



2012

CSR Performance Digest



€29.4 billion⁽¹⁾
in consolidated
revenue⁽²⁾

€1.194 billion
in adjusted operating
income

318,376⁽³⁾
employees worldwide
(at December 31, 2012)

The global benchmark in environmental solutions

Veolia Environnement operates around the world, serving local public authorities and industrial companies. Veolia's clients enjoy access to expertise in complementary areas including water-cycle management, waste management, resource recovery, and energy management. The company designs and implements tailored solutions for its clients that combine economic efficiency with control over environmental impacts, helping to combat climate change, save resources and conserve ecosystems.



For more information on the company's activities, please consult the *2012 Registration Document* and the *2012 Annual and Sustainability Report*, available at www.veolia.com.

(1) Excl. Veolia Transdev. - (2) Revenue from continuing operations as defined by International Financial Reporting Standards (IFRS).
(3) Incl. Veolia Transdev.



This document presents key data on Veolia Environnement's Corporate Social Responsibility (CSR) performance. It reaffirms the commitments of our company as a determined player in the green economy, more attentive than ever to all aspects of CSR.

Access to basic services and equitable resource distribution are becoming defining issues today as societies undergo profound transformations. Access to water, waste management, energy and mobility are the very core of our businesses and expertise. And, because the areas we serve depend on us, we strive for continuous improvement in providing our services. We use appropriate tools to obtain objective measurements and evaluations of our performance, and share them with our employees, clients and partners.

Above and beyond meeting our regulatory reporting obligations, our indicators — included in our contracts and relevant to specific regional considerations — follow economic, social and environmental aspects.

This transparency reflects the positive approach we take everywhere in the world, to the benefit of all our clients and stakeholders.

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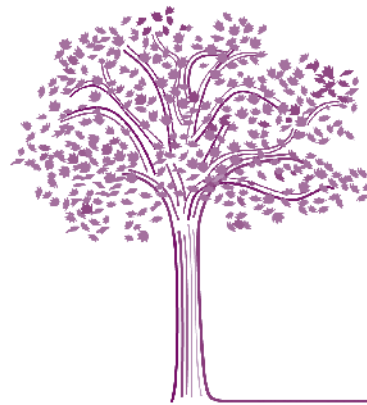
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MANAGING
CORPORATE
RESPONSIBILITY



Against a backdrop of economic crisis, the year 2012 brought a number of key issues to the fore, such as the complexity of dealing with environmental challenges, an increase in pollution that is difficult to treat, and growth in urbanization. As the world leader in environmental solutions, Veolia Environnement began a campaign in 2011 to adapt its activities to the social and environmental upheaval caused by resource depletion.

In 2012, the company confirmed this transition toward the New Veolia. In this context, sustainable development issues form an integral part of the contract policies that we incorporate in our day-to-day operations.

Veolia Environnement made progress in incorporating the various aspects of sustainable development into its business activities by continuing to roll out tools and methods that meet the individual needs of different regions. Relevant initiatives focus mainly on:

- *improving management systems in areas of corporate social responsibility;*
- *developing commercial offers that incorporate the three aspects of sustainable development, therefore ensuring our ability to support our client's sustainable development strategies;*
- *designing contract models and innovative partnerships in social business, so that disadvantaged populations may have access to basic services, notably in developing countries.*

Veolia Environnement has established suitable governance and measures its performance using relevant indicators. To support this approach and in line with the shift toward the New Veolia, the company set up a Sustainable Development Committee in 2012, headed by the Sustainable Development Department and including representatives from Veolia's various business lines and functional departments.



1. COMMITTED TO SUSTAINABLE DEVELOPMENT

Whatever the geographical context, Veolia Environnement's activities must be carried out in compliance with both national standards and the recommendations of international organizations like the ILO and OECD, in particular with regard to respect for basic rights, accounting for cultural diversity and protecting the environment.

The Ethics, Commitment and Responsibility program

In 2003, Veolia Environnement introduced the Ethics, Commitment and Responsibility program to provide guiding principles for all its employees. The program outlines the fundamental values our employees share and must reflect in their conduct under all circumstances. Examples include strict respect for the law in effect in all the countries where we operate, loyalty within the company and toward all our stakeholders, social responsibility, risk management, quality company information and governance, and commitment to sustainable development. *For more information, please see the Ethics, Commitment and Responsibility Program brochure on our website.*

The Ethics, Commitment and Responsibility program and the Sustainable Development Charter are available on Veolia Environnement's website: www.veolia.com.

Sustainable Development Charter

In line with our Ethics, Commitment and Responsibility Program, we outlined our commitment to sustainable development in 2006 in a 12-point Charter stating that we will:

- 1. Protect the environment;** contribute to conserving natural resources and biodiversity, and combat climate change;
- 2. Promote—through innovation,** research and development—environmental, economic and social solutions that will meet the needs of future generations;
- 3. Raise awareness of environmental challenges** and the ensuing need for behavioral changes among all concerned with our activities;
- 4. Adapt our service offers** through dialogue, the quality of the advice we provide and our expertise to meet the needs and expectations of clients;
- 5. Ensure our employees' health and safety** and help improve public health;
- 6. Provide working conditions** compliant with fundamental human rights and international labor standards;
- 7. Promote diversity** and combat discrimination to guarantee equal opportunities;
- 8. Encourage skills development** and upward mobility for our employees throughout their career;
- 9. Gradually set our own environmental and social standards** to be applied to all our operations around the world;
- 10. Base our corporate governance** on transparent communication, anticipation of risks and the definition of rules for ethical conduct and compliance;
- 11. Contribute to local economic and social development,** and to meeting international goals for access to essential services;
- 12. Encourage partners, subcontractors and suppliers** to adhere to our values and make their own contribution to our sustainable development commitments.



1. COMMITTED TO SUSTAINABLE DEVELOPMENT

1.1 Our commitment under the Global Compact

Veolia Environnement joined the United Nations Global Compact on June 12, 2003 as a result of an official decision of its governance bodies followed by a declaration of membership signed by its Senior Executive Vice-President. Since then, a permanent correspondent has been monitoring our close relations and contacts with the Global Compact Board in New York, which meets regularly with Veolia representatives.

Our participation in the Global Compact and the resulting pledge to support and promote its principles within our sphere of influence, has become a major consideration in all aspects of our company's social responsibility policy.

Our commitment to human rights

Over the years, Veolia Environnement has shown a clear commitment to respecting human rights in its activities and in the countries where it operates. For example, tests conducted in several developing countries demonstrate

that it is possible to reconcile service quality and accessibility and to encourage respect for the human rights of the populations it serves.

These principles for action are in line with guidelines set out in international benchmarks, including:

- The Universal Declaration of Human Rights and Additional Protocols;
- The fundamental principles of the International Labour Organization;
- The United Nations Convention against Corruption;
- OECD Guidelines for multinational enterprises.

The 10 Principles of the Global Compact

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
2. Make sure that they are not complicit in human rights abuses.

Labor

3. Businesses should uphold the freedom of association and the effective recogni-

tion of the right to collective bargaining;

4. The elimination of all forms of forced and compulsory labor;
5. The effective abolition of child labor; and
6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary ap-

proach to environmental challenges;

8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Recognition of the Right to Water

■ In 2010, Veolia Environnement welcomed the official recognition of the Right to Water. The company continues to do whatever it can—as a modest contributor given the size of the challenge—to work with its public authority partners to turn this right into a concrete reality through access programs that are both technically ambitious and socially innovative.

Veolia Environnement also continues to respond to the invitation of institutions involved in implementing this right by pro-

posing two factors of progress: recognized technical excellence and dialogue between all stakeholders to help the emergence of shared solutions.

At the sixth World Water Forum in Marseille in 2012 and at Rio+20, Veolia Environnement—in conjunction with AquaFed, the international federation of private water operators—reasserted its commitment to good governance of water at local and international levels, and the contribution to implementing the right to water and sanitation.

2. STRUCTURED ORGANIZATION

To anchor sustainable development in the day-to-day operations of its businesses, Veolia Environnement incorporates the concept into its management systems by defining commitments and deploying policies, objectives and procedures.

Veolia Environnement uses a variety of bodies and methods to ensure its corporate responsibility is actively managed at all stages of issues affecting the company. The Sustainable Development Department, which is directly accountable to the Secretary General's Department, drives and coordinates this process and encourages the adaptation of contract models and commercial offers in order to make sustainable development a priority and a lever for value creation. Our sustainable development policy involves a large number of internal stakeholders—functional departments, operating divisions and independent bodies—and therefore requires a structured approach to manage all related issues, from compliance to forward thinking.

COMPLIANCE

Legal Department
Ensures that company activities comply with regulations and provides legal intelligence.

Systems and Business Processes Department
Formalizes and deploys internal control procedures (transposed for the divisions and business units).

Internal Audit Department
Assesses the company's risk management, including environmental risk, governance and internal control process independently and objectively, and contributes to improving these procedures using a systematic and methodical approach.

Fraud reporting
Information transmitted to the heads of the Internal Audit and Systems and Business Processes Departments and to the Accounts and Audit Committee to report cases of financial fraud.

MANAGEMENT

Environmental Management System
Managed by the Operational and environmental Department which deploys company policy on the environment and environmental health.

Social reporting
Managed by the Human Resources Department, which defines and deploys company policy on human resources.

Sustainable purchasing reporting
Managed by the Purchasing and Sustainable Development Departments.

Client reporting
Managed by the divisions' marketing departments.

Extra-financial reporting
Managed by the Sustainable Development Department.

Campus Veolia Environnement
Personnel training to meet company needs.

Veolia Environnement Foundation
Financial assistance for projects and provision of skills and expertise on a voluntary basis.
www.fondation.veolia.com

ANTICIPATION

Research, Innovation and Sustainable Development Strategy Committee (attached to the Board of Directors)

Assesses the company's R&D and sustainable development strategies and policies.

Ethics Committee (made up of four independent members)

Ensures compliance with the Ethics, Commitment and Responsibility program (alert system and ethics audits).

Risk Management Department

Coordinates the analysis of risks that could affect the company's activities and implements action plans.

Research and Innovation (VERI)

Manages and coordinates R&D programs on priority company issues.

Public Affairs Department

Plans, coordinates and represents the company's interests in dealings with the French authorities and European institutions.

FORWARD THINKING

Research and Innovation
Partnership with universities and programs to drive innovation in eco-technologies.

Institut Veolia Environnement (IVE)
Think-tank for forward thinking on environmental issues that works to analyze transformation processes in the interplay between society and the environment.
www.institut.veolia.org

Visiting Committee

Helps Veolia Environnement move forward in its vision of and thinking on sustainable development.



2. STRUCTURED ORGANIZATION

2.1 Coordinated anticipation of risks

Veolia Environnement's growth is supported by overall and coordinated management of the risks associated with its activities. Providing basic services that are essential to community life and to industry demands constant vigilance and preparedness: the management of the risks delegated to us by our clients is at the heart of our company's expertise.

Overall management of risks

A dedicated risk management organization has been rolled out for the company as a whole and for each of its four divisions.

Veolia implemented an official risk management policy in 2012 and improved its risk analysis methodology by defining a standard framework for the different Veolia Environnement divisions. Veolia's approach to risk management allows the company to categorize all types of risk (strategic, operational, HR, financial, IT, etc.) in a standard fashion through the use of risk mapping to identify and rank risks, and draw up relevant action plans.

To approve risk reduction or risk transfer plans and monitor their implementation, the Risk Management Department works with the Risk Management Committee, which comprises the

heads of the functional departments at head office and in the divisions. Each division also has its own Risk Management Committee. In 2012, risk mapping results were presented to the Accounts and Audit Committee. A special presentation was given on social risks.

Risk management involves close cooperation between the Risk Management Department, the Internal Audit Department, the Management Systems and Processes Department, and the Sustainable Development Department, which oversee the implementation of suitable risk reduction plans.

Ensuring service continuity

Risk management allows Veolia Environnement to ensure service quality and continuity for its customers and users. Various methods are em-

ployed to manage alerts and business continuity plans, and ensure that service is maintained or resumed following unusual events. These have proved effective in a number of situations, particularly during simulation exercises.

A responsible approach to tackling emerging risks with regard to health and the environment

■ The ability to manage environmental and health risks is a cornerstone of Veolia expertise. Above and beyond strict compliance with regulations, Veolia fosters a proactive, multifaceted approach to anticipating emerging risks in each of these areas.

This approach is in part based on stringent prevention procedures involving identification and assessment of risks, an awareness of any possible impact on Veolia operations, and relevant recommendations.

Veolia's active vigilance in ensuring an all-round commitment allows the company to anticipate new developments—by constantly monitoring regulations, reviewing business operations, staying abreast of new developments in science, and participation in international programs and R&D partnerships—on issues such as nanomaterials and nanotechnologies, emerging biological parameters, chemical toxicity, and the impact of climate change on the environment.

2.2 Ethics and governance

The Ethics, Commitment and Responsibility Program

Veolia Environnement's Ethics, Commitment and Responsibility¹⁾ program was introduced in 2003 and has been translated into nine languages. It is a business plan designed to guide the conduct of our employees in their day-to-day activities. In 2010, Veolia Environnement's executive management entrusted the Secretary General's Department with applying and monitoring the company's policy on ethics.

Raising awareness and training employees

Veolia Environnement uses training to ingrain its ethical culture throughout the company. In 2004 and 2005, the "Ethics and Business Life" awareness-raising campaign targeted over 400 senior executives in France and other countries. Since 2008 and 2009, over 4,500 managers attended the "Competition Law Compliance" training program, which consisted of seminars, support material and online training in France and other countries. A training program on "preventing criminal risk exposure and raising awareness of corruption risks" was rolled out in France and attended by managers in 2010. It was

introduced outside France in 2011, attended by over 900 managers.

In 2012, nearly 500 managers around the world received training on improving fraud control and prevention. All course participants received documentation on the Ethics, Conformity and Responsibility program, along with the booklet on criminal risk exposure.

Providing a framework for practices

Veolia Environnement uses a number of internal mechanisms to reduce the risk of non-compliance with ethical principles:

- Guides to competition law compliance¹⁾ (published in 2008, updated in 2010, and available in French, English, German, Spanish, Italian, Chinese and Japanese) and to managing and minimizing criminal risk exposure¹⁾ (published in 2010, updated in 2011, and available in French, English, German, Spanish and Italian) have been distributed to managers;
- The Purchasing Charter¹⁾ and the Purchasing Code of Ethics have sections describing the ethical practices to be respected and promoted by anyone involved in company procurement (for more information, please read the chapter on "Managing responsible purchasing");
- Our contract model applying to commercial intermediaries and business introducers envisages central approval by the Veolia Environnement Secretary General and the use of a standard contract. The contract itself includes a detailed "ethical and anticorruption"

clause. Internal audits are carried out to ensure application of relevant procedures:

- A legal reporting procedure for the company as a whole;
- A special procedure for sponsorship and patronage activities¹⁾;
- A procedure for declaring cases of fraud involving Veolia employees;
- An internal prevention and management procedure to handle conflict of interest.

These documents are available on our intranet site and training courses are also available to supplement them.

Controls and internal audits

Furthermore, control procedures to ensure compliance with the company's ethical principles are deployed in the functional departments concerned and by the Internal Control Department.

Since 2005, twice a year, the general managers and financial directors of each business unit have been sending fraud reports to the Chief Audit Officer and the Executive Vice-President and CFO. They report any awareness of any cases of fraud in their business units or the occurrence of one or more cases of fraud. Such fraud is detailed and categorized in line with a specific procedure.

Each case of fraud is subject to a review by Veolia management to identify any potential weaknesses in internal controls and corrective

1) Documents available at www.veolia.com



2. STRUCTURED ORGANIZATION

action to be taken within the relevant business unit and, where applicable, in other company subsidiaries.

The Accounts and Audit Committee is informed once a year, and more frequently if necessary, of the reported frauds. The lessons learned from information acquired in this manner are accounted for when defining the annual audit plan and the audit assignments.

The Internal Audit Department reports directly to Veolia Environnement's executive management and regularly informs the Accounts and Audit Committee of its activities. It works in close cooperation with the Risk Management Department and the Internal Control Department.

The annual internal audit plan, approved by the Audit Committee, is based on a map of the company's key risks. As well as purely financial internal control reviews, it includes reviews of the entity's governance and, in particular, ensures that the Ethics, Commitment and Responsibility program is applied and understood, and that the human resources management policy and procedures are respected. The Internal Audit Department also reviews company acquisitions and divestments once they have been made and these assignments include a financial review as well as a review of the contractual process and modalities. The Internal Audit Department always intervenes in the event of fraud so that it can recommend the necessary reinforcement measures.

In addition to audits of each separate legal entity, cross-divisional audits are carried out, such as controls on the use of commercial intermediaries in 2008, and the implementation of anti-corruption measures in 2009. An audit assignment on the environmental management system was carried out in 2010. An assignment focused on the social reporting system and on the whistleblowing system in the United States was carried out in 2011, with a similar assignment covering the entire company in 2012.

The Ethics Committee

In March 2004, we established an Ethics Committee made up of independent members to examine any issues pertaining to the Ethics, Commitment and Responsibility program. Its mission is to make recommendations concerning Veolia Environnement's fundamental values and ensure that everyone has access to the program.

It can be contacted by any employee or can take the initiative itself to analyze any issue concerning ethics and carry out visits to check ethics in all of the company's operations. During the visits, individual interviews are conducted with a sample of employees that is as representative as possible. The aim is in particular to assess the employees' level of ethical maturity, their knowledge of the company's values, the ethical problems they may encounter, the training they receive from their superiors, or that they themselves provide for their employees on the

subject. Members of the committee have visited Germany, Egypt, the United Arab Emirates, Norway, Japan, South America and, more recently, Bulgaria since 2009 to help apply this policy.

The Ethics Committee can also be used by whistleblowers to report issues concerning failure to comply with rules of conduct that cannot be referred to their superiors. For this activity, the committee is invested with all the requisite authority and can be contacted by any company employee, auditor or third party. It can also be supported by the Internal Audit Department or make use of the services of external experts. The committee stepped up an internal communication campaign to raise awareness of the whistleblowing system starting in 2009.

In order to increase its visibility within the company and especially among non-management employees, the Ethics Committee published a cartoon in 2010 that lightheartedly explains its purpose and can be viewed on the company's intranet site and website in four languages.

In 2012, as in previous years, the committee presented its annual report on its activities to the Accounts and Audit Committee as well as to the Executive Committee.

2.3 Representing our interests

Veolia Environnement contributes to reflection, discussions and work initiated by the French and European government authorities, professional associations, think-tanks, NGOs and international institutions on changes in the management of environment-industry services.

We share our expertise with these stakeholders at their behest or on issues that have a direct or indirect impact on our activities.

These activities are generally carried out as part of our Ethics, Commitment and Responsibility program and our participation in the Global Compact. Since 2009, Veolia Environnement has been listed on the register of Interest Representatives of the European Commission and European Parliament. In France, Veolia Environnement has been registered on the public list of interest representatives of the French National Assembly since 2010 and was added to the French Senate's list in 2011. Through these listings and accreditations, the company has formally committed to respecting the codes of conduct applied by these various different institutions. The company is also a member of ARPP, a French professional association of managers responsible for relations with the public authorities; ARPP has its own code of conduct that all members must respect or be excluded from the association.

Given the importance of the regulations and policies defined and decided by the European Union (including environmental law and the European Union's internal market), we set up a European Affairs Department in 2010 (Public Affairs Department since late 2012) to coordinate the representation of Veolia Environnement's interests in dealings with French and EU authorities. The key focuses of Veolia Environnement's interest representation activities are decided by the Executive Committee if need be and are the subjects of a half-yearly report to the company's Board of Directors.

