

2014 Annual Incentives

June 2014

Miriam Schneider
Augie Schulke



2014 Annual Incentive Plans



The goals for the 2014 Annual Incentive Plans are intended to motivate and reward participants for achieving business goals of Veolia North America.

2014 plans support working towards One VEOLIA strategy. The alignment of the incentive plans to support the common strategy is to ensure that we are all evaluated and rewarded based on the same criteria.

Three annual plans integrate:

- More than 25 exempt annual plans from the legacy Veolia companies.
- More than 5 nonexempt semi-annual and annual plans from the legacy Veolia companies.

Summary of Three Annual Incentive Plans



1. Veolia North America Annual Incentive Plan
 - VE levels 6 and above – director level and above
2. Veolia North America General Exempt Annual Incentive Plan
 - Exempt employees below director level
3. Veolia North America General Nonexempt Annual Incentive Plan
 - All eligible non-exempt employees

Incentive Plan Components



Incentive Plan Year

The Incentive Plan year is based on the calendar year of financial results and performance beginning January 1, 2014 and ending December 31, 2014.

Incentive Plan Eligibility

An active employee through the Fiscal Year. Hire date must be prior to November 1, 2014. New hires hired after January 1, 2014 and before November 1, 2014 will have prorated incentive targets.

Incentive Plan Metrics

- Financial Metrics
 - CAFOP - Revenue minus expenses
 - Free Cash Flow
 - This could be at Veolia Global, VNA, Business Unit (Municipal or Industrial) or Local levels.
- Safety Metrics
- Qualitative – (director level and above)

Classifications

- Job Line - Functional or Operational. Functional includes Information Mgmt. Human Resources, Legal, Finance, Health and Safety, Technology and Performance Administrative, Markets and Innovations, and Shared Services.
- Job Scope - Zone (Veolia North America), Business Line (Industrial or Municipal), and Business Unit (Local or Regional).

2014 Annual Incentive Plans Summary and Overview



3 Annual Incentive Plans

1. Veolia Annual Incentive Plan – Director Level and Above
2. General Exempt Annual Incentive Plan
3. General Nonexempt Annual Incentive Plan

Plan	Eligibility	Metric and Weights – Metrics and Weights vary by classification and scope	Threshold	Maximum	Comments
Veolia Annual Incentive Plan – Operational (Includes Zone, Business Unit, and Regional/Local Levels)	Veolia Annual Incentive Plan All Class B and Above Operational Employees (Director level and above)	<ul style="list-style-type: none"> • V&A Global Financial Results • V&A Financial Results • V&A Industry or Municipal Financial Results • Local/Regional Financial Results • Safety • Overall V&A 	70% for financial metrics	200% for Financial metrics	
Veolia Annual Incentive Plan – Functional (Includes Zone, Business Unit, and Regional/Local Levels)	Veolia Annual Incentive Plan All Class B and Above Functional Employees (Director level and above)	<ul style="list-style-type: none"> • V&A Global Financial Results • V&A Financial Results • V&A Industry or Municipal Financial Results • Safety • Overall V&A 	70% for financial metrics	200% for Financial metrics	
General Exempt – Functional Zone General Exempt – Functional and Operational Business Unit	General Exempt Annual Incentive Plan	Lower Class E Exempt Functional Corporate and V&A	70% for financial metrics	200% for Financial metrics	Safety metrics measured different for operational vs. functional Safety metrics measured different for operational vs. functional
	General Exempt Annual Incentive Plan	Lower Class E Exempt Functional – Technical Zone	70% for financial metrics	200% for Financial metrics	
General Exempt – Functional and Operational Regional/Local	General Exempt Annual Incentive Plan	Lower Class E Exempt Operational	70% for financial metrics	200% for Financial metrics	Safety metrics measured different for operational vs. functional
General Nonexempt – Functional Zone	General Nonexempt Annual Incentive Plan	Nonexempt Operational Operations and Functional Business Unit	70% for financial metrics	200% for Financial metrics	Safety metrics measured different for operational vs. functional
General Nonexempt – Functional and Operational Business Unit	General Nonexempt Annual Incentive Plan	Nonexempt Operational Functional Corporate and V&A	70% for financial metrics	200% for Financial metrics	Safety metrics measured different for operational vs. functional
General Nonexempt – Functional and Operational Regional/Local	General Nonexempt Annual Incentive Plan	Nonexempt Operational Operational	70% for financial metrics	200% for Financial metrics	Safety metrics measured different for operational vs. functional



