 Frankfurt am Main

Dear Mr Jung,

Please find below the answers to the written questions sent to the Board of Directors on June 9<sup>th</sup>, 2022 in the context of the Shareholders' Meeting of today.

**Merger with Suez**

*DWS welcomes the company's acquisition of Suez. This will promote the aim of Veolia Group of becoming the benchmark company for ecological transformation.*

*QUESTION 1: How will the acquisition of Suez impact Veolia's strategic programme for the period 2020-2023? Does Veolia intend to modify its strategic programme due to the merger?*

The acquisition of Suez is in line with our *Impact 2023* strategic program as it gives us access to key assets in water and waste, with complementary geographies, technologies and operational synergies. Moreover, the combination of both groups will significantly accelerate our revenue and results growth during this period : the EPS accretion in 2024 is expected at 40%.

We do not envisage to modify our current strategic programme after the merger. We will start the process of preparing our new strategic program in the second half of 2022, which we will present early 2024.

*QUESTION 2: How will the acquisition of Suez impact the governance of Veolia?*

At board level, a former employee representative at Suez's board has been appointed as non-voting director.

Executive Committee and Management Committee have been enlarged after the merger to welcome several Suez top managers :

- Executive Committee : 4 new members from Suez : Isabelle Calvez, Sébastien Daziano, Angel Simon and Azad Kibarian,
- Management Committee : 10 new members.

The Suez acquisition was also the opportunity for us to split our governance between Chairman and CEO and to appoint our current COO Estelle Brachlianoff as CEO, effective July 1st.

*QUESTION 3: Suez has historically been viewed as one of the "best in-class" companies on major ESG metrics ranking higher than Veolia in some areas. What are your plans around potentially communicating a new ESG strategy taking advantage of the transformative nature of the Suez transaction, particularly relating to elements that Suez did better on ESG?*

Both former Suez Group and Veolia have outstanding and comparable performance on Environment and social rating as listed below:

- in 2020, both companies obtained A- grades on CDP Water Security and CDP Climate Change ; Suez Group did not report in 2021 ;
- in 2020, RobecoSam/DJSI gave a Silver medal to Veolia and a Bronze medal to Suez group ;
- in 2021, both Suez group (73/100, 98<sup>th</sup> percentile) and Veolia (68/100, 95<sup>th</sup> percentile) ranked among the best performers according to Ecovadis' assessment
- in 2021, Veolia scored 71/100 on Moody's ESG solutions (formerly Vigeo-Eiris) and Suez Group scored 68/100.

With the Suez transaction, Veolia will benefit from the experience and achievements of former Suez teams on emblematic projects such as:

- the "biofactories" in Chile and Spain (large municipal wastewater treatment plants reusing 100% of water while being self-sufficient in energy in Santiago de Chile and in Granada in Spain) ;
- nature-based solutions like the La Marjal park in Alicante (Spain) protecting the city from floods ;
- state-of-the-art plastic recycling plants (QCP) in Belgium and Netherlands producing high quality materials for industry from post-consumer plastic waste ;
- the operation of one of the Edward C. Little Water Recycling Facility in Southern California, one of the largest facilities in the USA, producing 5 different qualities of custom-made recycled water to meet the specific needs of West Basin's municipal, commercial and industrial customers. The facility also produces 45 000 m3 of barrier water every day for aquifer replenishment that protects South Bay's coastal groundwater reservoirs from seawater intrusion from the Pacific Ocean.

All these valuable showcases are fully in line with the Purpose and multifaceted performance of Veolia and will complete Veolia's portfolio of sustainable offers for our customers through our strong copy and adapt culture, and reinforce Veolia's ambition to be the reference company ecological transformation.

Furthermore, Veolia will benefit from the experience of key people joining the Business units as well as the headquarters. For example, in the Strategy, Sustainable and Innovation Departments, experts from Suez have joined on subjects such as circular economy, adaptation to climate change, and biodiversity.

The new Veolia is now positioned as the benchmark company for ecological transformation, committed to massively deploying concrete solutions to tackle the four main environmental challenges :

- The climate emergency
- The most difficult types of pollution
- The scarcity of resources
- Threats to biodiversity and food security.

The combined strengths of Veolia and Suez constitute a solid range of concrete solutions, to accelerate the transition to carbon neutrality, to recycle waste, to treat water, air and soil pollution, to protect ecosystems and to support the ecological transformation of the

agricultural sector. The deployment of these solutions, reinforced by those we will invent, will promote employment and local economic development.