Veolia Environnement's main contributions to the work of public bodies cover three key areas:

1. Changes in regulatory reporting and contractual obligations with regard to Veolia activities

- Promoting public-private partnership and striving for social and environmental excellence, particularly through initiatives in partnership with trade associations, meetings with European deputies, talks with permanent representatives of the Member States in Brussels, especially as part of revisions to European directives on public procurement and the adoption of a directive on awarding concession contracts.

- Promoting Veolia's best practices with regard to transparency and compliance with regulations on corporate law through our work with associations and the CEO's appearance before the Law

Commissions of the French National Assembly on November 23, 2012, to discuss transparency in the management of large companies.

- Sharing Veolia expertise in social issues: hearing given to Veolia's head of training as part of a report to be submitted to the Social Affairs Commission of the French National Assembly (October 2012) on "national funding for the development and modernization of apprenticeships".

2. Veolia access to long-term financing

- EU Cohesion Policy reform: observations presented to European deputies and the Member States through representatives in Brussels to simplify the rules on obtaining European financing for major projects.

- Initiative on long-term financing: response to European Commission consultation and participation in European working groups.

- European Investment Bank lending policy: response to the consultation on the energy sector.

3. Sharing Veolia expertise on issues related to the green economy and resource efficiency:

- Implementation of the climate-and-energy package and carbon-market reform: responses to European Commission consultations on the "7th EU Environment Action Programme", on "preparation of the EU Adaptation Strategy" on climate action, and on "review of the auction time profile for the EU Emissions Trading System".

2. STRUCTURED ORGANIZATION

- **Development of Europe's resource policy:** involvement of the Veolia Water CEO in the work of the European Resource Efficiency Platform (EREP) on resource efficiency indicators and the circular economy; response to European Commission consultations on "delivering more sustainable consumption and production" and on "options for resource efficiency indicators".
- **"Smart cities":** participation in European Commission initiatives on new digital services in cities as part of the revision of the Digital Agenda for Europe; participation of Veolia's Senior Vice-President for Digital Services in the launch of the European Smart Cities and Communities innovation partnership (July, 10, 2012).

- **Water:** Veolia is actively involved in European initiatives on drawing up environmental standards on issues such as implementing the framework directive, exploring for and extracting shale gas, and potential EU legislation on wastewater recycling.
- **Waste management:** Implementation of the waste framework directive, targets on preventing and treating waste set within the EU and Member States, the impact of environmental regulations (e.g. REACH) on recovered materials no longer classed as waste, issues related to climate change and the contribution of waste-to-energy plans to national and European energy policy represent the backbone of initiatives being tackled by trade associations in

which Veolia is actively involved.

- **Energy efficiency:** As part of initiatives focusing on the energy transition and on access to basic services (such as the "Brottes Bill"); monitoring the energy efficiency directive (meetings with European deputies, work with associations); Dalkia hearings at the French Parliament (including the Senate commission investigating the "real cost of electricity" on April 3, 2012, the Senate rapporteur for the delegation of local authorities and decentralization on June 26, 2012, and the initiative to provide information to the French National Assembly Commission on sustainable development and biomass).



3. ASSESSMENT AND MANAGEMENT PROCEDURES

Progress is impossible unless we measure what has been done and evaluate what remains to be done. We have to manage performance by making ambitious commitments, produce accurate and complete reports and take into account external views and judgments. As a company listed on France's CAC 40 index, Veolia Environnement is rated for its extra-financial performance based on published information and statements. The Independent Sustainable Development Visiting Committee also gives its opinion on the company's CSR policy. All this information allows us to see where we stand and serves as a guide for continuous improvement of our sustainable development performance.

3.1 Internal procedures

Environmental reporting

- Around 100 indicators monitored since 2001 using the Environmental Information System (EIS), which consolidates data from over 1,500 primary indicators.
- Procedures defined in the Protocol for the Measurement and Reporting of Environment Indicators.
- Deployed in over 1,800 local business units where data is entered.

Social reporting

- Actual human resources situation measured using 200 social indicators.
- A network of over 900 correspondents to collect annual data using dedicated software.

Purchasing reporting

Tracking of four performance indicators set up gradually since 2009 for the following subject areas:

- Sustainable development training and awareness-raising of purchasing officers;
- Relations with suppliers.

Client reporting

Annual assessment of client relations in each business using relevant indicators.

Societal reporting

Tested in 2012 and gradually being expanded.

3.2 Extra-financial ratings

FTSE4Good

Veolia Environnement has been listed on the FTSE4Good since 2004. It is assessed by Eiris (United Kingdom). Considering that inclusion criteria are regularly reviewed and tightened, Veolia Environnement's recurrent inclusion in these indexes is an acknowledgment of the company's performance and long-term commitment to sustainable development. Companies are selected on the basis of a series of internationally recognized corporate responsibility and sustainable development criteria and standards.

Performance according to ratings agency SAM

Ratings for the Dow Jones Sustainability Index (DJSI) rose five points for Veolia Environnement (78/100) compared with 2011, and remain well above the sector average (47/100). However, since 2010, Veolia Environnement has not been selected in these indexes. The "best in class" methodology used by the agency and applied to the "Water Utilities" sector led this year to the selection of the two best companies even though the results of other companies were good. Veolia Environnement was regularly selected

3. ASSESSMENT AND MANAGEMENT PROCEDURES

for inclusion in these indexes from 2003 to 2004 and from 2006 to 2009. The Dow Jones Sustainability indexes rate the performance of companies that are leaders in sustainable development.

Extra-financial ratings and inclusion in specialized stock market indexes provide a measure of companies' sustainable development performance. The principle areas evaluated are governance, human resources management, environmental performance, ethics, human rights, customer care, supplier relations and dialogue with civil society.

VIGEO Europe 120

Veolia Environnement is listed in the VIGEO Europe 120 index. Vigeo's indices are composed of the highest-ranking listed companies as evaluated by the agency in terms of their performance in corporate responsibility. The index is updated every six months, providing investors with information on companies assessed by Vigeo that have achieved the highest ratings in corporate social responsibility.

Ethibel Sustainability Indices (ESI)

Veolia Environnement is included in the ESI Europe index, which selects the 200 European companies with the best ratings. The Ethibel Sustainability indexes offer an overall view of the financial performance of the world's largest companies in terms of sustainable development. These two indexes are composed of companies listed in the Excellence Register compiled by the independent organization Forum Ethibel.

ASPI Eurozone

Veolia Environnement was again included in the ASPI Eurozone European index, which comprises the 120 most competitive companies in terms of social and environmental responsibility listed in the eurozone, based on Vigeo's ratings.

Classified "Prime" by Oekom Research

Veolia Environnement was selected in the "Prime" category classification assigned by German agency Oekom Research to companies that are among the best in their industry for social and environmental responsibility.

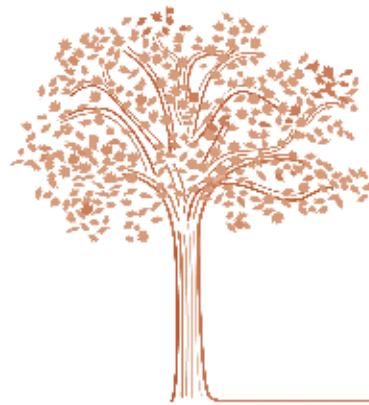
Carbon Disclosure Project

In 2012, the company obtained a score of 92/100, up four points on the previous year (and an increase of 10 points in two years). Veolia retained its B rating. These results reflect the inclusion of climate change in the company's priorities. The Carbon Disclosure Project assesses companies on the basis of the transparency of their communication on climate change and their performance. The CDP's aim is to assist investment decisions so they account for the effects of climate change on companies. The association is supported by over 3,000 institutional investors with worldwide assets worth \$71 billion.

The Independent Sustainable Development Visiting Committee for the assessment of Veolia Environnement's sustainable development policy

The Independent Committee (IC) is the advisory body that has assisted the company with its sustainable development policy since 2006. Its members include representatives from the non-profit sector and academia as well as socially responsible investors. Its key assignment is to guide the company's choices and appraise major advances in its sustainable development policy. The committee, which meets at the behest of its Chairman and CEO of Veolia Environnement, helps the company to define a sustainable development strategy, assesses current company projects and provides an independent viewpoint.

MANAGING
SOCIETAL
PERFORMANCE



Social cohesion in the communities we serve is essential to our success in providing the public services with which we are entrusted.

In today's globalized economy, where entire industries are moving across borders and oceans, public services, such as the management of water, energy and waste, cannot be relocated. By providing high-quality services, Veolia Environnement gives public authorities the edge they need to compete in the global arena—since a city's appeal depends to a large extent on its public services and the various amenities that facilitate the lives of companies and their employees.

Our company's position compels us to develop stronger ties with the communities we serve. Our stakeholders, clients, suppliers and civil society as a whole expect us to have a keen understanding of their needs and to provide them with effective solutions. We have therefore developed a three-fold approach to social concerns that includes a careful analysis of the needs of the communities and regions we serve, dialogue with local stakeholders, and innovative solutions that meet the requirements of our public- and private-sector clients.

Veolia Environnement is developing its expertise in social innovation to provide tailored services to meet the needs of local populations, clients and other stakeholders. Veolia is also committed to reporting on its social performance, both inside and outside the company.



1. HOW WE FACILITATE ACCESS TO SERVICES

1.1 Our commitment

101
million people
benefit from
drinking-water
services

71
million people
benefit from
wastewater
services

54
million people
benefit from
waste-collection
services

11
million people
benefit from
heating services

In its Sustainable Development Charter, Veolia Environnement has made a commitment to “contribute to local economic and social development and to meeting international goals for access to essential services.”⁽¹⁾

Veolia Environnement is therefore committed to working closely with its contracting authorities to enable them to meet the Millennium Development Goals, one of which is to “halve, by 2015, the proportion of people without sustainable access to safe drinking water and to basic sanitation services.”⁽²⁾ Our commitment is made concrete through our response to calls for tender in countries where increasing access to services is a cornerstone of human development and is formally requested by the authorities.

Years of working with local public authorities have proven that Veolia Environnement is a reliable, effective and creative partner that can help them develop and implement ambitious policies to achieve the Millennium Development Goals efficiently. For several years now, we have been working alongside numerous municipalities in developing countries to meet these challenges, under contracts with specific and ambitious goals, and incentives to promote access to basic services for all.

Although there are now clear and internationally recognized goals and commitments with respect

to access to water, the same cannot be said for energy and waste management. However, in these two areas, Veolia Environnement is careful to observe best practices and is pioneering new models that address concerns such as alleviating energy poverty and implementing price incentives for waste collection and treatment.

Veolia Environnement’s Sustainable Development Charter also includes a commitment to “adapt our service offers, through dialogue, the quality of advice we provide and our expertise, to meet the needs and expectations of clients.” This commitment, which is intimately connected and complementary to the one mentioned above, is a top priority for our company (see § “Dialogue with stakeholders”).

1.2 Robust financial and contract models to achieve social objectives in partnership with public authorities

Through our contracts with local authorities, Veolia Water provides 101 million people with drinking water and 71 million people with wastewater services, Veolia Environmental Services provides waste-collection services for 54 million people and Veolia Energy-Dalkia provides heating services for 11 million people around the world (including 5 million in France).

When enabling access to basic services is a public policy objective, it is made a formal contractual requirement, either directly under a public service management contract, or in a contractual amendment or specific agreement. Veolia Environnement is given precise objectives and when contracts do not clearly specify a robust business plan, the company proposes one as the means to achieve these objectives.

The public service management contracts that Veolia Environnement signed with the Moroccan cities of Rabat, Tangier and Tetouan in 2002 have the ultimate objective of serving 100% of households. This goal has an impact on the projected cost of services. In 2005, when the government of Morocco decided to make access to basic services one of the priorities of its National Initiative for Human Development (NIHD), Veolia Environnement and its contracting authorities discovered that the burden to households under the contracts was too heavy and therefore signed an agreement to undertake an “NIHD Connection” program. This made it possible to set up a suitable pricing structure that was more favorable to the lowest-income households, while setting new objectives and ultimately establishing a new business plan. New funding to make access to drinking water and sanitation affordable for all was raised through cross-subsidies from water, sanitation and energy services in line with local economic dynamics. Nearly €200 million were thus invested to connect some 80,000 families to water supply and sanitation systems. In Tangier, 9% of eligible families applied for a

(1) Veolia Environnement sustainable development charter, commitment number 11

(2) www.un.org/millenniumgoals/reports.shtml

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Contribution to the Millennium Development Goals: Over 4.5 million more people connected to the drinking water supply and over 2 million more people with access to sanitation services in Africa, Latin America and India.

subsidized connection within one year after the system was installed in their neighborhood, with a payment collection rate of 97%. This shows the importance of such “contractual engineering” and of making sure that prices are properly aligned with local incomes.

1.3 Our ACCES expertise

Veolia Environnement’s efforts have now connected over 4.5 million people in emerging and developing countries to the drinking water supply. Veolia has also given over 2 million people access to sanitation services and provided electricity to nearly 2.5 million people. Programs to provide subsidized connections in Morocco and Latin America have significantly contributed to these achievements. Veolia Environnement is instrumental in the overall campaign to meet the Millennium Development Goals.

To achieve this result, Veolia Environnement has developed a methodology that it applies to all of its business activities. This approach combines technical, financial and legal innovations and specialized communication and marketing techniques to form a body of expertise known as “ACCES,” based on the eight principles shown below. The purpose of the first five is to adapt services provided under public service management contracts to low-income customers, while the last three concern the company’s corporate social responsibility in general.

ACCES

- 1. Use existing water resources and infrastructure to serve more people**, by optimizing the operation of existing infrastructure and reducing leakage in the network (tested worldwide and most notably in India, Morocco and the Czech Republic).
 - 2. Implement pricing policies that are socially acceptable**, by helping public authorities set tariffs that are affordable to the most disadvantaged populations, while ensuring the ongoing economic viability of the service (Morocco, Gabon, Niger, Ecuador, Italy, Poland, Bulgaria, France and the UK).
 - 3. Promote subsidized individual connections**, by using an approach that makes it possible to establish a dialogue with disadvantaged people, understand their requirements, provide assistance to reduce the cost of connection to water supply and sanitation systems, and remove or reduce technical and administrative obstacles.
 - 4. Propose new methods of providing regulated and secure collective service** when individual customer service lines are not possible in the short term.
 - 5. Develop accessible services that meet specific local needs**, by providing all customers with nearby resources and services that are tailored to meet the specific characteristics of their neighborhood or village (Morocco, Romania and the UK).
 - 6. Promote more efficient water use to optimize services**, by raising awareness of the relationship between hygiene and health with simple messages about water use (pilot tests in Niger and Thailand).
 - 7. Societal research and innovation** Develop new and innovative service models that make it possible to provide good quality water in accordance with local requirements and in an economically viable manner despite local constraints (Bangladesh).
 - 8. Assess the impact of the actions taken on human development and local communities** through programs with researchers (in Morocco, Bangladesh and India).
- These points will be examined in detail in the next few pages.

Special issue of FACTS, an Institut Veolia Environnement publication, on the different approaches to “fighting poverty, between market and gift” <http://factsreports.revues.org/1195>

ACCES 1

Use existing water resources and infrastructure to serve more people

Our primary objective is to use existing infrastructure as efficiently as possible. This includes infrastructure such as water production and wastewater treatment facilities, water distribution networks, wastewater collection systems and storage tanks. In particular, there are specific plans to reduce water loss caused by leaks from water distribution networks. In water-stressed areas, this makes it possible to serve more people using the same infrastructure, while reducing the amount of water extracted from the natural environment per capita.

In 2005, the World Bank and the Indian government selected Veolia Environnement to conduct a project in the state of Karnataka to prove the feasibility of providing a pilot test area of four Urban Local Bodies with a continuous supply of water without increasing the strain on natural resources. The optimization of existing infrastructure made it possible to double the number of people connected to water services in only four years, while reducing source withdrawal by more than 16%.

In Tetouan, Morocco, from 2002 (when the contract began) until 2009 (when the threshold of 80% network efficiency was achieved), Veolia Environnement succeeded in reducing water

withdrawal by as much as 18% while delivering 18% more water. This made it possible to serve 59% more customers while preserving precious water resources.

ACCES 2

Implement pricing policies that are socially acceptable

Pricing

Only public authorities are able to set prices for public services. Veolia Environnement never sets rates itself. The principle that “water pays for water” observed in developed countries is unrealistic for many developing countries. The investment required is too costly for service users to bear alone. In these countries, the objective of “total cost recovery” must be replaced with that of “acceptable cost recovery.”

For each contract, Veolia Environnement can propose solutions and support targeted policies that ensure the most disadvantaged populations and/or neighborhoods have improved access to services, in accordance with the “right to water” principle. This means that access to safe drinking water and sanitation must be affordable: in other words, it must not exceed the ability and also the willingness to pay of the lowest-income households.

In some countries, Veolia Environnement makes contractual commitments to ensure that

pricing matches national and local political will to reduce social disparities.

► In France, Veolia Water has launched **27 initiatives** involving more than **200 municipalities** and nearly **5 million people** through its “Water for All” program in France. The program has three focal points:

- Emergency individual solutions to maintain access to the water supply, such as payment schedules, debt clearing and water vouchers;
- Support services to help people manage their water use and budget in the long term;
- Prevention solutions to issue a notification in the event of unusual excess consumption.

► Veolia Water launched its “Water Solidarity” program in the Greater Paris region in 2011. The program helps people who are temporarily or consistently having difficulty paying their water bill, particularly when the bill exceeds 3% of their financial resources. One percent of the revenue from water sales in the area covered by the Greater Paris water authority (SEDIF)—over €2 million a year—is paid into a fund that serves to assist the most disadvantaged households on a preventive or emergency basis. The first of its type in France on this scale, the program makes a substantial contribution to reducing the cost of service for the poorest households.

► The Perpignan intermunicipal partnership has also made solidarity a priority in renewing its delegated management contract for public water services. Local authorities in Perpignan, Bompas,

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5 million people in France now benefit from the “Water for All” solidarity campaign.

Canohès and Le Soler have chosen to introduce a tiered pricing system through which the first 60 cubic meters used are billed at a third of the cost of subsequent cubic-meter consumption. The initiative goes hand in hand with measures to roll out the “Water for All” program.

► At the request of the authorities in Morocco, Veolia Environnement has implemented a pricing structure that enables water and electricity consumed below a specified threshold to be purchased for less than the price charged to Veolia by the national utilities. For water, this special low rate is available for up to 40 liters of consumption per person per day, which is twice the amount that the United Nations estimates is necessary to meet basic needs⁽¹⁾.

► In China, the city of Changzhou has been applying this type of social policy since 2007 by providing Veolia with a list of “low-income individuals” eligible for subsidized services every six months. Veolia then ensures that these people are properly connected to the public water supply. The number of people benefiting from the system can vary from one six-month period to the next; however the program covers an average of 48,000 applications every six months, representing some 8,000 households a month. Subsidy amounts change in line with adjustments in water pricing. In 2012, overall subsidies provided per household per year totaled RMB162, which is around half the cost of monthly water consumption.

► In Guayaquil, Ecuador, there are a number of options available to ensure access to water for the most disadvantaged members of the population. Subsidized rates are designed to help low-income households and are set at \$0.10 per cubic meter—compared with the normal rate of \$0.55 per cubic meter—for the first 30 cubic meters of water used. **2,557 customers benefited from these special low rates in 2012.**

Veolia has also introduced flexible payment options for people experiencing money problems, with eligibility determined by the local government. **37,540 people now benefit from these flexible payment plans.**

Prepayment

Some households in developing countries are not accustomed to planning their spending, or do not have sufficient financial resources to do so on a weekly or monthly basis. They tend to spend money as soon as it comes in: having to pay a bill at the end of the month for a service that is consumed on a day-to-day basis can therefore be quite a challenge. This problem is often exacerbated by the failure of households to monitor consumption, which gives them the impression that the bill is unjustifiably or even abusively high. This can make customers, and even the local population in general, hostile toward the provider or manager of the public service.