Director Level and Above

Financial weights and metrics will be different based on:

- Job Line - Functional or Operational
- Job Scope - VNA, Industrial/Municipal and Local/Regional.
- Financial metrics will include CAFOP and Free Cash Flow.
 - CAFOP
 - Free Cash Flow - CAFOP minus CAPEX and +/- change in working capital
 - CAPEX
 - Change in Operating Working Capital

Safety metric will be measured as follows:

Safety Goal	Definition
Veolia North America Reduce Injury Frequency Rate (FR)	Frequency Rate* = (Number of Lost Work Day Cases/Total Hours Worked) X 1,000,000
Veolia Business Line (Industrial or Municipal) Reduce Injury Frequency Rate (FR)	VE Global calculation, equivalent to number of lost time cases per million hours worked.
If 2013 (baseline) is equal to or less than S.O, must meet or improve upon 2013 FR in 2014 If 2013 (baseline) is above S.O, must reduce 2013 FR by 10% in 2014	Persons working in specific subactivities or geographies within the business lines may be measured against the Frequency Rate specific to their Business Line (Industrial or Municipal and Commercial)

Qualitative metric will have two components:

- Code of Conduct - Supporting transformation
- Individual Objectives

Director Level and Above

Financial weights and metrics will be different based on:

- Job Line - Functional or Operational
- Job Scope - Zone (VNA), Business Line (Industrial or Municipal), and Business Unit (Local/Regional).

Job Line and Job Scope	VE Global Financial Results Weight (CAFOP)	VE Global Financial Results Weight (FCF)	VNA Financial Results Weight (CAFOP)	VNA Financial Results Weight (FCF)	Business Line Financial Results Weight (CAFOP)	Local or Regional Financial Results Weight (CAFOP)	Safety Weight	Qualitative Weight Code of Conduct	Qualitative Weight Individual Objectives	Total
Operational Zone	9%	9%	21%	21%			10%	9%	21%	100%
Operational Business Line	4.5%	4.5%	4.5%	15%	31.5%		10%	9%	21%	100%
Operational Regional/Local	1.5%	1.5%	3%	13.5%	9%	31.5%	10%	9%	21%	100%
Functional Zone	5%	5%	20%	20%			5%	13.5%	31.5%	100%
Functional Business Line	3.75%	3.75%	3.75%	12.5%	26.25%		5%	13.5%	31.5%	100%
Functional Regional or Local	1.25%	1.25%	2.5%	11.25%	7.5%	26.25%	5%	13.5%	31.5%	100%



General Exempt Annual Incentive Plan (Below Director Level)



Financial weights and metrics will be different based on:

- Job Line – Functional or Operational
- Job Scope – Zone (VNA), Business Line (Industrial or Municipal), and Business Unit (Local or Regional)

Metric	Functional Zone Employees (VNS, SSC, Corporate)	Functional and Operational Business Line Employees	Functional and Operational Regional/Local Employees
VNA Financial Results Weight (CAFOF)	45%		
VNA Financial Results (FCF) Weight	45%		
Business Line Industrial or Municipal Financial Results (CAFOF) Weight		90%	20%
Local or Regional Financial Results (CAFOF) Weight			70%
Safety Weight	10%	10%	10%

Safety metric will be measured differently based on Job Line.

Functional Zone and Functional Business Line Employees:

Safety Goal	Definition
Veolia North America Reduce Injury Frequency Rate (FR)	Frequency Rate* = (Number of Lost Work Day Cases/Total Hours Worked) X 1,000,000
Veolia Business Line (Industrial or Municipal) Reduce Injury Frequency Rate (FR)	VE Global calculation, equivalent to number of lost time cases per million hours worked.
If 2013 (baseline) is equal to or less than 5.0, must meet or improve upon 2013 FR in 2014 If 2013 (baseline) is above 5.0, must reduce 2013 FR by 10% in 2014	Persons working in specific subactivities or geographies within the business lines may be measured against the Frequency Rate specific to their Business Line (Industrial or Municipal and Commercial)

Operational Business Line, Operational Regional/Local, and Functional Regional/Local Employees:

- A portion of a participant's incentive will be measured against goals and objectives in pre-existing, group-specific Health and Safety incentive plan. Operational employees at an OSHA Voluntary Protection Program (VPP) worksite or a worksite in the process of obtaining VPP certification shall automatically meet the requirements of this metric.