*QUESTION 4: Veolia historically has been held back at times relating to its large exposure to cyclical and lower margin activities in waste. How does the Suez merger help you to improve Veolia's overall business mix, particularly relating to regulated assets or new business activities that you've acquired? Do you see a positive impact on long-term growth rates and returns of the business as the Suez transaction transforms Veolia to more of an "asset-light" company?*

During his mandate, Mr Frérot has significantly reduced Veolia's exposure to the economic cycle by repositioning the Group on higher value added waste treatment activities such as hazardous waste and reducing lower value added activities such as waste collection. Therefore our current direct exposure to GDP is limited to C&I waste activities, around 6 bn€ of revenues (not taking into account Suez UK waste activities still under review by the UK antitrust authority).

The Suez acquisition will significantly strengthen our resilience since we have mainly acquired regulated and non-regulated water assets. Suez's returns will be significantly enhanced by the synergies. And we do believe that the integration of Suez's assets will enable us to grow faster.

Suez will marginally increase our capital intensity due to regulated business.

*QUESTION 5: Can you please provide more detail on the €500m of expected synergies relating to the Suez transaction? Do you expect to see an eventual increase in these synergies? What are your assumptions on potential clawback and costs to achieve these synergies? What is the sustainable long-term level of synergies you see retaining?*

500 M€ remains Veolia's target of cost synergies, and we are confident in our ability to deliver it, as announced, over the 4-year period (2022-2026), while remaining in line with engagements taken with employee representatives and authorities.

The largest part is related to procurement and operations optimization.

21 M€ synergies have already been delivered in Q1, and we expect that this order of magnitude will be sustainable in each quarter of 2022, to reach our target of 100 M€ secured in 2022.

These synergies are fully recurring EBITDA synergies and are therefore fully sustainable in the long term. On top of these, additional cost initiatives impacting the net result have also been launched.

### **Independence**

*Qualified, experienced and independent directors are essential for competent and efficient decision-making processes at Board level. Having a majority of independent members serving on Boards and committees, as well as respective independent chairs, is important for us to ensure objective-driven decision-making and challenging discussions within the Board. In the case where one person assumes a combined CEO and chair role or the chair is considered not independent due to our policy (for example, due to a tenure of more than ten years), a qualified and strong lead independent director should be in place as an independent representation of shareholder interests.*

*Veolia Environnement SA proposes to maintain Mr Antoine Frérot as Chairman of the Board of directors so that the company can continue to benefit from his successful experience as the Head of the group. DWS appreciates the future separation of the functions of chair and CEO. Although Mr Antoine Frérot does not fulfill our independence criteria, we support his re-election. Because of this situation, the lead independent director has an important role. However, DWS will not consider the*

*current lead independent director, Ms Maryse Aulagnon, independent anymore in her next tenure. This is because she will serve the Board for more than ten year in the next tenure. The independence of the Board should therefore be strengthened in the future due to the aforementioned issues.*

*QUESTION 6: When will you appoint a new lead independent director to counterbalance the role of a non-independent chair?*

As explained in our universal registration document (p. 119), Veolia applies the AFEP-MEDEF Corporate Governance Code of listed corporations in France (<http://www.afep.com/publications/code-afep-medef/>). According to this governance code, Veolia's lead independent director, Ms Maryse Aulagnon, will no longer be independent in May 2024, after twelve years of tenure. Consequently, the board will appoint a new lead independent director no later than the annual general meeting of 2024.

*The Chair of the Audit Committee, Ms Nathalie Rachou, will have served on the Board for ten years when her term ends. DWS will no longer consider her independent from next year onwards in the case she will be reappointed in this capacity.*

*QUESTION 7: Do you have any plans to appoint a new independent Chair of the Audit Committee in the near future?*

According to the French AFEP-MEDEF governance code that Veolia is applying, Veolia's Audit Committee chair, Ms Nathalie Rachou, will no longer be independent in May 2024, after twelve years of tenure. Consequently, the board will appoint a new chair of the audit committee no later than the annual general meeting of 2024.

## **CVs**

*In order to assess not only the qualification of directors but also a potential overboarding, DWS expects that the resume/CV of each executive and non-executive director is permanently published on the investee company's website. The CV shall state the year the individual was first appointed, information about the qualification, the year of birth and any mandates (including external listed companies, internal mandates, mandates also related to other than commercially oriented organisations).*

*DWS noticed that the CVs of some members of the Board seem to not be up-to-date on the company's website because not all external mandates are listed. This lack of information makes it difficult for investors to assess the mandates of the Board members.*

*QUESTION 8: When can we expect you to update the CVs of the Board members so that investors can fully assess their outside mandates?*

The up-to-date information for each executive and non-executive directors (CV, internal and external mandates within listed or unlisted companies) is publicly available as it is included in the 2021 universal registration document on pages 108 to 117. This document can be downloaded from the company's website.

Yours sincerely,

**Antoine Frérot**