► Our company’s subsidiary in Gabon, which produces and distributes both water

and electricity, addressed this problem by introducing prepayment plans for electricity. Prepayment enables consumers to adjust their spending in accordance with their immediate income. Almost 70% of households in Gabon were purchasing electricity on prepayment basis by the end of 2011. Veolia also began offering this payment method in northern Morocco in 2011.

ACCES 3

Promote subsidized individual connections

Reducing the cost of service for consumers is insufficient if most households are not connected to a public water network. Yet the cost of connection to public services is often dissuasively high for many families. To connect service lines to individual homes in developing countries, Veolia has developed subsidized connection programs with innovative financing arrangements designed in partnership with contracting authorities. This program may combine, for example, tailor-made loans, local cross-subsidies and pioneering financing solutions with national and international development aid organizations. The company has also designed services intended specifically for low-income customers and introduced measures in all of these areas to expand subsidized connections and monitor their progress.

(1) Beyond scarcity: Power, poverty and the global water crisis – Human development report (UNDP 2006)

ACCES 4

Propose new methods of providing regulated and secure collective services

When individual access to drinking water is impossible (urban slums, illegal or non-viable areas), communal tapstands provide an alternative solution that Veolia Environnement can implement for public authorities. Examples can be found in countries such as India, Gabon, Niger, Ecuador, Morocco and Colombia.

To prevent some of the problems that may occur in urban environments, such as abusive use of free water by contractors and other groups for which the water is not intended, as well as long waiting lines and the resale of water at prohibitively high prices, Veolia Environnement enables local authorities to control the amount of water distributed while still making it affordable for the poorest populations.

For this purpose, Veolia Environnement has developed a prepaid communal tapstand system that limits access to people who have a special key equipped with a computer chip that contains all necessary water consumption information. This solution allows the authorities to allocate a fixed and pre-paid quantity of water to a specific population it has identified as requiring access to inexpensive water. This gives the most disadvantaged households

access to potable (drinking) water at a very low price or even at no cost.

Institut Veolia Environnement has published an article on this subject in FACTS magazine, available at <http://factsreports.revues.org/743>

ACCES 5

Develop accessible services that meet specific local needs

To adapt its services to the specific characteristics of each environment in which it operates and to the needs of local populations, Veolia Environnement must constantly find new ways of getting services efficiently to remote areas.

Proactiva set up dedicated Social Management departments to meet the contractual requirements of the authorities in Latin America in providing water and sanitation services to disadvantaged neighborhoods, which sometimes represent almost half of the local population. The means of service provision depend on the type of neighborhood. For example, tanker trucks and communal standpipes are used in undeveloped suburban areas, while individual service lines are installed in neighborhoods that are undergoing development. Everything is perfectly clear for local consumers, who are in constant contact with Social Management department staff. The end result is that almost all of these several hundred thousand people

who live in the areas served by Proactiva have the minimum recommended access to safe drinking water at a socially acceptable price.

Before Veolia Environnement joined the Nagpur demozone project in June 2007, local inhabitants were only supplied with water several hours a week and had to pay a lump-sum price regardless of their real consumption. As may be expected, there were many fears about the major changes involved in the project—provision of water service by a private-sector company, availability 24/7, and charging in proportion to consumption—and concerns among inhabitants about future rates, people's ability to pay, and the water system operator's exact intentions. Building on the enthusiastic support of the first people to benefit from a connection to the public water system and who volunteered to promote the new service, Veolia Environnement set up a network of "Water Friends". This network was given the task of explaining the new project to future users, providing them with all useful information—on issues such as the respective responsibilities of the public and private sectors, everyday benefits and the information resources at their disposal—and responding to questions and concerns in their own words. Water Friends was instrumental in the success of the Nagpur demozone project.

Outlying areas that have been recently connected to public water supply systems are often far from sales offices. The people who live in these neighborhoods generally have no bank account and must make several long back-and-forth trips between government agencies

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to request a service line, obtain information or pay bills. As a result, some families sometimes give up on getting connected to the water service altogether. To tackle this problem, Veolia Environnement developed a mobile sales office that consists of a bus equipped with all normal office facilities and a communication system that enables real-time access to the customer management system. These buses serve customers directly near their homes. Bus routes and schedules are planned with local authorities to coincide with local events and public gathering places, such as markets. These mobile offices can also provide a “one-stop shop” that is shared with government agencies to make it easier for customers to fill out and submit official forms. Initially launched in Morocco, mobile offices are now being used in rural areas of France.

ACCES 6

Promote more efficient water use to optimize services

In Niger, where half of consumers get their water from communal tapstands, unsanitary transportation, storage and handling practices can make this water unfit to drink, exposing local populations to hygiene and health problems. Employees of SEEN, Veolia’s local subsidiary, set out to make sure that people are better informed about this problem, which is a vital issue in a country where water-borne

illnesses are the leading cause of death and disease.

Veolia set up a “Water and Health” program in 2007 to make local people more aware of how drinking water and hygiene can affect health. This multi-phase program was first implemented within the subsidiary then presented to external stakeholders, such as private-sector managers of communal tapstands, who were given training by the NGO Rail Niger, allowing them to inform local populations about the links between water, hygiene and health.

ACCES 7

Societal research and innovation: develop new models

A social business experience

Aware of the difficulties that rural operators face in developing countries, Veolia decided to pioneer new service models—in partnership with local stakeholders who have an in-depth understanding of rural concerns—to provide safe water in accordance with the needs of local populations and in an economically sustainable manner, despite local constraints. In developing these models, Veolia leverages the company’s capabilities to transfer expertise to rural water system operators and enhance their contributions.

One example is the ongoing partnership with Grameen Bank, which was Veolia Environnement’s first social business project. Its objective is to provide drinking water in compliance with WHO standards to poor rural populations in areas of Bangladesh where underground water naturally contains large amounts of arsenic. Four years after its creation, the Grameen-Veolia Water joint venture continues to expand its network of communal tapstands and individual water service lines in the rural villages of Goalmari and Padua.

After getting off to a very strong start, the project began to stall and Grameen-Veolia Water asked a team of Bangladeshi anthropologists at the Drishte Research Center to find out why. After a six-month study and the preparation of an action plan, water consumption is now steadily increasing. However, consumption growth is too slow and at its current rate it will take too long to reach the breakeven point. Grameen-Veolia Water has therefore decided to use its plant in Goalmari to produce large “demijohn” bottles of water for urban customers. The money earned from this will make it possible to break even in three years and finance the development of the rural area project, according to the principle of urban-rural solidarity.

Output-based aid

In other areas, we are working on new models to enable the poorest populations to access services. One example is Veolia

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Environnement's partnership with the World Bank and the Global Partnership for Output-Based Aid (GPOBA) in Tangier between January 2007 and December 2011, where an output-based approach was tested on water supply and sanitation projects for the first time. The idea is to gradually pay out a grant as measurable and verifiable objectives are successively achieved, as determined by an independent audit. Since investments are initially financed by the public- or private-sector operator, the gradual release of funds provides an incentive to quickly achieve program objectives in compliance with specifications. This approach provides an alternative to standard public aid and makes it possible to engage the private sector in financing service-access projects. A year before the project was completed, Veolia Environnement's subsidiary Amendis Tangier had connected enough service lines in the neighborhoods approved by the World Bank to receive the full amount of the grant it had been allocated. This shows the efficiency of the approach introduced by Veolia to rapidly develop access to water and sanitation services for all.

For more information, see the GPOBA website at: <http://www.gpoba.org/gpoba/project/P102527>

Social mediation

Our company is also currently focusing its attention on social mediation and related topics.

In the Greater Paris region, Veolia Water and

Veolia Energie-Dalkia have been partnering the Voisin Malin association since 2012 in conjunction with the Veolia Environnement Sustainable Development Department (see "Dialogue with Stakeholders").

ACCES 8

Assess the impact of actions taken on the quality of life

In 2007, Veolia Environnement joined a research program to assess the impact on human development and welfare of subsidizing the connection of water supply and sanitation service lines to households in the city of Tangier. This program was conducted in partnership with the Abdul Latif Jameel Poverty Action Lab (J-PAL), an MIT economics research laboratory headed by Esther Duflo. In addition to funding, Veolia also provided operational support. This research found that the service lines provided specific benefits in terms of social integration, additional leisure time and welfare. The findings were presented in January 2011 in Paris and were published in a paper entitled "*Happiness on Tap: Piped Water Adoption in Urban Morocco*" (Devoto, Duflo et al, 2011).

2. DIALOGUE WITH STAKEHOLDERS

In this constantly changing world, man's interaction with the environment represents a major challenge that requires mobilizing the efforts and commitment of all stakeholders at a local, national and international level.

2.1 At the local level

Our companies promote ongoing dialogue with all local stakeholders. Management of basic services requires the support of consumers and all relevant stakeholders with regard to the services provided and the cost of these services. Cooperation is a prerequisite for efficiency and legitimacy.

There are several types of local stakeholder. Local authorities and elected officials not only wield ultimate authority, they are Veolia Environnement's institutional clients and the elected representatives of the people in the communities served. Furthermore, most of their constituents are consumers of the services we provide and often live near the facilities we operate. The relationships between these stakeholders are complex and Veolia Environnement takes specific steps to ensure the best possible dialogue with each of them.

Authorities and elected representatives

Our public-private partnership model for providing public services ensures an ongoing dialogue with local authorities and government agencies. The resources and procedures for maintaining this dialogue are specified in our contracts, as are the means and frequency of our interaction with stakeholders. They communicate their requirements or complaints using procedures they themselves specify contractually and our ability to respond to these requests is one way that our performance is measured. The service provider's obligations to communicate information transparently—through quarterly reports, performance indicators, etc.—are also specified contractually.

Veolia Environnement is also able to provide national and local authorities with specialized expertise in specific areas and assist them in planning strategies for their environmental solutions.

► In Colombia, for instance, Proactiva prepared a Climate Change Plan with 15 scheduled actions for the city of Monteria, which the mayor presented to the press and local non-profit organizations on August 10, 2011. This project strengthened Proactiva's reputation for expertise in the country. The Colombian government has also asked Proactiva to participate in a recently created national task force on climate change.

Consumers, communities, local residents, non-profits and associations

All of our company's four divisions work actively to maintain a dialogue with their clients, local communities and residents and to keep them informed of their activities through initiatives such as meetings with local officials, non-profits and residents, tours of facilities and "open-house" events that include the general public.

We can only achieve this dialogue and pursue the search for tailored solutions if we have a solid prior understanding of the different stakeholders involved and the issues affecting each of the areas in which we operate.

► In late 2011, Orange City Water (OCW)—a joint venture between Veolia Water India and VIL—signed a delegated management contract with the Indian authorities to improve the drinking water supply in the city of Nagpur. The goal is to ensure an uninterrupted service for all of the city's inhabitants, including the third of the city's population who live in slums, in line with international standards on water pressure and quality.

In 2011, through a partnership with Veolia Water India and as part of its "Societal Innovation" campaign, Veolia Environnement's Sustainable Development Department launched a wide-ranging study with IRENE—the institute for research and education in negotiations at ESSEC business school—and the Centre de Sciences Humaines (CSH) research center in Delhi, designed to anticipate the challenges involved



2. DIALOGUE WITH STAKEHOLDERS

in connecting slum areas to the drinking water supply and providing OCW with solutions to help organize and manage these operations. The project aims to:

- Analyze and understand issues related to organizing a water supply system in slums before the contract comes into effect (governance, resources, stakeholders, practices, links to the informal economy) and the possible impact of a new operator entering the market;

- Analyze and map “stakeholders” in the water sector in India, with a focus on Nagpur.

The research program paved the way for contract targets in line with the expectations of those affected by the service. It also serves to highlight the externalities resulting from the arrival of a private operator, allowing us to anticipate the kind of solutions we will need to implement. IRENE and CSH submitted close to a dozen overall recommendations, which largely recap the findings of Veolia teams.

Understanding and servicing the needs of disadvantaged populations is gradually becoming a distinct function at Veolia Environnement.

In Colombia and Ecuador, Proactiva has set up dedicated departments to handle relations with consumers and stakeholders, particularly in the most disadvantaged neighborhoods and areas. These “Community Management” departments are part of the local subsidiaries’ sales departments, which provide appropriate human resources and equipment. The Community Management departments work in conjunction with all subsidiary departments and play a piv-

otal role that consists in informing and listening to local residents whenever a new project is to be launched (that is, service line connections, start of works, new invoice model or sanitation system extension), and in detecting any potential difficulties and providing feedback that sales departments can use to adapt services if necessary. They perform these tasks working with specific representatives in each neighborhood and in conjunction with elected representatives and other public-sector and NGO partners. Proactiva considers this approach to be of strategic importance, since it helps strengthen its foothold in local communities.

In the Greater Paris region, Veolia Water and Veolia Energie-Dalkia have been supporting the Voisin Malin association since 2012, backed by the Veolia Environnement Sustainable Development Department.

Voisin Malin provides “neighbor” services to companies, institutions and public authorities by recruiting and training local people to foster stronger ties with service users through an approach that involves door-to-door visits to explain services, oral translation where necessary and assistance in using services. The result is a network of well-informed neighbors who provide a new point of contact for residents facing economic, cultural or language barriers. This creates added value for both local services and neighborhood residents.

Voisin Malin helps Veolia Water and Veolia Energie-Dalkia to improve the services they

provide to the public and to increase satisfaction among end users. Through this partnership, Voisin Malin focuses on helping people control consumption while preventing unpaid bills and putting people in touch with social services.

In Tangier, when the National Initiative for Human Development (NIHD) Connections program was launched, Veolia Environnement and its contracting authority client decided to set up an “NIHD Committee.” This committee, which meets every two weeks, is composed of all program partners, including the city’s prefecture and urban planning and development agencies. Its job is to decide borderline cases (where household qualification must be closely examined), discuss any obstacles or problems encountered and immediately find a solution. This committee is one of the reasons why this very ambitious and extremely important project has made such good progress.

However, clients and individual customers sometimes fail to understand our company’s activities and responsibilities. As a result, civil society actors and user associations can also misunderstand how the service is managed, which may lead to real problems.

To this end, the “Club Consommateurs” was set up in Marseille in 1998, involving management at the highest level. The CEO of Eaux de Marseille now sits in on every meeting. In addition, based on the issues on the agenda, directors in charge of relevant projects for both the service provider and the local authority are on hand to answer

questions from neighborhood committees, known as Comités d'Intérêt de Quartier (CIQ). The club aims to promote immediate feedback on expectations, demands, obstacles and disputes. The goal is to inform representatives of civil society, who act as a medium while also promoting dialogue. "Club Consommateurs" participants are involved in drawing up the agenda for meetings and are free to raise any issue they choose.

Veolia Environnement regularly conducts customer satisfaction surveys as part of its own operations. These surveys enable us to assess how our services have progressed, along with their benefits to users, what users expect and why they may be dissatisfied. We often make firm commitments to our clients. When our services are sufficiently mature to warrant the deployment of a quality management system we carefully monitor these commitments as part of our continuous improvement process.

The informal sector

The informal sector, or informal economy, impacts Veolia Environnement's operations in a variety of ways. It is sometimes a competitor (as in the case of informal transportation or recycling), is sometimes complementary to our activity, and is sometimes even critical to making our contracts economically viable. It must therefore be acknowledged and understood.

At the Presidente landfill site in Cali, in Colombia, a social integration initiative for rag

collectors has been set up in partnership with local bodies. Following the implementation of an action plan to provide official recognition for such activities, 100 rag collectors have set up two recycling cooperatives and have been given relevant training, along with access to medical services. The cooperative now provides services to the municipality beyond the landfill itself and Proactiva is exploring the possibility of subcontracting some services, such as maintenance of parks and gardens. Proactiva devised and introduced the project between 2002 and 2008, and provided all necessary funding to enable training and set up the cooperatives, among other things. It also involved other local stakeholders in areas such as healthcare, nutrition and education. 2008-2012 was the consolidation phase. The cooperatives are now operating independently and the company is making preparations to subcontract a number of services.

2.2 At the national and international levels

Partnerships with international organizations

Veolia Environnement continues to work with the major UN agencies, bilateral organizations and international lenders to help achieve the Millennium Development Goals and meet its commitments as a member of the Global Compact.

In some of these partnerships, our objective is to promote the exchange of experience and knowledge between cities and towns and the adoption of methodological approaches to fostering solidarity between regions and communities.

■ Through its involvement in Rio+20, which saw regions around the world work toward the common goal of combating climate change, Veolia Environnement won the Sustainia award for two of its achievements: a zero-carbon car-manufacturing plant in Morocco and an innovative approach to recovering heat from data centers in France. The awards were presented as part of the international Rio+20 conference.

■ Veolia Environnement has been named an active member of the World Urban Campaign headed by the UN Habitat program. At the World Urban Forum on "The Urban Future", held in Naples, Italy, in September 2012, Veolia was given the opportunity to showcase its solutions to promote efficient, sustainable management of urban services. Based on its ability to provide such solutions, the company has also joined a panel of international experts tasked with preparing the Habitat III conference (2016), where the focus will be on the role of these services in strategic urban planning.

■ Veolia Environnement is a founding member of the French Alliance for Cities and Territorial Development (Partenariat Français pour la Ville et les Territoires—PFVT), which brings

together all French stakeholders in the field of urban planning. Veolia lends its expertise to the urban-planning initiative and contributes to its research and publications.

■ As part of the campaign to foster solidarity between regions and communities in France, Veolia Environnement—in addition to the work carried out by its corporate foundation and initiatives sponsored by its employees in the field—signed 102 partnership agreements in 2012, 79% of which involved sports, 14% social and cultural events and 7% events such as conferences and seminars organized by associations.

■ Veolia Environnement has also established itself as a key player in shaping the future of the Greater Paris region through its initiative to set up a think tank to contribute to public debate via publications, through its help in organizing conferences and through its research into future services.

■ In addition, Veolia Environnement has sought to participate in several operational partnerships with international organizations, either on infrastructure projects in difficult environments or in pilot projects that seek to provide access to basic services for all. This participation has, for example, taken the form of joint investment with AFD subsidiary Proparco and the World Bank's International Finance Corporation (IFC) in companies in Africa and India, where the development of infrastructure and access to water, sanitation and electricity are of crucial

importance. By investing alongside economic development actors, Veolia is stepping up its engagement in developing countries while ensuring that its business assets are contractually secured. The company also incorporates clear social objectives into its contracts.

■ Alongside the World Bank, Veolia Environnement has also committed to the afore mentioned pioneering initiatives in India (Karnataka and Nagpur demozones) and in Morocco (output-based aid pilot project).

Institut Veolia Environnement

In 2001, the company founded Institut Veolia Environnement (IVE), a non-profit organization whose objective is to conduct forward-looking analyses of issues that affect society and the environment. The organization is designed to contribute to long-term insight into universal issues while providing a platform for independent debate. Backed by a multifaceted network of academic experts and those on the front line of development, such as NGOs, Institut Veolia Environnement collects and builds on reliable scientific knowledge and field-proven practices to makes these assets available to all stakeholders in the public and private sectors who are working to tackle sustainable development issues. IVE is able to use the leading internationally renowned expertise of its Foresight Committee to guide its work while staying closely in touch with the reality of social and environmental concerns through its exposure to

Veolia Environnement's day-to-day operations. This combination of global awareness and local practices gives Institut Veolia Environnement an original and powerful perspective.

In 2012, IVE received official accreditation from the UN General Assembly and joined the "civil society" network of UNDESA. It is also recognized by the European Commission as a research organization and can now participate in the Seventh Framework Programme (FP7). These advances promote recognition of IVE as a platform for knowledge sharing and networking on priority issues.