General Non-Exempt Annual Incentive Plan (Below Director Level)



Financial weights and metrics will be different based on:

- Job Line – Functional or Operational
- Job Scope – Zone (VNA), Business Line (Industrial or Municipal), and Business Unit (Local or Regional)

Metric	Functional Zone Employees (VZS, SSC, Corporate)	Functional and Operational Business Line Employees	Functional and Operational Regional/Local Employees
VNA Financial Results Weight (CAFOF)	45%		
VNA Financial Results (FCF) Weight	45%		
Business Line Industrial or Municipal Financial Results (CAFOF) Weight		90%	20%
Local or Regional Financial Results (CAFOF) Weight			70%
Safety Weight	10%	10%	10%

Safety metric will be measured differently based on Job Line.

Functional Zone and Functional Business Line Employees:

Safety Goal	Definition
Veolia North America Reduce Injury Frequency Rate (FR)	Frequency Rate* = (Number of Lost Work Day Cases/Total Hours Worked) X 1,000,000
Veolia Business Line (Industrial or Municipal) Reduce Injury Frequency Rate (FR)	VE Global calculation, equivalent to number of lost time cases per million hours worked.
If 2013 (baseline) is equal to or less than 5.0, must meet or improve upon 2013 FR in 2014 If 2013 (baseline) is above 5.0, must reduce 2013 FR by 10% in 2014	Persons working in specific subactivities or geographies within the business lines may be measured against the Frequency Rate specific to their Business Line (Industrial or Municipal and Commercial)

Operational Business Line, Operational Regional/Local, and Functional Regional/Local Employees:

- A portion of a participant's incentive will be measured against goals and objectives in pre-existing, group-specific Health and Safety incentive plan. Operational employees at an OSHA Voluntary Protection Program (VPP) worksite or a worksite in the process of obtaining VPP certification shall automatically meet the requirements of this metric.
- Overtime calculations will be included based on FLSA regulations.