IVE was also part of preparations for the milestone Rio+20 conference on sustainable development through three events: an international conference on Poverty and the Environment in partnership with the Botanical Garden of Rio de Janeiro, with the support of the Brazilian Ministry of the Environment and AFD; an official side event with Civicus and Concord on the better sharing of best practices as leverage for combating poverty; and a presentation on measuring urban environmental performance with UNEP at the ICLEI Global Town Hall.

Building on its work targeting urban development, IVE has also been invited to take part in RAMSES, a FP7 European research program on adaptation to climate change in cities. IVE will work within a consortium of academic and institutional partners, contributing its own expertise and providing insight based on Veolia skills on the ground.

102
partnership
agreements
signed in 2012.

2. DIALOGUE WITH STAKEHOLDERS

IVE continues to publish its two scientific journals: S.A.P.I.E.N.S (Surveys And Perspectives Integrating the Environment and Society) and FACTS, which focuses on work in the field. Through the regional and special issues published in 2012, IVE has broadened its readership and increased the impact of its journals.

Details are available on the IVE website at: www.institut.veolia.org.

Veolia Environnement Foundation

In 2012, The Foundation's Selection Committee approved 128 new projects in three areas: humanitarian crises and development aid; social cohesion and job counseling; and environmental conservation and biodiversity protection. All of these projects involve Veolia employees as either sponsors or volunteers and represent total funding of k€2,223,000.

The Veolia Foundation also helps to promote access to basic services through its international outreach initiatives (humanitarian crises and development aid). The Foundation pooled the skills of Veolia employees to provide 870 days in the field in 2012.

The Foundation works in partnership with local NGOs and has carried out work to provide access to water at the request of the Red Cross in Congo-Brazzaville, at the request of UNHCR in Ethiopia, and at the request of Solidarités International in Benin. The

Foundation also supports a number of projects involving decentralized partnerships in places like Karangasso Vigue in Burkina Faso and Bangangté in Cameroon.

In waste management, Veolia volunteers were mobilized in Manila, in the Philippines, where Médecins du Monde has launched a major initiative to improve the labor conditions and health of people working in the solid waste recycling sector (including electronic and toxic waste).

The Foundation's work to promote employment is detailed below under "Our Contribution to Local Economic Development".

Veolia has also signed two key partnerships in Water and Health:

■ The Veolia Environnement Foundation and Veolia Water have joined the coalition to eliminate cholera in Haiti headed by the Pan American Health Organization (PAHO/World Health Organization), alongside 17 partners leading the campaign to tackle water and health issues, including the Center for Disease Control and Prevention, the World Bank, the Inter-American Development Bank and UNICEF.

■ The Veolia Environnement Foundation and the Mérieux Foundation have signed a partnership agreement to pool their efforts in combating water-borne diseases and reducing their impact on public health, especially in developing countries.

Admical—a corporate philanthropy association established in France in 1979—awarded Veolia Environnement its 2012 Oscar for International Philanthropy.

See the Veolia Environnement Foundation report www.fondation.veolia.com.

3. OUR CONTRIBUTION TO LOCAL ECONOMIC DEVELOPMENT

Partnerships to serve local authorities

Veolia Environnement’s partnerships with international organizations encourage economic development aid (see § “Partnerships with international organizations”). On a national level, and in France in particular, the company’s initiatives also include joint actions with government and non-governmental organizations that promote the development of regional and local resources and economies, such as the coastal conservation agency Conservatoire du Littoral and competitiveness clusters for the sea and for water.

Veolia Environnement supports the French Alliance for Cities and Territorial Development (PFVT), which is sponsored by two government ministries and backed by the French development agency (AFD). This initiative provides a platform for bringing together urban and rural development expertise and gives Veolia Environnement the knowledge and experience it needs to play an active role in international urban development. To this end, Veolia is also a member of the French Institute for Local Government Cooperation (ICIC), which was set up by Cités Unies France (CUF).

Veolia Environnement is also closely involved in shaping the Greater Paris region through its “Mission Métropole du Grand Paris” initiative, launched in 2010. The program involves a number of decision makers in the public and private sectors, all working toward the same goal: enhancing the appeal of Paris and its surrounding

area to attract investment—particularly foreign investors—while promoting economic growth, creating jobs and improving quality of life for local people. Mission Métropole is also a key driver in building Veolia Environnement’s capabilities in areas such as innovation and training, through its Campus training facility in Jouy-le-Moutier, just outside the capital. Some 15,000 Veolia employees work daily in the Greater Paris region to provide local solutions in environmental services.

Direct consequences of our activities

Veolia Environnement contributes to the economic and social development of the municipalities and regions that it serves, not only through the public services it provides but also through the substantial investments it makes to develop, repair and maintain infrastructure.

The majority of revenue from Veolia’s activities is “redistributed” among stakeholders such as company employees, suppliers, external service providers, local and national tax authorities, banks and bond investors¹.

In addition, through its management approach and its HR and Purchasing policies, Veolia is a key contributor to employment and employability, helping people gain necessary qualifications, promoting equal opportunity and social protection for both its own employees and those of partner organizations and companies (suppliers, associations, etc.).

Veolia Environnement positions (many involving “green jobs”) are by definition the kind of jobs that cannot be relocated. A wide range of these positions are also open to people who do not have extensive qualifications. **Veolia Energie-Dalkia** created more than **1,000 local jobs** in France and over **3,000 worldwide** through its biomass operations in 2012.

Veolia’s training policy reflects its determination to help job seekers find work and acquire necessary skills through its network of regional Campus programs, backed by the close involvement of local partners.

| Share of revenue from ordinary activities fed back into the economy | | |
|---|----------------------------------|----------------------|
| Country | Revenue from ordinary activities | Amount redistributed |
| ■ France | €11.817 billion | 97% |
| ■ UK | €2.907 billion | 98% |
| ■ Germany | €2.457 billion | 94% |
| ■ USA | €1.779 billion | 96% |
| ■ Australia | €1.078 billion | 96% |

Total revenue from ordinary activities included in this sample represents 68% of total Veolia Environnement revenue from ordinary activities at year-end 2012 and will represent 87% of pro forma revenue from ordinary activities in 2012 in line with the new IFRS 10 and 11 requirements (requiring joint entities to switch from proportionate consolidation to the equity method).

3. OUR CONTRIBUTION TO LOCAL ECONOMIC DEVELOPMENT

Employability

The company's subsidiaries also develop local initiatives to promote social integration through employment.

Key measures to this end include:

- Priority given to external recruitment through work-study programs, particularly through initiatives to bring young people into the workplace (work-and-training contracts, apprenticeships);
- Partnerships between Campus Veolia and Ecoles de la Deuxième Chance, EPIDE and the Réseau National des Missions Locales. These partnerships provide opportunities for young people who are out of the job market to find out more about the positions we offer and explore their options with regard to apprenticeships.
- Employing people with disabilities. Veolia Environmental Services has signed France's Charter for the Professional Integration of Disabled Persons and an agreement with AGEFIPH.
- Support for employment programs: providing employment opportunities through Veolia's contractual operations or through activities set up in partnership with employment bodies (recycling/reemployment, office-paper sorting for small businesses, etc.). Veolia Environmental Services has also signed partnership agreements with the associations ENVIE and ELISE.

The Veolia Environnement Foundation is also a strong supporter of employability initiatives and has made assistance for job seekers and strengthening the social bond one of the three focal points of its operations. The Foundation also supports initiatives and structures that promote the employment of people facing exclusion through opportunities involving work sites, associations and companies that foster employability through training, social support, entrepreneurial solidarity and microcredit. The people who benefit from these projects are mainly young people experiencing major difficulties, along with minimum-wage earners, the long-term unemployed and those on social welfare. A survey on Veolia Environment Foundation philanthropy campaigns between 2004 and 2009 revealed that support for various organizations provides employability initiatives benefiting 7,000 people each year.

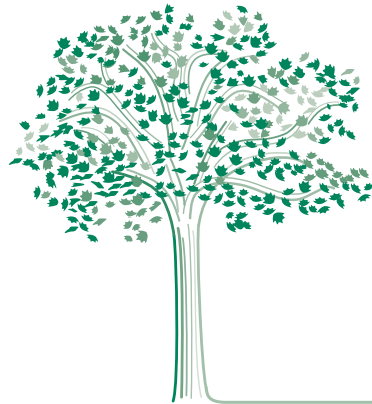
The Veolia Foundation is also a partner of ADIE, a subsidiary of the ARES group, and the associations La Petite Reine, Sport dans la Ville and Secours Catholique.

In addition, as part of its campaign to promote equal opportunity, Veolia Environnement this year began supporting the Fondation pour l'Égalité des Chances through funding for "boarding schools of excellence" for disadvantaged youth (Internats d'Excellence).

300
projects
supported
to date



MANAGING ENVIRONMENTAL PERFORMANCE



In today's rapidly changing world, Veolia Environnement has initiated its own transformation plan to become the "Environmental Industrialist." This shift is rooted in the company's core focus, the environment, and is designed to ensure we offer our clients integrated solutions that deal with the full range of environmental issues while expanding our know-how in managing pollution and resource conservation.

2012 was the first year in our three-year (2012-2014) environmental performance plan. We continued the work we started in 2011 anticipating and integrating French legal requirements in relation to corporate transparency (the Grenelle 2 law) by checking all the environmental information in our registration document and this digest. The level of reasonable confidence on a selection of key environmental performance indicators was maintained. The scope of our plan was expanded to include reporting on Veolia Water's energy services, engineering and research activities.

In addition, the company has continued to report on the environmental activities of the Veolia Transdev division, which are shown separately. The publication of our environmental results is now based mainly on the financial consolidation of the new Veolia, namely Water, Energy and Environmental Services.



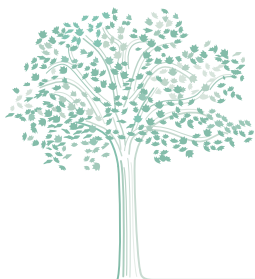
ENVIRONMENTAL OBJECTIVES

In terms of environmental protection, it is essential that we continue to control the risks and impacts associated with our activities and the facilities we manage. Our internal Environmental Management System (EMS) contributes to the implementation of a coherent governance structure and represents a shared frame of reference that can be promoted to our industrial and municipal clients and can even provide the basis for external certification (as part of ISO 14001 or the equivalent) depending on local requirements. The company is therefore continuing to monitor its deployment with the aim of further progress by 2014.

In addition to this initial objective and given the specific nature of our activities, the main objectives of our environmental commitment can be summed up in four approaches:

- Combat climate change by proposing solutions and services that avoid or reduce greenhouse gas emissions.
- Assess and develop biodiversity, by contributing to work on characterizing ecosystem services and by deploying tools and actions aimed at their protection and improvement.
- Reduce pollution and protect human health through the innovative implementation of the best abatement and treatment technology to protect the quality of aquifers and other water resources, as well as the air.
- Conserve resources (energy and water as well as raw materials) by deploying techniques used to measure and reduce their consumption and replace or recover them, by making our processes more efficient and by developing alternative and renewable sources and resources.

Training and awareness programs designed for our employees, suppliers, subcontractors and clients are also a key aspect of this approach.



Our commitment, evidenced by actions targeting the most significant levers available to us, has led us to set the following targets, which are adapted by each of our businesses to their own activities:

| | Scope | Level of achievement on Dec. 31, 2012 | 2014 Target ⁽¹⁾ |
|---|--|---------------------------------------|----------------------------|
| Performance management | | | |
| Percentage of revenue from relevant activities covered by the internal EMS ⁽²⁾ (incl. ISO 14001 certified, company-wide scope) | Veolia Water, Veolia Energy-Dalkia, Veolia Environmental Services, Veolia Transdev | 86.5% | 93% ⁽²⁾ |
| Combating climate change | | | |
| Carbon performance of combustion facilities (T CO ₂ emitted/MWhth produced) | Veolia Energy-Dalkia | 0.251 | 0.232 |
| Improvement in direct carbon efficiency of energy services (T CO ₂ eq. not emitted/T CO ₂ eq. emitted) | Veolia Energy-Dalkia | 36% | 39% |
| Methane capture rate (excluding Proactiva) (% of methane produced) | Veolia Environmental Services | 49% | 66% |
| Improved energy efficiency at wastewater treatment plants (kWh/g BOD ₅ treated – pro forma 2011) | Veolia Water | +0.6% | - 5% |
| Increased production of renewable energy from waste (baseline 2011) | Veolia Environmental Services | -15% | + 7.5% |
| Incorporation of Scope 3 elements in the calculation of greenhouse gas emissions | Veolia Water | | |
| - Percentage of operational entities that have carried out a carbon footprint study and implemented a footprint reduction action plan | Veolia Environmental Services | Implementation underway | 80% |
| - Percentage of head offices that have carried out their carbon and environmental footprint studies | Veolia Energy-Dalkia | Implementation underway | 40% |
| Percentage of sites covered by an energy efficiency plan | Veolia Environmental Services | Implementation underway | 60% |
| Conservation and development of biodiversity | | | |
| Monitoring of the number of sites that have carried out a biodiversity assessment: | The company | | |
| - including the percentage of sites of significant importance for biodiversity that have implemented an associated action plan | Veolia Environmental Services | Implementation underway | 75% |
| Percentage of countries that have implemented a country-specific conservation plan | Veolia Environmental Services | Implementation underway | 75% |
| Monitoring of the number of sites that have deployed an action plan to restore local biodiversity | Veolia Water | 42 | |
| Percentage of development projects that have implemented a biodiversity impact study | Veolia Environmental Services | Implementation underway | 100% |
| Pollution abatement and health protection | | | |
| Population served with water of non-compliant quality | Veolia Water | 0 | 0 people ⁽³⁾ |
| Resource conservation | | | |
| Percentage of renewable energy in the mix of energy services (European Union) | Veolia Energy - Dalkia | 11% | 20% by 2020 |
| Rate of materials recovery | Veolia Environmental Services | 19.2% | 26% |
| Percentage of combustible biomass consumed | Veolia Energie - Dalkia | 6.3% | 8.5% |
| Reduction in the volume of leaks in water distribution networks operated (pro forma 2011) | Veolia Water | - 3% | - 5% |
| Increase in the volume of water reused from wastewater collected and treated (reuse, baseline 2011) | Veolia Eau | +15% | + 10% |
| Percentage of sites reducing their water footprint by implementing an action plan to reduce wastewater consumption | Veolia Environmental Services | Implementation underway | 60% |

In addition, the company monitors the following indicators in relation to health protection:

- Variations in the rate of significant micropollutants discharged into the natural environment by Veolia Water France
- Percentage of waste treated in incinerators with dioxin emissions below 0.1 ng/Nm³ for Veolia Environmental Services, ensuring that this remains above 95%
- Deployment of the legionella risk prevention policy within the scope of Veolia Energy-Dalkia

(1) These targets include those set under the Veolia Water 2014, Veolia Environmental Services 2015 and Veolia Energy 2015 plans

(2) Scope including Veolia Transdev when it was defined on the basis of 2010 data

(3) Tolerance threshold of 10 inhabitants per million

1. MANAGING ENVIRONMENTAL PERFORMANCE

1.1 Methodology and scope of environmental reporting

Methodology

Veolia Environnement is committed to identifying and measuring the environmental impact of each of its divisions in France and around the world. The company therefore constantly strives to comply with the applicable regulations, to satisfy its clients' needs and requirements and to optimize the techniques it uses.

As part of its activities, the company implemented a reporting process in 2004, based on indicators relevant to the management of its different divisions and stakeholder expectations.

Reporting scope

The scope of environmental reporting covers all relevant activities worldwide for which the company has operational control. Within this scope, the environmental data from the company's dedicated information system are fully consolidated.

The company's operational scope is broader than the requirements stipulated in article 225 of the Grenelle 2 law¹⁾, including, for example, the Proactiva firms (South America), and water companies in Berlin (BWB) and Shenzhen (China). Some subcontracted activities may be included, in particular in terms of waste management (e.g. biogas recovery) or transportation management.

This is the first year that, in addition to water and sanitation services for municipal clients,

the environmental management system now also tracks information regarding:

- Energy production and distribution activities managed by Veolia Water in Germany, Gabon and Morocco
- SADE-CGTH (a Veolia Water subsidiary specializing in network construction, renovation and maintenance) activities in France and the engineering activities of Veolia Eau Solutions & Technologies (VWS) (a subsidiary of Veolia Water specializing in engineering, design and construction of turnkey plants, and creating water treatment solutions) for environmental impact indicators

The incorporation of these activities in 2012 primarily affects the Water division's energy consumption and greenhouse gas emissions. The scope excludes operational activities relating to industrial water facilities.

| Key environmental reporting figures (three divisions) | |
|---|---------|
| Number of primary indicators | > 1,500 |
| Number of calculated indicators | > 700 |
| Number of indicators subject to external verification | > 60 |
| Based on reasonable confidence | 9 |
| Number of entities where data is entered | 1,800 |
| Average revenue for an entity where data is entered (in €M, relevant revenue) | 16 |
| Number of contributors around the world | > 1,350 |

Reporting of Veolia Transdev data

- Environmental data for Veolia Transdev and SNCM were reported but not aggregated with the overall company data, other than for the Environmental Management System (EMS), similarly to the financial treatment of the division pending its transfer. Data for the division are nonetheless available in the dashboard (p.98).

1) Articles L. 225-102-1 and R. 225-105-1 of the French Commercial Code

1.2 The environmental management system

A reliable, structured system was required to manage the company's environmental impacts and compliance with environmental regulations.

Since 2002, the Environmental Management System (EMS) has served as the instrument for improvement in the fields of environment and environmental health. Applied in all divisions and structured around four levels of responsibility (corporate, divisions, business units and sites), the EMS enables the evaluation of environmental impacts, compliance with the regulations and the company's internal requirements, the setting of targets and then the implementation of measures and action plans for achieving them.

It specifies the detailed requirements for priority facilities –those with the most significant impact. Since 2009, so-called "sensitive activities" which could have an environmental impact in the event of an accident (e.g. cooling towers, etc.) were added to this list.

The EMS is run by an environmental steering committee, which includes the key players responsible for environmental issues in each division and ensures the sharing of information and coordination of action plans.

Methodology*: Priority facilities are those that contribute most to impacts

Veolia Water:

- Drinking water production plants (over 10,000 m³/day**)
- Municipal wastewater treatment plants (more than 50,000 PE**)
- Facilities with a thermal power rating above 20 MW

Veolia Energy-Dalkia:

- Facilities with a thermal power rating above 20 MW

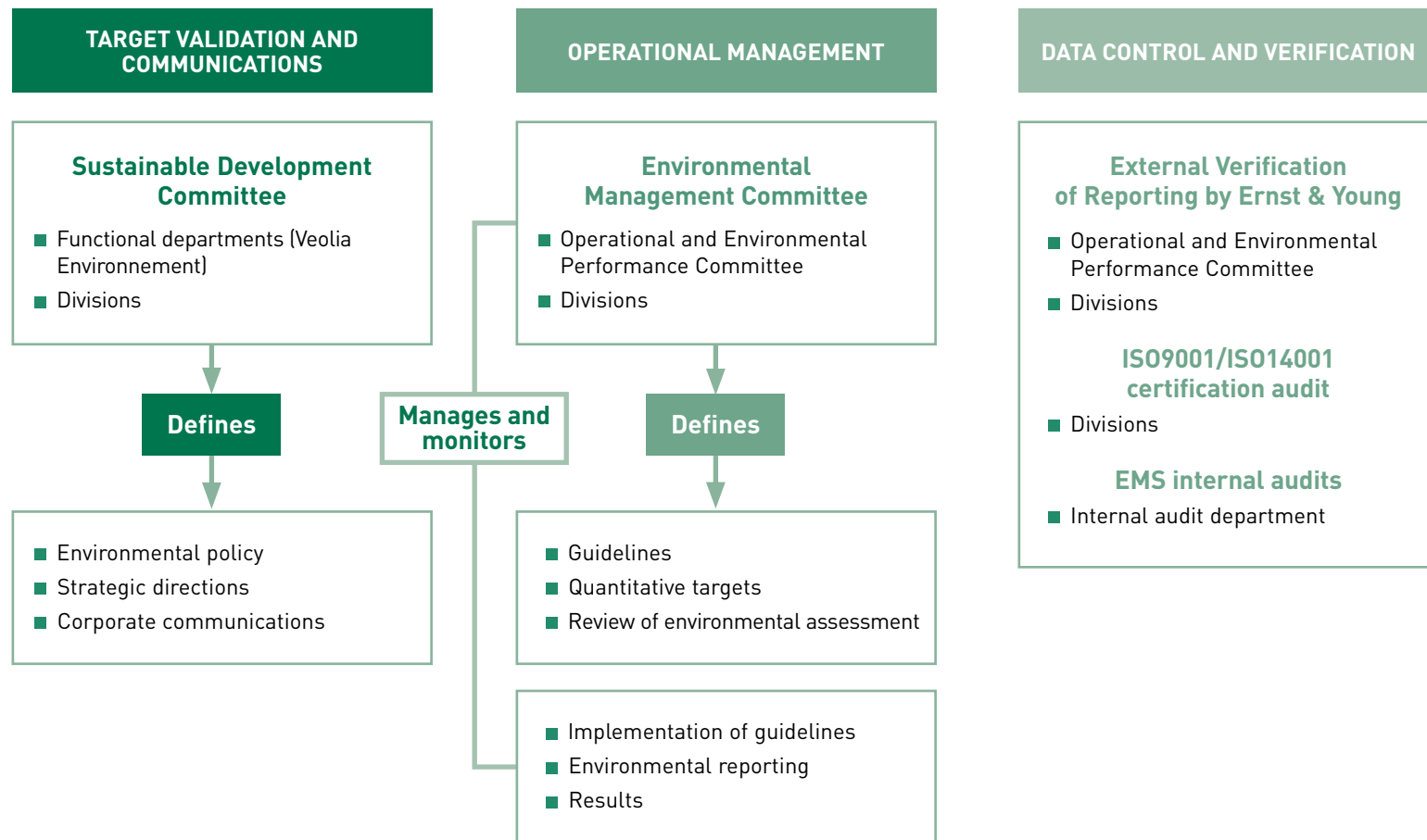
Veolia Environmental Services:

- Incinerators
- Physical-chemical treatment centers
- Hazardous waste recycling centers
- Landfills (excluding inert material) in operation

* For more explanations, refer to the 2011 Reporting Protocol ** installed capacity



1. MANAGING ENVIRONMENTAL PERFORMANCE



Veolia Environnement's internal EMS is applied all the way through to business unit level, in accordance with guidelines specific to each division and compliant with company requirements. Its requirements, which were redefined and made more detailed in 2009, are equivalent to ISO 14001 requirements and targets for deployment have been set. Veolia Environnement has

opted not to work toward systematic ISO 14001 certification for its entities, but the system can be used to obtain local certification based on this standard, as a function of the specific management issues of each business unit.

To improve the reliability of its EMS implementation, since 2007, a team of internal audi-

tors who are also business experts, IRCA (or equivalent) certified to perform the EMS audit in accordance with ISO 14001, has ensured audits at business units worldwide. Additionally, the company has also strengthened external verification of this EMS deployment indicator by achieving for the second period a reasonable level of assurance for this indicator.

1. MANAGING ENVIRONMENTAL PERFORMANCE

In 2012, the deployment rate for an EMS (internal and ISO 14001 certifications) increased by 1.5 points to 86.5% of the company's relevant revenue (including Veolia Transdev). The improvement is attributable to the commitment of all to implement the EMS in order to monitor the activity's environmental impact, as well as to the inclusion of Veolia Transdev's activities in the reporting with major ISO 14001 certified networks and that of Veolia Water's energy activities.

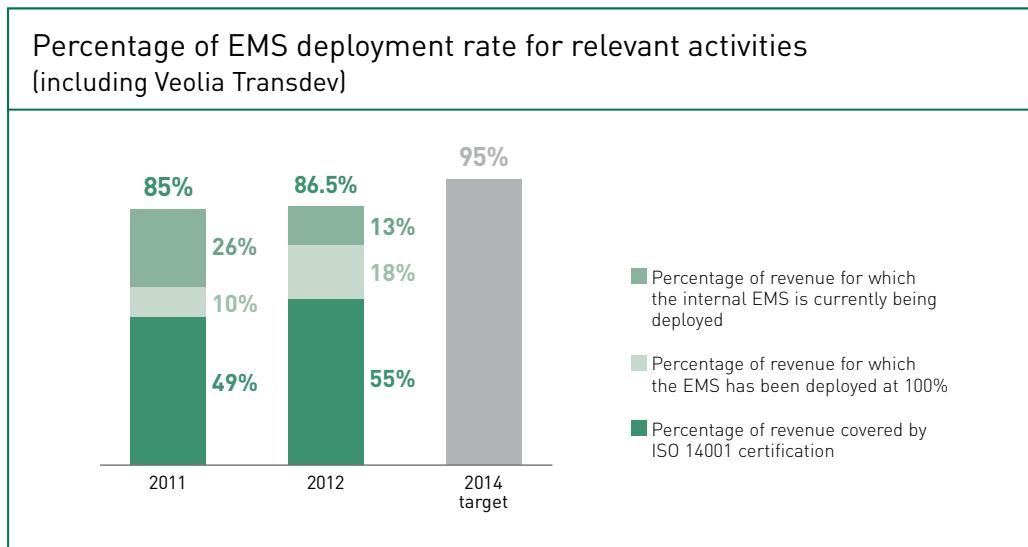
The percentage of revenue covered by an EMS deployed internally at 100% increased by eight points compared to 2011 and the percentage

covered by ISO 14001 certification increased by six points. The deployment of the company's internal EMS within its operational entities may help support ISO 14001 certification, which could partially explain the transfer to ISO 14001 of the internal EMS currently being deployed.

The graph shows the breakdown in the type of EMS for the relevant activities: for nearly half (55%) of the revenue, they are ISO 14001 certified systems and for an additional 18%, they are EMS which meet the company's 10 key criteria and another 13% which are currently being deployed. In terms of business units, over 20,000 company sites are ISO 14001 certified.

Given the difference in size between company sites, the percentage of sites certified would not be a relevant indicator, so it was decided to measure and steer this approach on the basis of the revenue covered.

Efforts to boost awareness are ongoing and are aimed at limiting any risk in the way the business units interpret the requirements and criteria for the deployment of the internal EMS. The company is working on a more detailed segmentation of the deployment rate to take into account all the requirements of the EMS.



2. COMBATING CLIMATE CHANGE

2.1 Emissions related to our activities

Measuring company-wide emissions

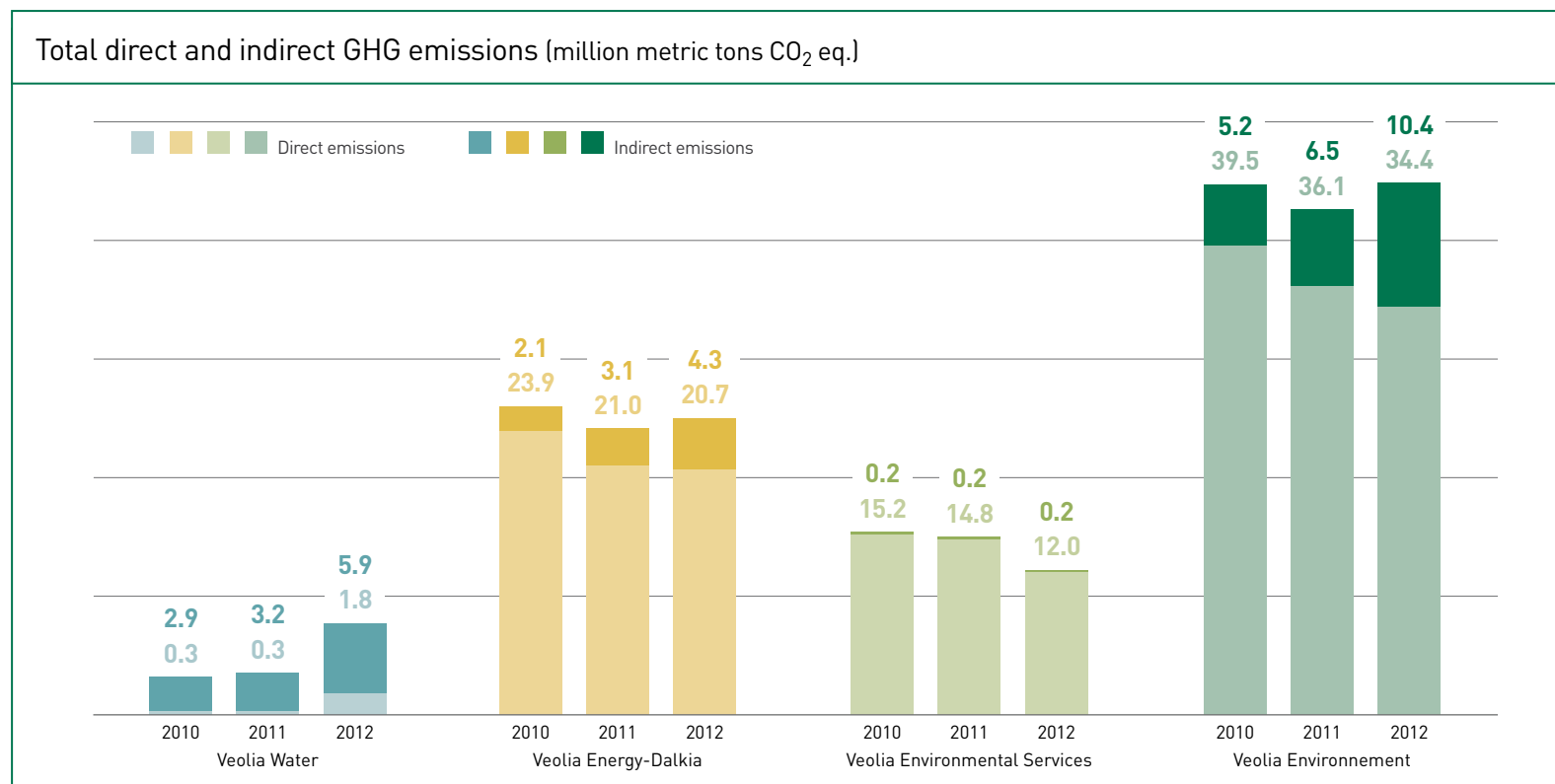
In 2012, direct and indirect greenhouse gas (GHG) emissions increased by 5% on a corporate level reaching 44.8 million metric tons of CO₂eq.

This increase is due to Veolia Water's energy activities being included in the report for the first time. Direct greenhouse gas emissions (mainly methane) decreased by 5%, whereas indirect emissions of greenhouses gases increased by 60% compared to 2011 as a result of the inclusion of Veolia Water's energy activities.

■ For **Veolia Energy-Dalkia**, total emissions (direct and indirect) increased by 4%. This increase is essentially due to the rise in

indirect emissions related to the operation of the heating network in Warsaw, Poland where Veolia Energy-Dalkia distributes heat produced by a third party. Direct emissions fell by 2% thanks mainly due to the growing share of biomass in Dalkia's energy mix.⁽¹⁾

■ For **Veolia Environmental Services**, a distinction is drawn between direct emissions of CO₂ (from the combustion of the fossil elements of waste and the use of fossil



1) Indirect emissions calculated primarily based on the emission factor for thermal energy used for natural gas, which needs to be revised to reflect more accurately the representativeness of the carbon content of heat purchases around the world, a significant proportion of which are derived from coal.

2. COMBATING CLIMATE CHANGE

fuels) amounting to 5 million metric tons of CO₂ eq. and direct emissions of CH₄ (from the decomposition of organic matter in landfills) amounting to 7 million metric tons of CO₂ eq. Both decreased in 2012, primarily due to a change of scope.

Direct emissions of CO₂ fell by approximately 450,000 metric tons, mainly as a result of the sale of the incineration business in the USA and Italy, but remained stable on a like-for-like basis. Direct emissions of CH₄ from landfills (including Proactiva) fell by around 2.2 million metric tons of CO₂ eq., including 1.5 million metric tons of CO₂ eq. in the United States. Furthermore, work to refine the calculation model for methane emissions from landfill, which began in 2010, continued this year and also contributed to the decrease (for more details, see the chapter “Methane capture and recovery” p.49).

■ For **Veolia Water**, the inclusion of energy activities in 2012 (production and distribution of heat and power in Germany, Gabon and Morocco) in the scope of reporting had a significant impact on data relating to energy consumption and greenhouse gas emissions. The data for 2012 and 2011 are therefore not comparable.

Energy activities account for almost 59% of Veolia Water's total emissions (direct and indirect). Based on the historic scope (operation of water and sanitation services), there is a decrease in CO₂ emissions, which can in part be explained by a decrease in the use of desali-

nation plants in Australia, resulting from a less severe drought in 2012 than in 2011. Priority was given to production at other types of plants which produce lower emissions.

Update of national emissions factors for electricity

To calculate its indirect emissions, Veolia Environnement uses the country emissions factors published in the GHG Protocol. Until now, these factors were in line with the values recommended by the International Energy Agency (IEA) in 2006 (2005 values); these were updated by the IEA in 2012 (2010 values).

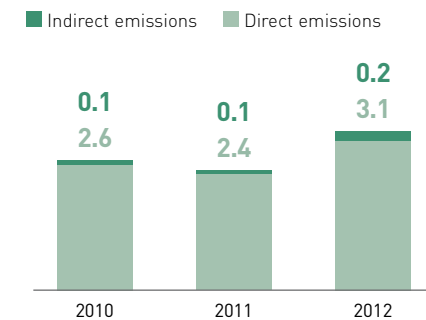
Since 2009, a reasonable level of assurance was obtained in independent checks on the key data relating to climate change (total energy consumption, direct CO₂ emissions and total GHG emissions). This assurance level was reached directly through the work done by the main business units that contributed data to the company during the visits made this year and indirectly through the trust acquired over previous years, when moderate assurance was associated with the data.

(See the Ernst & Young assurance report.)

Veolia Transdev emissions

Total greenhouse gas emissions (direct and indirect) increased by 26% compared to 2011, linked to the inclusion within the scope of reporting of Veolia Transdev's activities, which represent 21% of the emissions. GHG emissions are down by 1% on a like-for-like basis, which can be explained by an overall reduction in activity and by the positive effect of the program to reduce consumption within the operational fleet.

Total direct and indirect GHG emissions (million metric tons CO₂ eq.)



Quantifying company-wide emissions

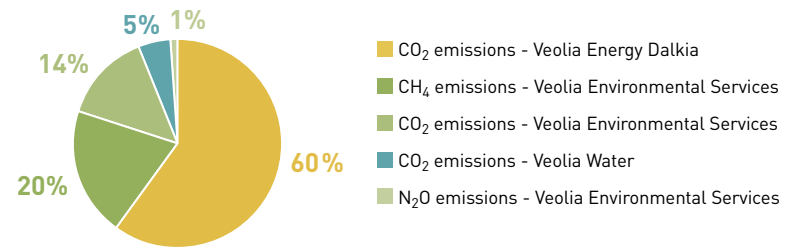
For each of its activities, the company measures the direct emissions (scope 1) of the industrial processes, vehicles, facilities and equipment it manages, and the indirect emissions (scope 2) from the electricity and heat it consumes. the greenhouse gases concerned are:

- CO₂ emitted by combustion facilities, incineration of the fossil portion of waste and combustion of fuel by mobile sources (amounting to 79.3% of direct emissions);

- CH₄ from emissions of biogas from landfill, which are not captured by the collection systems installed (amounting to 20.3% of direct emissions);

- N₂O from waste combustion (amounting to 0.4% of direct emissions).

Breakdown of direct emissions by source of greenhouse gas



Taking greenhouse gas emission evaluation to the next level

Calculating indirect emissions is a complex procedure. Veolia Environnement has contributed to the development of methodologies in this area through its Water division's participation in the "GHG Protocol" testing for the evaluation of greenhouse gas emissions throughout the supply chain (scope 3).

The division has also been involved in ASTEE's production of the new methodological guide for GHG declarations.

In order to gain a better understanding of its emissions under scope 3, the Water division has taken measures to include elements relating to chemical products in its environmental reporting in order to include these in its GHG emission assessments.

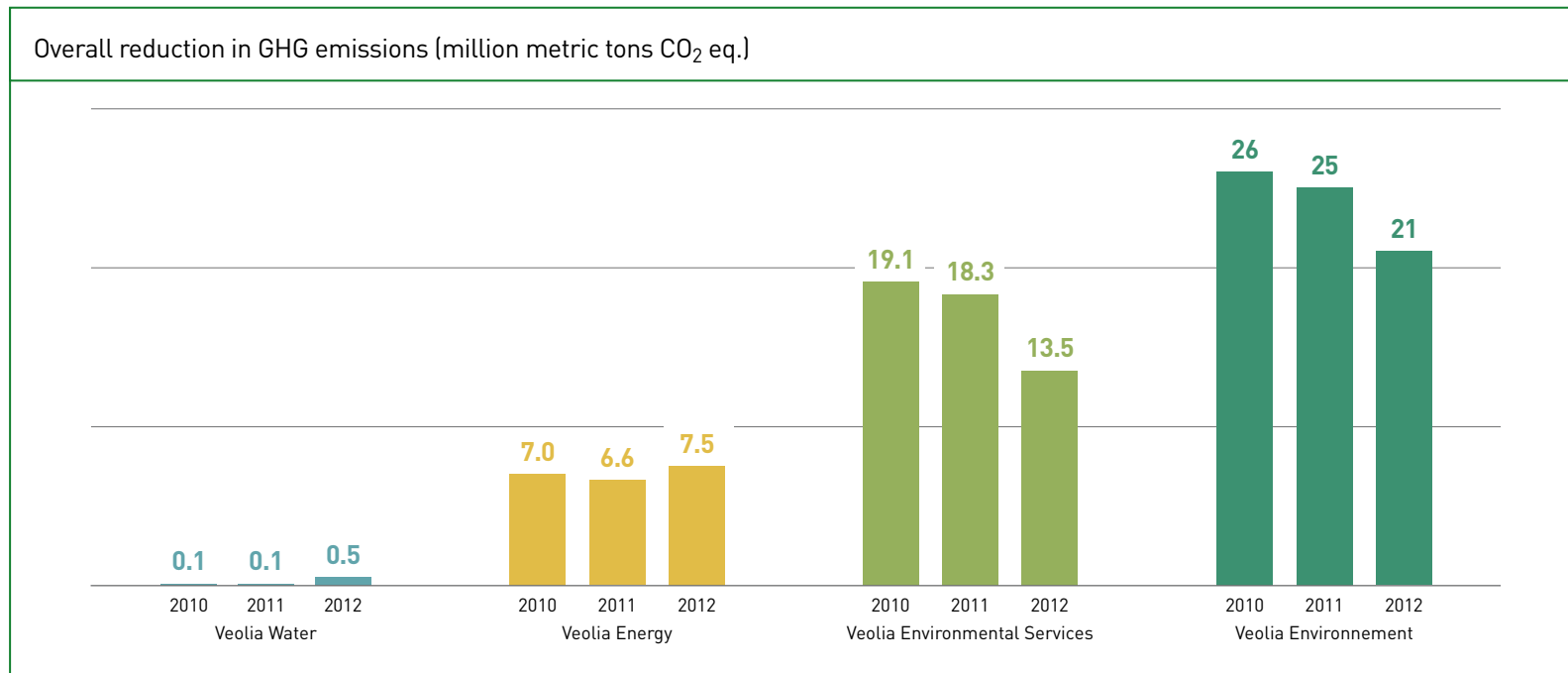
By applying the methodology recommended by ASTEE, the GHG assessments produced for France under article 75 of the Grenelle 2 law have included the portion relating to scope 3 for the Water division. The

division has also developed a monitoring indicator for the inclusion of elements covered by scope 3 on a corporate level to ensure that emissions under this scope are included in other GHG assessments.