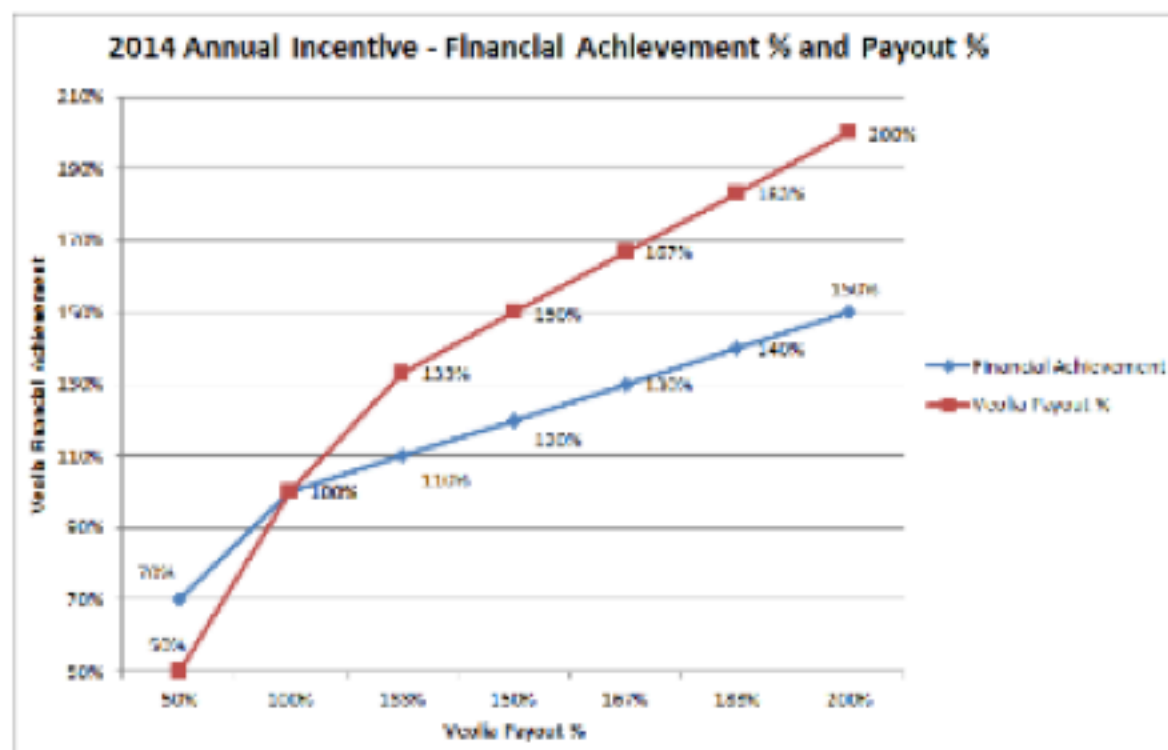
Threshold and Maximum Achievement

If financial metric achievement is greater than 70% and below 100%, there is eligibility for a reduced payout based on the table below.

If financial metric achievement is greater than 100%, the payout will increase to a maximum of 200% at 150% achievement.

Payment for the metric will be paid based on table and graph below:

Financial Achievement %	Payout %
<70.0%	0%
70.0% - 100.0%	50.0% - 100.0%
100.1% - 110.0%	100.1% - 133.0%
110.1% - 120.0%	133.1% - 150.0%
120.1% - 130.0%	150.1% - 167.0%
130.1% - 140.0%	167.1% - 183.0%
140.1% - 150.0%	183.1% - 200.0%
>150.0%	200.0%



Incentive Calculation - Director and Above (Operational - Regional Local)



Base Salary		Incentive Target %	Incentive Target \$
\$100,000		30%	\$30,000
Measure	Weight	Incentive Calculation	Total Incentive (by metric)
VF Global Financial Results (CAFOP)	1.5%	$\$30,000 \times 1.5\%$	\$450
VE Global Financial Results (FCF)	1.5%	$\$30,000 \times 1.5\%$	\$450
VNA Financial Results (CAFOP)	3%	$\$30,000 \times 3\%$	\$900
VNA Financial Results (FCF)	13.5%	$\$30,000 \times 13.5\%$	\$4,050
Business Line (Industrial or Municipal) Financial Results	9%	$\$30,000 \times 9\%$	\$2,700
Business Unit (Local or Regional) Financial Results	31.5%	$\$30,000 \times 31.5\%$	\$9,450
VNA Safety Results	10%	$\$30,000 \times 10\%$	\$3,000
Qualitative Code of Conduct	9%	$\$30,000 \times 9\%$	\$2,700
Qualitative – Individual Objectives	21%	$\$30,000 \times 21\%$	\$6,300
Total Incentive Paid			\$30,000

Incentive Calculation - Director and Above (Functional - Regional Local)



Base Salary		Incentive Target %	Incentive Target \$
\$100,000		30%	\$30,000
Measure	Weight	Incentive Calculation	Total Incentive (by metric)
VF Global Financial Results (CAFOP)	1.25%	$\$30,000 \times 1.25\%$	\$375
VE Global Financial Results (FCF)	1.25%	$\$30,000 \times 1.25\%$	\$375
VNA Financial Results (CAFOP)	2.5%	$\$30,000 \times 2.5\%$	\$750
VNA Financial Results (FCF)	11.25%	$\$30,000 \times 11.25\%$	\$3,375
Business Line (Industrial or Municipal) Financial Results (CAFOP)	7.5%	$\$30,000 \times 7.5\%$	\$2,250
Business Unit (Local or Regional) Financial Results (CAFOP)	26.25%	$\$30,000 \times 26.25\%$	\$7,875
VNA Safety Results	5%	$\$30,000 \times 5\%$	\$1,500
Qualitative Code of Conduct	13.5%	$\$30,000 \times 13.5\%$	\$4,050
Qualitative – Individual Objectives	31.5%	$\$30,000 \times 31.5\%$	\$9,450
Total Incentive Paid			\$30,000

Timing and Next Steps



Week of June 2

Webinars will be conducted to Director level and Above Employees. All Director level and above employees should attend these sessions as this will help support and facilitate the communication to be cascaded in the organization.

Week of June 9

HR Business Leaders will receive a Communication toolkit to roll out communications. HR Business Partners will be working with managers to distribute the Annual Incentive Plan documents and FAQ's to plan participants. Finance will be communicating the financial goals.

Questions and Answers