In addition, the GHG assessments required by article 75 of the Grenelle 2 law are available for all divisions on the Veolia Environnement corporate website at: <http://www.veolia.com/fr/article75.htm>

Contribute to reducing GHG emissions

In addition, the company helps decrease overall GHG emissions, on the one hand by reducing them at the facilities it manages (CO₂ not emitted as a result of some of the Group's operating methods) and on the other by enabling third parties to avoid emissions as a result of its activities (primarily materials and energy recovery). In 2012, the indicator for the overall reduction in GHG emissions fell by 15% on a corporate level to 21 million metric tons of CO₂ eq.



■ **Veolia Environmental Services'** contribution to an overall reduction in GHG emissions decreased by 28%, primarily as a result of the disposal of our activities in the USA. On a like-for-like basis, however, it increased (+2%), thanks to the optimization of biogas recovery systems in China and Australia, among other things, and to a lesser extent as a result of the improvement in energy efficiency of incinerators in the United Kingdom.

■ **Veolia Energy-Dalkia's contribution** to the overall reduction increased from 6.6 million metric tons of CO₂ equivalent in 2011 to 7.5 million metric tons in 2012. The increase was mainly due to the use of renewable and alternative energies in the energy mix. In 2012, therefore, the reduction for these energy sources increased by 900,000 metric tons of CO₂ equivalent, particularly in France (400,000 metric tons) and in countries in continental Europe

(300,000 metric tons). Furthermore, the reduction in emissions related to energy efficiency increased by 300,000 metric tons of CO₂ equivalent, which compensated for the decrease in the reduction in emissions linked to the use of cogeneration (-300,000 metric tons), primarily resulting from a decrease in electricity production (12.8 TWh in 2012 compared to 14.2 TWh in 2011).

Actions to reduce GHG emissions included in our indicator⁽¹⁾

Veolia Energy-Dalkia

Reduction of CO₂ emissions through:

- proper use of energy transformation facilities (energy efficiency) resulting in less fuel consumed for the same energy output;
- using renewable and alternative energy instead of fossil fuels whenever possible (biomass, geothermal, solar, wind, etc.);
- optimum supply of energy services (integrated energy management) encouraging a more rational use of energy by consumers;
- combined production of heat and electricity (cogeneration).

Veolia Water

Reduction of CO₂ emissions and emissions avoided through:

- consumption of part of the heat and electricity from the production of renewable energy on site;
- sale of energy produced from renewable energy sources on site (biogas from sludge digestion, hydraulic microturbines, heat pumps, etc.);
- production of energy using renewable sources drawn from energy generating operations managed by Veolia Water.

Veolia Environmental Services

Reduction of GHG emissions:

- through collecting and treating biogas from landfill sites;
 - through on-site consumption of the electricity generated by waste incineration and biogas recovery.
- CO₂ emissions avoided:**
- through the sale of heat and electricity from the combustion of incinerated waste;
 - through the sale of energy produced from the biogas collected at landfill sites and anaerobic digestion plants;
 - through the recycling of raw materials contained in waste;
 - through the production of alternative fuels from waste.

Other actions, not taken into account in this indicator, also contribute to reducing emissions:

For Veolia Environmental Services, it involves the consumption of heat produced at its sites from waste incineration and the recovery of biogas, coupled with actions aimed at limiting fuel and energy consumption (cf. energy chapter).

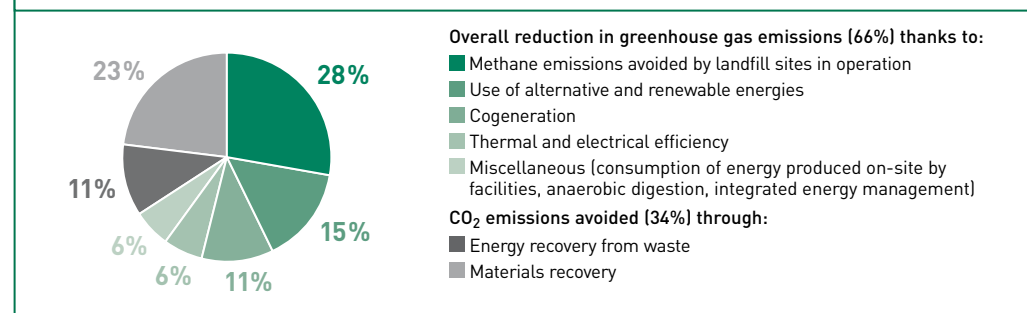
Furthermore, in line with the environmental plan for 2012-2014, the division made a commitment to conduct a carbon footprint study at 95% of its operational entities around the world, implementing an action plan to reduce GHG emissions by 2015. To do this, Veolia Environmental Services developed a GHG calculation tool in 2012 to enable all entities to measure their carbon footprint directly from

the company's overall environmental reporting system.

Veolia Energy-Dalkia embarked on the rollout of an energy footprint awareness-raising program

at Dalkia's offices, which amongst other things, includes an ISO 50001 implementation process and disseminating information on energy consumption. Almost 32% of Dalkia offices embarked on the process in 2012.

Breakdown of overall reduction in GHG emissions



¹⁾ Reductions include reduced emissions calculated with reference to the baseline used for the Group.

Tools to limit the impact of services delivered to our customers

In response to clients' wanting to better evaluate and reduce their carbon footprint, Veolia Environnement, through its divisions, has designed internal systems for each business: GHG Tracker for all waste management-related activities, Geskia for energy services, EC'Eau for water and wastewater services, COtool for wastewater treatment and water production plant construction sites, Carbone6 for network construction sites, and so

on. These are used to evaluate the carbon impact of services delivered to its clients and for its own activities. In 2011, Veolia Environnement developed an environmental footprint system of a product or activity that fully integrates environmental impacts evaluated from four angles: GHG, water, resources and ecosystems. This system provides a simple and robust view of the direct and indirect impacts of a product or service.

emissions. As part of the new three-year plan, the division has redefined the scope of the emissions it monitors using this indicator, which has helped it to strengthen its management of CO₂ emissions with a target of 39% for the end of 2014. Veolia Energy-Dalkia's direct carbon efficiency ratio increased by five points between 2011 and 2012. This is mainly explained by the increase in the use of biomass.

Carbon intensity of revenue

Taking a very broad approach, it is also possible to assess the carbon intensity of Veolia Environnement's revenue. Although commonly used by observers, this indicator must be used with a degree of caution for Veolia Environnement's businesses. Given the diversity of the activities consolidated and their geographic dispersal, this indicator cannot be used internally as a management tool as it does not vary as a function of the intrinsic performance of the company's businesses. Energy price variations (purchase and sale) have an impact on revenue and therefore on this indicator as well.

Between 2011 and 2012, the carbon intensity of the company's revenue, excluding Veolia Transdev, remained stable at 1.5 million metric tons of CO₂ equivalent per billion euros of revenue.

2.2 Managing major issues

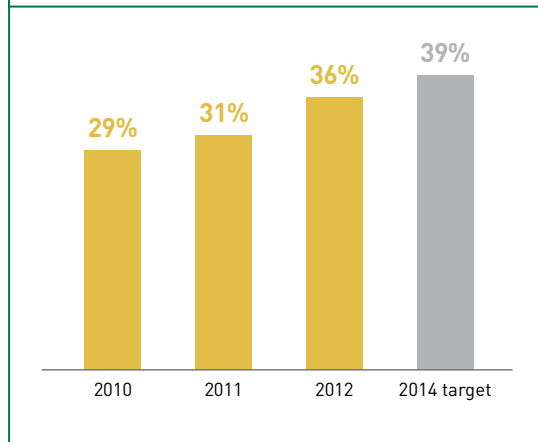
Carbon efficiency ratio

For a more accurate reflection of the company's performance, a method applying to the four divisions has been developed.

The method takes into account all the positive impacts from the overall decrease in GHG emissions. Refined year on year, the method provides a carbon efficiency ratio that reflects the overall reduction in GHG emissions attributable to the company's business and the total GHG emissions (direct and indirect) managed on behalf of its clients.

Emissions related to Veolia Energy-Dalkia activities represent 53% of the company-wide

Direct carbon efficiency of energy services - Veolia Energy-Dalkia (Metric tons CO₂ eq. not emitted / Metric tons CO₂ eq. emitted)



Carbon performance of combustion facilities

In 2012, Veolia Energy-Dalkia managed almost 113 TWh of incoming energy, which equates to direct emissions of CO₂ of 20.4 million metric tons (60% of the direct emissions managed by the company). As part of the new three-year plan, the division has set a target of improving the carbon performance of combustion facilities, which equates to 15% between 2011 and 2014.

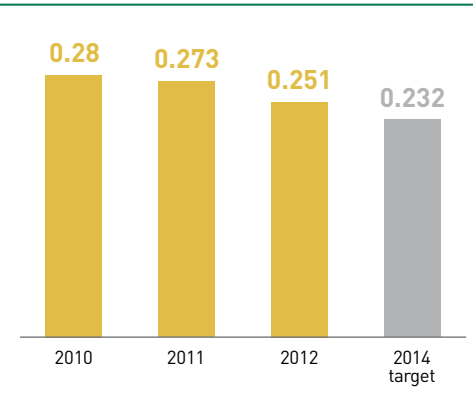
In 2012, the “carbon content” of the heat produced was reduced by 8.1%. This improvement in carbon performance can be explained by:

- a drop in coal and heating oil consumption replaced by gas, which has a lower carbon equivalent emission factor
- an increase in the use of wood in the Veolia Energy-Dalkia energy mix, especially in France. This result reflects the efforts made under the policy to expand the use of biomass that was developed in 2007 and implemented from 2008.

In 2012, a new method of accounting for indirect emissions was implemented and these have been included in the performance ratio. The method consists of adding indirect emissions, linked mainly to heating purchases, to direct emissions on the basis of the emission factor used for natural gas. CO₂ emissions linked to electricity production, which are evaluated country by country on the basis of the energy mix, are still deducted from CO₂ emissions and related to heat production.

The updated value of the emission factor (25 metric tons CO₂) will be used from 2013 onward.

Carbon performance of combustion facilities - Veolia Energy-Dalkia (Metric tons of CO₂ emitted/thermal MWh produced)



Methane capture and recovery

Waste decomposition in landfill sites and under anaerobic conditions generates biogas that is composed of between 40% and 60% methane. By mixing with air in the atmosphere, this biogas contributes to global warming, all the more so as methane has a high global warming potential. The quantity and composition of biogas generated depends on a wide range of parameters, including the quantity of waste, its composition, climatic conditions and the infrastructure available (final cover, etc.) Unlike direct CO₂ emissions, which are measured by fuel consumption, biogas emissions cannot be measured directly but are estimated on the basis of theoretical models, which also take account of the high global warm-

ing potential of methane: 1 metric ton of methane equates to 21 metric tons of CO₂⁽¹⁾.

In 2012, fugitive methane emissions accounted for nearly 20% of Veolia Environnement’s direct GHG emissions. Given this significant percentage, Veolia Environnement is motivated to continually improve:

- the precision of its calculation methodologies;
- knowledge of the typology of landfilled waste;
- the performance of landfill cell capping techniques, biogas collection and its conversion into heat, electricity or fuel.

The company’s methane capture rate is 49% or 57% excluding Proactiva. In line with Veolia Environnement’s environmental plan for 2012-2014, the Environmental Services division has made a commitment to achieving a methane capture rate from landfill sites of 70% in all countries (excluding Proactiva) by 2015.

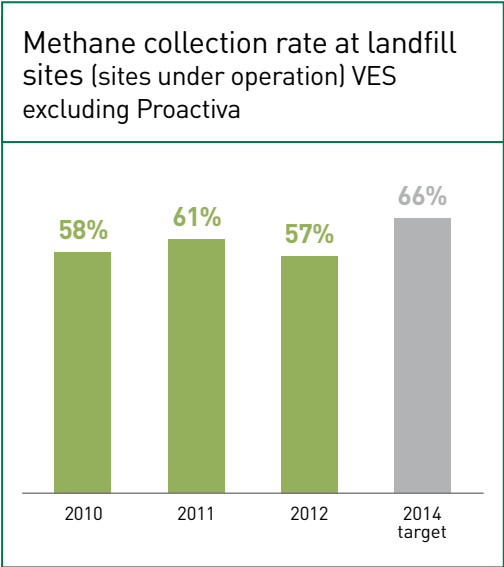
In 2012, Veolia Environmental Services improved its calculation tool for fugitive emissions based on greater accuracy in terms of characterizing waste and climate areas in several countries. The methane capture rate for Veolia Environmental Services (excluding Proactiva) dropped by approximately four points in 2012, mainly due to the disposal of landfill business in the United States. On a like-for-like basis and using the 2012 calculation model, the rate dropped by just two points. The decrease is mainly due to an increase in the tonnage of waste processed in several countries (including China, Hong Kong and Israel), the result of which is an increase

2. COMBATING CLIMATE CHANGE

in methane produced by sites. The quantity of methane captured remained stable between 2011 and 2012. A large majority (77%) of it is recovered, primarily for electricity production. .

Under the Methacontrol™ brand, Veolia Environnement has developed a range of technology to optimize the management of the biogas produced at its landfills. This enables it to reduce diffuse emissions and to improve

management of odor nuisances and the impact of methane's greenhouse gas effect on the climate. Also, this technology improves biogas recovery yields, resulting in energy production exceeding the facility needs. The resultant electricity or methane gas can be fed into the grid or urban reticulated network or used as a fuel for waste collection vehicles. Three additional landfill sites were equipped with Méthacontrol™ in 2012.



3. REDUCING POLLUTION AND PROTECTING HEALTH

3.1 Limiting the discharge of pollutants into water

Veolia Environnement pays constant attention to improving its performance to reduce the impact of water discharges from its activities. The main discharges from facilities operated by the company relate to its water division.

As the world's leading operator in the management of sanitation services for local authorities, Veolia Water provides sanitation services to almost 71 million people around the world and collects 6.7 billion cubic meters of wastewater. 5.9 billion cubic meters are treated in the 3,514

or so urban wastewater treatment plants operated by the company.

To ensure the efficient management of wastewater collection and treatment services, Veolia Water has developed a comprehensive approach to help public authorities whatever their size and the technical issues and regulations involved. The guaranteed success of a wastewater project involves several clearly identified steps: assess needs, define a local strategy, guarantee quality, measure service performance and, lastly, inform the local community about the impact of the service.

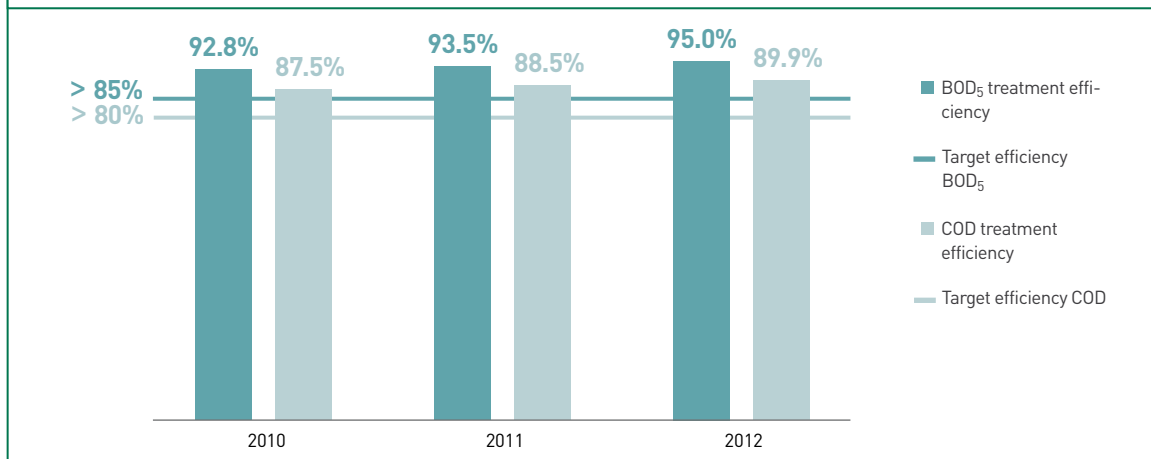
Optimizing treatment process efficiency is of ongoing concern to Veolia Environnement in terms both of the operation of the facilities

under its management and the development of new processes. Details about its research in this field are discussed in the "Wastewater" booklet that is included with the company's "Research and Innovation" report.

The rate of pollution abatement in 2012, expressed in BOD₅, increased by 1.5 points to 95%, which is a very high level of efficiency. Efficiency expressed in COD was 89.9%. The change can be explained primarily by changes in scope, with the incorporation of new, high-performance contracts and the termination of contracts with low yields.

Based on its historic scope, performance in BOD₅ remained constant (increasing from 94.8% in 2011 to 95% in 2012). The performance of wastewater treatment plants remained high.

Treatment efficiency in BOD₅ and COD of wastewater treatment plants (capacity above 50,000 eq. pop. - Veolia Water)



Veolia Water classes as sensitive plants whose wastewater treatment efficiency in BOD₅ is less than 85% or less than 80% in COD. Special efforts are made at these plants to help them to reach these levels of wastewater treatment efficiency.

In addition, as part of the European framework directive on water, it is now necessary to monitor the changes in a significant number of micropollutants classified as dangerous for the environment, particularly in France, in order to assess the impact of discharge from wastewater treatment plants on the ecological condition of bodies of water. The principle of the monitoring process is to identify micropollutants classified as significant and to check them on a

regular basis. An initial round of analysis enables each wastewater treatment plant to establish a list of significant micropollutants, which are then followed up with monitoring assessments each year.

Veolia Water created a new indicator specific to France⁽¹⁾ in relation to this in 2012, to monitor variations in the rate of significant micropollutants discharged into the natural environment. The rate varies according to the results of the monitoring assessments carried out each year following the initial round of analysis. The aim of the indicator is to evaluate Veolia Water's performance and efforts in terms of reducing discharges of significant micropollutants into the natural environment.

Veolia Environnement's environmental analysis center has developed regulation analysis techniques and offers its clients a complete monitoring service (sampling and analysis). Veolia Water has also developed biological tools to measure the effect of this type of discharge on target organisms. When necessary, Veolia Water offers its clients the possibility of additional treatment solutions to reduce or stop the discharge of hazardous substances into the natural environment.

Environmental protection also involves monitoring wastewater collection system inflows and maintaining good system watertightness. Various actions can be implemented, such as combating the inflow and infiltration of clear water, the implementation of continuous diagnosis

approaches based on permanent monitoring of wastewater flow rates and quality, and even at-source management of effluent collected. In addition to improving treatment plant performance, these actions also increase the hydraulic capacity of the collection system, which reaches its limits over time. In this way, they help protect the environment by limiting overflows in light rain or even dry weather conditions.

3.2 Limiting atmospheric pollution

Emissions from heating facilities

Veolia Energy-Dalkia has developed an evaluation indicator for NO_x and SO_x emissions for energy production. This evaluation method has been tested for 2010 and 2011 figures ready for implementation in 2012. The evaluation method is based on energy consumption and the threshold limits for emissions laid down by the regulations (Directive dated October 2, 2001) for large combustion facilities. Facilities in continental Europe (Lithuania, Poland, Czech Republic, Bulgaria, Hungary and Slovakia) were assumed to be comparable to a 50 to 100 MW power plant. For other facilities, the values used were those recommended for power plants of less than 50 MW.

On this basis, SO_x emissions are estimated at 51,000 metric tons and NO_x at 42,000 metric tons.

Quality of atmospheric discharges from incinerators

In 2012, emissions of SO_x, HCl, dust and NO_x from incineration plants dropped significantly, primarily as the result of the sale of an incinerator in the USA. Furthermore, all emissions around the world are significantly lower than the threshold values for emissions in the European Directive⁽²⁾. Corrected for changes in scope, there is also a decrease in SO_x, NO_x and HCl emissions. Emissions of dust have increased slightly.

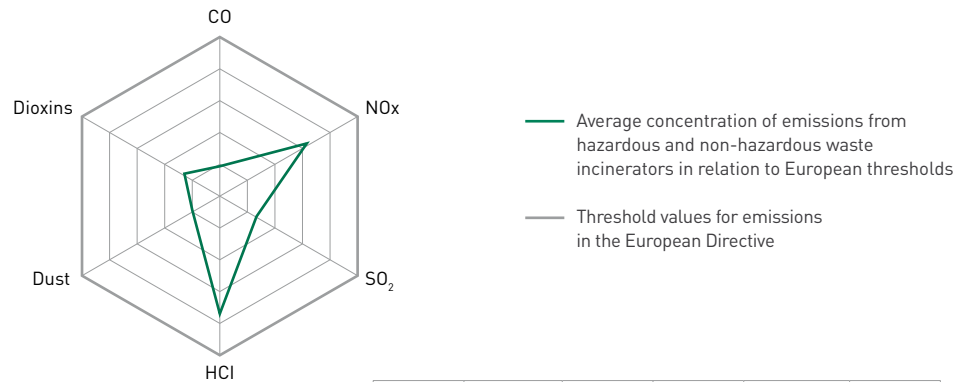
Management of dioxin emissions from incinerators is a serious public health issue. Veolia Environmental Services has adopted the strictest regulatory framework – that of the European Union – to measure its overall performance at a worldwide level. In 2012, the percentage of waste processed in incinerators with dioxin emissions below 0.1 ng/Nm³ was higher than the guide value of 95%.

Our research also focuses on assessing new combustion technology, preventing the formation of pollutants and their treatment (see "Waste collection, sorting and recovery" booklet p.12).

1) In relation to the French circular of September 29, 2010 on monitoring the presence of micropollutants in water discharged into the natural environment by wastewater treatment stations.

2) European Directive 2000/76/EC of December 4, 2000 transposed into French law by two orders of September 20, 2002.

Comparison of emissions from hazardous and non-hazardous waste incinerators with threshold values under the European Directive Veolia Environmental Services



| | CO mg/Nm ³ | NOx mg/Nm ³ ²⁾ | SO ₂ mg/Nm ³ | HCl mg/Nm ³ | Dust mg/Nm ³ | Dioxins ng/Nm ³ |
|--|--------------------------|---|---------------------------------------|---------------------------|----------------------------|-------------------------------|
| Average concentration of emissions from hazardous and non-hazardous waste incinerators | 9 | 126 | 13,5 | 7,5 | 2 | 0,03 |
| Threshold values for emissions under the European Directive ¹⁾ | 50 | 200 | 50 | 10 | 10 | 0,1 |

3.3 Recover by-products from activities and limit the production of final waste

The production of waste is the final result of all recovery and treatment phases. Veolia Environnement is firmly committed to recovery, to turn waste into a resource through the development of materials recovery, waste-to-energy

processes and organic recovery. The company is naturally attentive to the waste generated at its own facilities and those it operates. It makes every effort to prevent the production of waste, seeks new potential recovery possibilities, but failing which, ensures the waste is treated.

The main waste produced by the company is wastewater sludge, bottom ash and APC¹⁾ residue from incineration, soot, ash and bottom ash from the combustion of wood and coal in the energy division's plants.

1) European Directive 2000/76/EC of December 4, 2000 transposed into French law by two orders of September 20, 2002.
 2) For NOx, the standard depends on the flow: 200 mg/ Nm³ for plants > 6 t/h and 400 mg/Nm³ for plants < 6 t/h.
 3) Flue gas cleaning residues from household waste incineration.

Incineration and combustion

Bottom ash is the solid, non-combustible waste from incineration. Depending on its origin, its recovery may be governed by specific regulations. Depending on its composition and potentially after a period of maturation, it may be recovered as road construction material.

In 2012, recovery of bottom ash increased by 15.6%, particularly in Taiwan and France, and to a lesser extent in the United Kingdom. Where this could not be recovered, it was sent to landfill sites used for household and similar waste. The same applies to waste related to solid fuels from Veolia Energy-Dalkia's activities.

Residues from flue gas treatment are stabilized and then stored in final hazardous waste landfill sites. The quantity produced is around 2.9% of waste incinerated by household waste incineration plants and 5.5% for hazardous waste incineration plants.

Wastewater sludge

Wastewater treatment generates sludge that concentrates the organic and mineral content from the water. Population growth and improved wastewater system performance using increasingly sophisticated treatment methods have led to an increase in the residual quantity of sludge. To meet its public authority and industrial clients' need to cope daily with

3. REDUCING POLLUTION AND PROTECTING HEALTH

an ever-increasing volume of sludge, Veolia Environnement's challenge is to transform this sludge in order to reduce the costs associated with its management and to recover it in the form of energy and/or products that can be used in agriculture or industry.

For Veolia Water, when the sludge quality and availability of suitable land permit, organic recovery (land application or composting) offers a potential recovery outlet, as does waste-to-energy (anaerobic digestion, use as a substitute fuel and incineration with energy recovery). In 2012, 48% of sludge was recovered for use in agriculture and 18% was processed in a treatment facility and used either for energy recovery or for the production of alternative fuels. Veolia Water ensures that the sludge is continuously compatible with the recovery method chosen by the client. SEDE Environnement, a company subsidiary, uses a diverse range of complementary systems to ensure a constant outlet for sludge under strict compliance with the applicable regulations. Research is currently focused on maximizing the energy potential of sludge, especially digestion to increase biogas yields. The health and environmental impacts and the lifecycle analysis (LCA) of the various systems for sludge recovery are the subject of studies, together with the choice and sizing of dewatering techniques tied to each of the sludge treatment systems, and isolation for deferred treatment of those sludge components that are difficult to recover. (see R&I "Wastewater" booklet, p. 4-5).

In 2012, SEDE Environnement set up an anaerobic digestion facility at its site in Grainville (Arthois Compost) to capture and recover biogas from waste digestion.

Another area of research is the recovery of by-products from wastewater treatment. The aim is to turn treatment plants into "bio-refineries," by exploiting certain components of the organic matter. Veolia Environnement's Research and Development department has already developed—together with specialist companies and partners such as CNRS, the French scientific research center—innovative, experimental recovery systems for organic intermediaries such as bioplastics.

In the final analysis, the dual challenge of materials and energy recovery results in the company implementing technology that is adapted to each situation and each end-use chosen by the client.

Construction site waste

SADE, a subsidiary of Veolia Water specializing in the design, construction, renovation and maintenance of networks and infrastructure, is developing recycling for rubble in a bid to respond to the aim of saving natural resources and need to do so. SADE is involved in three types of rubble recycling in France in relation to this:

- Crushing and screening, which enables various materials used on building sites to be reused;

- Manufacturing using site rubble and self-compacting materials returned directly to site after analysis;
- Minimizing rubble: after screening, materials are limed and reused.

Materials excavated at landfill sites are recovered locally, ensuring that cells are watertight wherever possible, or if not, used to construct landfill cells or landscape elements.

Athos™: a wastewater sludge mineralization process

- Based on the wet-method oxidation of sludge, and now used industrially, the Athos™ mineralization process is an alternative to combustion. It generates three by-products that can either be recovered or safely returned to the environment: a clean gas, a biodegradable organic liquid and an essentially mineral substance.

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Compost and fertilizer

■ Veolia Water has operated the wastewater service for Baltimore, Maryland (United States) for more than 24 years. It has been producing compost compliant with the very strict standards set by the state

of Maryland and health authorities. In Milwaukee, Veolia Water operates a facility that processes dry sludge into Milorganite (Milwaukee Organic Nitrogen), a high-quality biosolids fertilizer.

SEDE Artois Picardy

■ Since April 2012, Veolia Environnement has been running Artois Methanisation at the Artois Compost site run by its subsidiary SEDE, illustrating the increasing synergy between infrastructure and activities in response to the demand for services with high environmental added value.

The new multi-purpose treatment plant covers an area of 9,000 square meters and recovers all kinds of organic waste from agriculture, industry, local authorities and mass-market retailers. The anaerobic digestion unit will recover 25,000 metric tons of waste a year and generate electricity equivalent to the amount consumed by 6,500 inhabitants. Any organic matter that is not broken down during the

process will form 7,000 metric tons of digestate that will be composted and used as a soil conditioner on neighboring agricultural land.

Veolia Environnement turns waste into a resource by producing electricity based on a renewable source, along with high-quality fertilizers. Artois Compost and Artois Methanisation demonstrate the complementarity of Veolia Environnement's activities and represent a solution for major producers of biowaste, who have been under an obligation to sort and recover their organic waste at source since January 1, 2012 (decree no. 2011-828 of July 11, 2011 on the implementation of the Grenelle 2 law).



3.4 Limit soil pollution

At all sites it operates, and under its EMS, the company is careful not to generate any chronic or accidental soil pollution by ensuring good storage and application conditions for the materials used, and good stormwater control and management.

Waste landfills have the highest land footprint of all sites operated by the company, and the most advanced technologies are employed at these sites. Veolia Environmental Services has introduced minimum standards for the design and operation of landfills. In particular, these standards include sealing membranes and systems to collect and treat the leachates. Throughout the duration of a landfill's operation and after its closure (for 20 to 30 years), the monitoring program is based on the analysis of surface water, groundwater and leachates ⁽¹⁾.

Veolia Environnement is also present in soil quality restoration and maintenance activities through the remediation of contaminated soil and the organic recovery of waste or wastewater treatment sludge (see chapter on the recovery of activity by-products).

In addition, the company has initiated actions designed to limit soil pollution in the event of a breakdown or leak from a vehicle or an accident. SADE, for example, has equipped all its vehicles

in France with anti-pollution kits. Drivers are trained and have a reminder sheet that helps them to control leaks before they cause even minor pollution of soil or water.

3.5 Limit local nuisances (noise, odors and site integration)

Veolia Environnement has a responsibility for improving the day-to-day living conditions of the people affected by its activities. The Company takes care to minimize any nuisance that may be caused by its activities at a local level.

Odors

The natural process of organic matter decomposition can generate odorous molecules. As this process is involved in a certain number of its activities (biological wastewater treatment, composting and waste landfills), combating odor emissions is a constant concern for Veolia Environnement. At the sites concerned, Veolia strives to limit odors and when necessary it captures and treats them.

As part of its activities, Veolia Environnement implements solutions or works with its clients to identify solutions when the client is responsible

for the corresponding capital expenditure. Veolia Environnement has developed technology or worked with partners to treat and control odors (e.g., biofiltration treatment, scrubbing and electronic measurement system), and also implements physical-chemical and biological techniques that limit odor problems.

At landfills, in addition to the optimum management of the operations area, biogas collection is a constant concern (see measures taken in the chapter "Combating climate change"). A biogas collection adjustment system is implemented wherever possible, and one of the results is a reduction in odor emissions. A single operating area of limited size is open at any one time and temporary covers are installed and a degassing system used whenever necessary. Additional measures, such as ensuring a minimum distance between the operation area and property boundaries, creating natural screens (banks or trees), and spraying neutralizing or masking products are used on a case-by-case basis if no other solution is possible for reducing the impact. When composting takes place at open sites, the operator can reduce emissions by closely monitoring and managing the fermentation parameters: controlled aeration system and aeration cycle, and creation of windrows with a biological cover will also help reduce these nuisances.

In the event of a perceived nuisance, the company implements consultation procedures with the local population. For example, the creation of a "nose jury," with its members selected from the site's neighbors, or a special

1) Mixture of waste moisture and contaminated rainwater by percolation through solid waste.

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telephone number can be used to assess the odor problem more accurately and take appropriate measures.

In the area of wastewater treatment process research and innovation, the programs focus on characterizing and treating odors (ultra-compact process) (see R&I "Wastewater" booklet, p. 5).

For waste treatment, our research is aimed at managing odor emissions from methanation, composting (see R&I "Bioresources" booklet, p.3), and landfills (see R&I "Water collection, sorting and recovery" booklet, p. 8).

Ultra-compact odor treatment reactor patented

■ Conventional treatment used to reduce wastewater treatment plant odors is based on chemical scrubbing towers that are sometimes several meters high and have a large land footprint. Veolia Environnement has filed a patent for a technique that reduces the size of these facilities by a factor of 3 or 4.

Site integration

In addition to measures to conserve biodiversity, the integration of our sites into the surrounding landscape is also a major concern (285 hectares of landfill site surface area was rehabilitated in the year). All site construction projects systematically include this criterion, as evidenced by the following recent examples where the architecture typifies this approach as shown in the following examples.

- The project for the Marquette-lez-Lille wastewater treatment plant in France, blended into the landscape and surrounded by a 7 hectare park (see Veolia Water "2010 Business Overview," p. 32).
- The Port Leucate wastewater treatment plant in France where green walls were used to ensure the plant blended in better with the surrounding pine forest.
- The wastewater treatment plant in Hénin-Beaumont (France) was eco-designed to treat the landscape in a particular way, with different lines of trees gradually revealing the buildings, and the remaining areas redeveloped as colorful meadows.
- The compact processes proposed by VWS for wastewater treatment plant projects help to reduce land take and the size of buildings, which frees up available space. These are showcased by the architects and landscape artists who partake in the designing of this type of project in order to produce more substantial landscaping that helps new facilities blend into their environment.
- The project for a recycling and waste-to-energy facility in Leeds, UK, presented by Veolia Environ-

mental Services and selected by the city council includes facilities with remarkable design features that will blend harmoniously with its environment thanks in particular to a green wall, careful landscaping and planting to enhance the surrounding.

- The green roof on the Vandoeuvre heating plant (Nancy, France), which powers the urban heating network, and the green wall on the Ciceo heating plant, which provides urban heating for the town of Puteaux (France), use perennial plants which have been providing lovely surfaces that change with the seasons since 2009. In addition to the appealing landscape aspect, this solution reduces sound pollution and improves carbon dioxide (CO2) capture. The plants' evapotranspiration also removes dust and pollen from the air.

Noise

The issue of noise has become a major concern for local elected representatives. Veolia Environmental Services in conjunction with ADEME, the French energy and environmental agency, carried out a study on waste collection vehicle noise and its perception. The aim of the study is to identify the psychological and technical parameters that affect the perception of noise in order to inform specifications for equipment manufacturers and deliver awareness messages to the local population. The study shows that many factors influence the perception of noise associated with waste collection, such as the behavior of staff, the quality of service provided, etc. Noises that can be distin-

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guished from ambient noise are the most difficult to tolerate. Studies to reduce noise, in particular in relation to collecting bulky items, have been conducted in France and the United Kingdom. Trials of new waste collection vehicles are underway. These studies will provide a basis for redefining collection routes.

3.6 Limit the impact of travel

Technical services

All company divisions implement measures to reduce the impact of travel for technical service operations. At the end of 2011, Veolia Water introduced a project to optimize service travel by its agents from regional centers for its operations in France. Planning and sharing resources improves service sequencing, resulting in shorter distances traveled. This reduction will have a direct impact on fuel consumption and greenhouse gas emissions. Services at clients' premises or at plants will also be better distributed according to the resources available, and provide agents with improved visibility over their activities.

Further work on geolocating these activities for optimal performance was carried out in 2012 and should be completed in 2013.

A similar approach, currently being tested, has been undertaken by the energy division in several parts of France and internationally, using a vehicle geolocation system. For Veolia Environmental Services, the aim is also to maximize household waste collection rounds. These measures are combined with good vehicle maintenance and eco-driving awareness courses for drivers.

New collection methods, in particular the development of vacuum collection, is contributing to limiting the impact of waste collection vehicle movements through the city using a system that sucks waste into underground networks. Veolia Environmental Services was awarded three contracts in France, two of which are up and running [Issy-les-Moulineaux and Romainville].

Optimize business travel

Business travel presents a real challenge to the company, as it has operations in 77 countries. To contribute to protecting the environment by reducing travel-related CO₂ emissions, a policy has been developed aimed at improving travel in environmental, social and economic terms for all employees in France.

Using a dedicated portal connected to internal management systems, the travel reservation process is optimized to ensure travel conditions comply with the company's sustainable development commitments. The employees are trained and the system parameterized to suggest less

polluting alternatives, such as rail instead of air travel for journeys under three and a half hours, or videoconferencing solutions to avoid travel. Computerized invoicing and e-ticketing are the final steps in the overall policy to optimize business travel. Lastly, by monitoring CO₂ emissions and boosting all stakeholders' awareness of the impact of their travel, this policy ensures everyone is involved in implementing a more responsible approach to mobility.

3.7 Protecting health

Drinking water sanitary quality

Veolia Water provides drinking water services for 101 million people worldwide. As part of its ongoing commitment to managing the quality of water it distributes, the division has designed a new generation of multi-parameter communicating sensors known as KAPTA sensors and deployed them around the world. These go beyond traditional health controls based on analyses and offer a solution for continuous monitoring of drinking water quality.

Veolia Water also used the "Quality Class" indicator to assess the quality of water distributed, which Veolia Water supplies drinking water to more than 103 million people worldwide.

3. REDUCING POLLUTION AND PROTECTING HEALTH

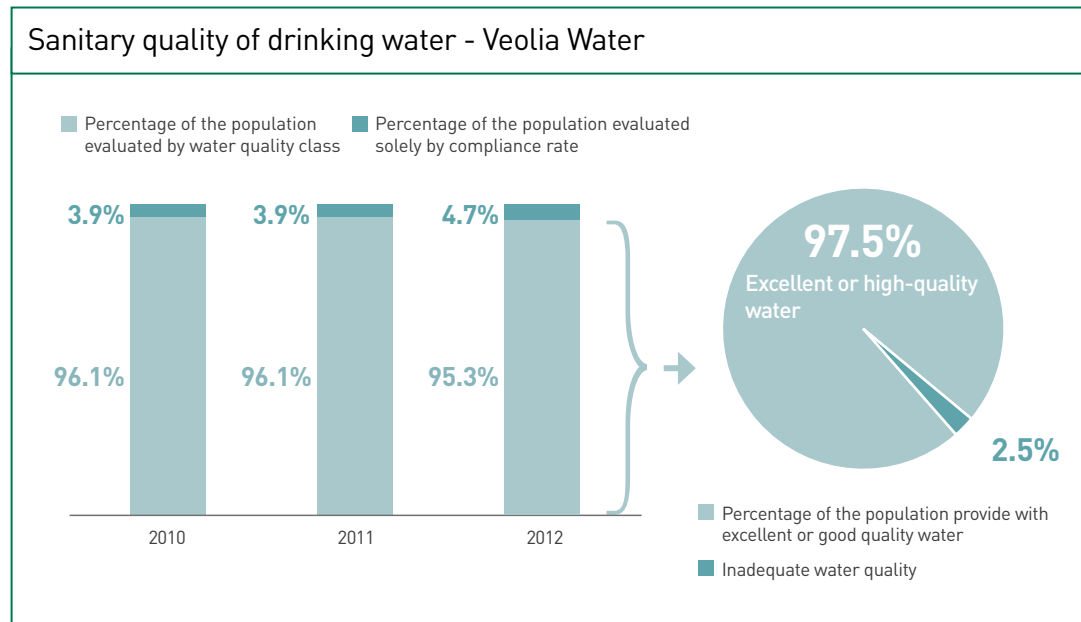
To assess the quality of the water it supplies throughout the world, in 2007, Veolia Water created the "Quality class" indicator. This indicator divides the population supplied by Veolia Water into several classes based on the compliance and non-compliance with thresholds and durations for five parameters considered by the WHO (1) as widely distributed worldwide and able to present a significant danger for human health from water-borne exposure.

In 2012, water quality assessments based on quality classes were carried out for 95.3% of the total population served by Veolia Water, a

slight decrease compared to 2011. The remaining 4.7% equate to the population provided with water whose quality is assessed solely on the basis of a compliance rate. The decline in analytical monitoring can be explained by changes in scope.

Within the scope where water quality was able to be assessed using quality classes, 97.5% of the population was provided with excellent or good quality water in 2012 (as in 2011). The remaining 2.5% were provided with water with chemical or microbiological parameters chronically in excess of thresholds (inadequate water

quality). In such cases, Veolia Water makes its full range of expertise available to the contracting authority to identify appropriate solutions. Veolia Water met its target of no inhabitants being provided with poor quality water (water with chemical and microbiological parameters chronically in excess of thresholds⁽²⁾).



1) Escherichia coli, fluorures, sélénium, arsenic, nitrates. 2) Seuil de tolérance de 10 habitants pour 1 million.

4. CONSERVE ECOSYSTEMS AND BIODIVERSITY

In line with the commitment written into its biodiversity policy, and directly linked to the Aichi objectives adopted in Nagoya and those of the French SNB (National Strategy for Biodiversity), Veolia Environnement is continuing its work in three main areas:

- Improve our knowledge of biodiversity and pursue the characterization of our impact and dependency on ecosystems;
- Act to protect biodiversity and value ecosystem services;
- Inform, train and raise awareness of biodiversity issues.

These commitments are outlined in a document titled "Acting for Biodiversity" that was widely distributed internally and externally in 2010 and is available on the company website. They are also detailed more specifically in four principles that guide our actions:

- Preserve ecosystems and their vitality by precisely characterizing the company impacts and ecosystem dependency;
- Restore and foster urban biodiversity;
- Protect remarkable ecological zones;
- Understand ecosystems better in order to protect them better and inform, train and raise awareness of biodiversity issues.

These commitments were translated into tangible terms by the inclusion of performance indicators in the company's environmental plan for the first year (cf. p38) and will be strengthened in 2013 as part of a package of commitments to the SNB.

Through this commitment to biodiversity, the company has adopted a firm stance in line with the new strategic plan of the Convention on Biological Diversity adopted in 2010 by the international community.

The issue for the company, in addition to managing its impact, involves promoting the contribution of its activities to maintaining or restoring and developing ecosystem services.

Working with the French committee of the IUCN



Veolia Environnement's biodiversity approach

- Biodiversity is present at all sites operated by Veolia Environnement and its activities depend on the services provided by nature (water treatment, natural breakdown of many types of waste and pollutants, etc.). As a beneficiary of the services provided by biodiversity, Veolia Environnement has undertaken to become a determined and committed actor in the conservation and restoration of biodiversity to guarantee the quality of its services and improve its environmental performance.
- Against this backdrop, in 2008, Veolia Environnement signed a partnership with the French Committee of the IUCN (International Union for the Conservation of Na-

ture) that aims to strengthen the integration of biodiversity in the company's policy and the management of its activities. This cooperation has, for example, led to the creation of an ecology management guide. This publication reflects the company's approach to developing the ecological continuity of its sites and integrate them into the wider region, reflecting the green and blue wildlife corridors being set up in France.

- Veolia Environnement is also a member of IUCN France's "Enterprise and Biodiversity" workgroup that includes members and other private sector partners. This discussion forum aims to involve companies in biodiversity issues. In 2012, Veolia Environnement contributed its view

and expectations with regard to companies' biodiversity reporting and indicators.

- The company also supports research by the French Committee of the IUCN, e.g., the description of the ecological services provided by the major ecosystems in France.
- IUCN France has 55 members (ministries, public institutions and NGOs) as well as a network of around 250 experts. At the international level, the IUCN is the largest nature conservation organization (1,000 member organizations and 10,000 experts) and has had United Nations observer status since 1999. <http://www.iucn.fr/>

Interdependency between VE's activities and biodiversity

The sound operation of ecosystems is essential to Veolia Environnement for it to provide some of its services to its clients.

Leveraging the benefit of ecosystems in regulating the quality of water (auto-treatment) helps to maintain good-quality water resources used for drinking water production and therefore limited the amount of treatment needed to ensure water is fit for consumption. Veolia Water supports its municipal and industrial clients by implementing protection systems in water catchment areas and thus contributes to conserving water resources.

4. CONSERVE ECOSYSTEMS AND BIODIVERSITY

By working to secure upstream supply sources from forestry and agriculture, Veolia Energy-Dalkia strives to make the best possible use of ecosystem services and secure supplies for its biomass-fired plants while rigorously protecting resources and their sustainable management.

Veolia Water's wastewater services and Veolia Environmental Services' composting and soil remediation activities use biological processes to break down organic matter. Finally, effective management of the land entrusted to us by our customers or owned by the company illustrates the degree of attention it pays to the interdependent relationship between its activities and the ecosystems they affect.

Preserving ecosystems is therefore a real issue for Veolia Environnement in not only maintaining but developing its business over the long term.

Positive effects of the company's activities on biodiversity

Veolia Environnement's activities help conserve ecosystems as they reduce the impact of society's anthropic pollution by reducing the pollution load on natural environments. The services provided by Veolia Water and Veolia Environmental Services collect and treat wastewater and waste, which limits the dissemination of urban and industrial pollution in the soil and water.

Regarding energy, the development of continuously controlled district heating networks subject to strict regulations helps reduce atmospheric pollution compared with more polluting systems (heating oil and coal).

Reduce and manage the company's negative impacts on biodiversity

Nonetheless, the company's activities still have negative impacts on biodiversity. These are in particular related to its facilities' land footprint, the consumption of natural resources and the residual pollution in the discharge from its operations. Aware of these impacts, Veolia Environnement has undertaken to manage and reduce them, in particular through the systems and tools described in the following paragraphs.

Assessment tools

The company develops an approach based first and foremost on identifying the area where its priority action is needed, and then deploying an assessment method to define an action plan. Since 2010, Veolia Environnement has incorporated information extracted from the IBAT (Integrated Biodiversity Assessment Tool) database developed by Birdlife International, Conservation International, IUCN and the United Nations Environment Program, into its "Atlas of Responsibilities and Sustainable Development Opportunities." This internal tool was developed to identify all the sustainable development issues for a given site, including the conservation of local species and the natural environment.

Since 2011, the company also included functions using geolocated data of its sites to prioritize its ecosystem management actions on the basis of a context that is

Interdependence between hazardous waste landfill sites and ecosystems

■ The company is continuing to carry out case studies on identifying the relationship between its activities and ecosystems. As part of the research carried out by Orée, for example, the Occitanis site in France (81), which stands near to a natural area of scientific interest noted for its flora and fauna and which both stores hazardous waste and recovers polluted soil, was used as a case study on identifying the relationship between the site and biodiversity and the corresponding costs and benefits. As well

as mapping the relationship using the methodologies published by Orée, the study formed the basis of a methodology than could be rolled out to sites involved in the same activities within the company. It also showed that taking account of biodiversity at the site did not result in any significant new costs in light of the expected benefits, given that the majority of expenditure allocated to biodiversity management was intrinsically linked to the activities carried out on the site.

recognized and identified by the stakeholders. These functions will enable us to adapt the company's actions to the specific local conditions (ordinary and locally remarkable species and ecosystems).

The company also has a self-assessment tool for biodiversity. The method adopted includes the characteristics of the natural environment and the site's development and management to draw up an action plan reflecting the local issues. This is a decision-making tool based on local needs and was used by around 30 Veolia Water sites in 2012 and about 15 Veolia Environmental Services sites, helping to identify the priority actions to be taken to focus more on biodiversity.

In addition to the self-assessment tool, in 2012 Veolia Water finalized and published a guide to invasive species, called "Invasive species: developing the right instincts – 15 species to recognize." The guide aims to raise awareness amongst operators about the problem of invasive species and help to recognize them so as to avoid contributing to their spread by adopting good practices, for example prohibiting their use in landscaping, quickly identifying areas where they have become established and implementing appropriate ways to combat them.

Action plans at sites

Ecological management at sites

The company continues to manage its green spaces in an environmentally-friendly manner, which involves moving on from the "standard horticultural model." Veolia Environnement's actions in this area are designed to preserve existing natural heritage and contribute to the development of ecosystems. The company therefore works with local partners to help maintain and restore the different environments found on its sites, such as ponds and meadows. It conserves local ecological continuity by planting hedges and grass strips and restoring wetlands.

In partnership with the French Committee of the IUCN, it has provided its French sites with a guidebook called "Guide to ecological management of Veolia Environnement sites in France" It is a compilation of positive actions for ecosystems that should be adapted to the characteristics and uses of these areas in the planning stages and/or during their

management. In particular, it covers:

- the management of herbaceous environments and fauna
- looking after these areas
- development of roadways and buildings.

The guidebook details actions that will encourage the regeneration of native species, conserve and diversify habitats for fauna and pollinators, and combat invasive exotic species.

Veolia Water instigated a number of actions in the area of ecological site management in 2012. Examples include the actions taken on behalf of the intermunicipal partnership of Melun Val de Seine (cf. insert) and the introduction of differentiated management at sites in the intermunicipal partnerships of Châlons-en-Champagne and Portes de France-Thionville, the town of Sélestat and Rophémel.

These types of plan can lead to certification based on ad hoc frames of reference at a local level. External quality labels have been awarded to the incinerator in Dunkerque – Biodiversity

Integrated ecological management by the CAMVS supported by Veolia Water

"Biodiversity" assessments have been carried out at the various "water" and sanitation sites within the intermunicipal partnership of Melun Val de Seine (CAMVS) (Boissettes, Livry-sur-Seine, Dammarie-les-Lys, etc.) since 2010. Following the assessments, differentiated management (late mowing, minimal maintenance of vegetation, limiting the use of plant protection products,

using local species for landscaping, etc.) was introduced in 2010 in Boissettes and in 2012 in Livry-sur-Seine and Dammarie-les-Lys. In addition to differentiated management, beehives have been introduced to the sites in Boissettes and Livry-sur-Seine, in partnership with a local beekeeper and eco-pasture created at the Boissettes site.

4. CONSERVE ECOSYSTEMS AND BIODIVERSITY

Progress label (Dervenn/Bureau Veritas) and those in Coalmoor and Smalley Hill in the United Kingdom, which have been Biodiversity Benchmark-certified by the Wildlife Trust.

The main countries in which Veolia Environmental Services operates create customized programs (to ensure their action plans align with local needs), which are then implemented with recognized local stakeholders. Action plans must align with corporate commitments.

Management of discharges

Conventional physical-chemical approaches that involve measuring the levels of pollutants in discharges are not sufficient to assess the state of conservation of biological diversity in an environment. The current tools used to assess the state of biodiversity (knowledge tools) are mainly focused on so-called "remarkable" species, and they too are insufficient.

Today new overall approaches to characterize the ecological status of an environment are being developed. The results obtained with these new tools are for the moment difficult to translate into operational management systems. The company is therefore developing its expertise with biological tools to assess the level of danger and impact of its discharges on the aquatic environment, its atmospheric emissions and its products (organic soil improvers and secondary raw materials).

In particular, the research and development teams have broadened the field of their work on ecological engineering to identify techniques for reducing these impacts and developing skills in the area of environment remediation (lagoons, grass verges, etc.).

Monitoring indicators and commitments on improving the attention paid to biodiversity

As part of its efforts to monitor the actions taken at sites and encourage more of them, the

company has developed indicators to measure performance linked to targets, in order to monitor local implementation of commitments on supporting biodiversity.

Veolia's Water and Environmental Services divisions monitor the use of assessments and the production of action plans associated with ecosystem management. In 2012, Veolia Water made a commitment to identifying the number of facilities (water production plants and wastewater treatment plants) which had carried out an assessment and implemented an action plan to restore local biodiversity in order to increase them. The Environmental Services division, in line with Veolia Environnement's 2012-2014 environment plan, set itself a target of 95% deployment by 2015 of action plans on sites with biodiversity issues (on the basis of prior identification of such sites).

Protecting and promoting wetlands

The numerous ecological services provided by wetlands have been identified but the methods used for classifying and promoting their functions could be strengthened. In relation to this, Veolia Environnement has made a commitment alongside the Conservatoire du Littoral and the Rivages de France association to a partnership with two main areas of focus:

- developing research initiatives at projects or pilot sites that contribute to the production of a method

for classifying the benefits to the ecosystem offered by wetlands;

- developing awareness-raising tools in these areas, aimed at regional development players.

Among other things, the program attests to the company's commitment to increasing its understanding of ecosystems, but also its appreciation of its dependence on these ecosystems.

Contributing to an increase in biodiversity in rivers

■ Veolia Environnement is one of the leading players in water treatment in the Czech Republic through its subsidiary Veolia Voda Česká republika. According to the Czech Environment Agency (CE-NIA), the quality of water in all Czech rivers has improved significantly over the last 20 years thanks to the development of wastewater treatment, which has allowed several local species of fish to begin to return. To accelerate the process, Veolia Voda decided to participate in the "Trout Way" project, whose main aim is

to support the return of salmonids to the country's rivers. Launched in 2011, the five-year project is being run in partnership with the Freshwater Giants association, founded by expert Jakub Vágner.

■ Initial results are very positive. During the first two phases, three metric tons of fish were released into the Strela in western Bohemia. According to the monitoring program run by fishermen, over 60% of the fish reintroduced have survived, compared with the usual level of around 40%. Fish adaptation and reproduction are also

supported by planned periods of prohibiting fishing.

The program has been praised by both local government and the media. Its success confirms Veolia's performance and contributes to improving ecological conditions which benefit local communities through related ecological services such as tourism and recreational activities.

Following the reintroduction of sturgeon into the Danube delta in Romania in 2012, similar actions should be implemented in the near future in Slovakia and Hungary.

A participative approach to innovation

A Biodiversity Challenge was organized by Veolia Environmental Services' South-East region as part of the Déclic program: this internal participative approach to innovation is open to all employees, regardless of their job role or grade. Three ideas were awarded prizes in 2012 and will be implemented in the region in 2013. The people who came up with them will be invited to be involved in the implementation of their ideas. They were:

- cleaning water tanks used for fire fighting with carp,
- organizing a nature outing for employees led by a "biodiversity" association and setting up a volunteer project
- setting up a biodiversity awareness-raising campaign for employees in the region.

Informing and raising awareness amongst employees and stakeholders

In addition to involving its employees in implementing management activities, the company carries out a range of actions to raise stakeholder awareness of the issues involved in conserving biodiversity. As a result, a series of educational days were held in 2012. As part of the International Biodiversity Day, GRS Valtech, for example, gave its Saint-Pierre-de-Chandieu site (southeast France) employees the opportunity to discover local birds and insects in cooperation with a local association. Volunteers were able to build and install insect "hotels" and birdhouses on site. As part of biodiversity action plans, in particular, installations such as teaching

ponds are also created and included during the sites' visits. In 2012, a teaching pond was built at the Boissettes site with a view to including it in the site's tour itinerary and a biodiversity acceleration area was also developed on the site of the main wastewater treatment plant for the intermunicipal partnership of Châlons en Champagne. Furthermore, in partnership with local players, the company organizes clean-up and restoration sessions for natural environments, observations of fauna, awareness-raising workshops on ecological gardening and apiculture as well as educational trails.

The economic approach to biodiversity and ecological services

Following on from the first study on valuing ecological services conducted in Berlin, in partnership with Berliner Wasser Betriebe to test the Corporate Ecosystem Valuation (CEV) guide developed by the WBCSD, Veolia Water has launched a more structured research program designed to define selection criteria for sites to study the external benefits associated with water and sanitation services. As a result, two new studies have been carried out in France to calculate the economic value of ecological services on which our activities have a positive influence. The results of these studies highlight the division's environmental and social performance in addition to its financial performance.



They also help decision makers by encouraging investments or management methods that ensure shared value creation at a territorial level. These studies also feed into future thinking on the potential for payment mechanisms for ecological services and their contribution to changes in remuneration models.

To support the process, Veolia Environnement took part in the translation and dissemination of the guide "Corporate Ecosystem Valuation" from the World Business Council for Sustainable Development (WBCSD), produced by Entreprises pour l'Environnement.

In addition, as part of the World Conservation Congress organized by the IUCN in Jeju (South Korea) and the 11th Conference of the Parties of the Convention on Biological Diversity held in Hyderabad (India), the company shared its experience through presentations and its contribution to the WBCSD document "Biodiversity and Ecosystem Service - Scaling up Business Solutions".

Finally, Veolia Environnement is also pursuing its work on valuing ecological services (*see insert*). It participates in the "Enterprise and Biodiversity" working group created by the Orée association, which aims, through case studies, to put a value on our dependency on ecological services and to identify the bases for a new form of accounting.

Veolia Environnement's approach to biodiversity

The erosion of biodiversity is one of the main environmental challenges our businesses are facing. In 2012, 20,219 species of the 65,518 evaluated by the IUCN were threatened with extinction (that is, more than one in three) and 60% of the services provided by ecosystems had deteriorated. Biodiversity is our life insurance. It is therefore essential that we preserve this natural capital in all its diversity and richness and do everything we can to ensure that the goods and services ecosystems provide us with are used sustainably.

It means taking action across the board. Without responsible, committed economic actors, we will lose the fight against the erosion of biodiversity. This is why the French Committee of the International Union for Conservation of Nature (IUCN France) has been taking steps for several years to increase businesses' involvement in supporting biodiversity.

Veolia Environnement understands the vast scale of this challenge. It has made a commitment to an approach to support biodiversity conservation which goes well beyond simple compliance with the regulations. As part of its efforts, Veolia Environnement signed a partnership agreement with IUCN France in 2008 which mutually benefits both parties:

- IUCN France provides expertise, helping the business to incorporate biodiversity more fully into its policies and how it manages its activities;
- Veolia Environnement supports projects run by IUCN France and provides insights on the extent to which biodiversity is taken into account by the private sector and future expectations.

The aim of our partnership is to encourage Veolia Environnement to continue and to strengthen its actions to reconcile industrial activities and biodiversity conservation in order to offer a comprehensive range of opportunities for truly sustainable development at a territorial level.

We believe that business can, on the one hand, make further progress in reducing its impact on biodiversity but also make more of a contribution to conserving, restoring and valuing ecosystems.

We also invite them to report their dependencies and impacts on biodiversity in their company reports, and the actions they are taking to reduce them. Ensuring transparency for stakeholders is necessary to monitor and evaluate the progress made in this area. This document attests to Veolia Environnement's determination to make a commitment to this area.



Sébastien Moncorps
Director, IUCN France

5. PROTECT NATURAL RESOURCES

5.1 Saving water resources

Reducing the quantity of water extracted from resources for its own facilities or those operated on behalf of clients is a constant concern for Veolia Environnement. The water division extracts the greatest quantity of water within the company.

Under the terms of its contracts with local authorities, 8.9 billion cubic meters of drinking water were produced in the 4,676 production plants run by Veolia Water in 2012. It distributed 9.5 billion cubic meters across a network of 323,000 km.

Protecting resources

Veolia Water is firmly committed to optimizing water-cycle management and saving what is at times a scarce resource. It provides its public-authority clients with a range of technical solutions designed to protect resources, optimize their management for the long term and, if necessary, develop alternative resources (see our brochure "Protect and manage water resources"). These measures are systematically put to the contracting authority, which decides on their application on a case-by-case basis. Two examples of sustainable

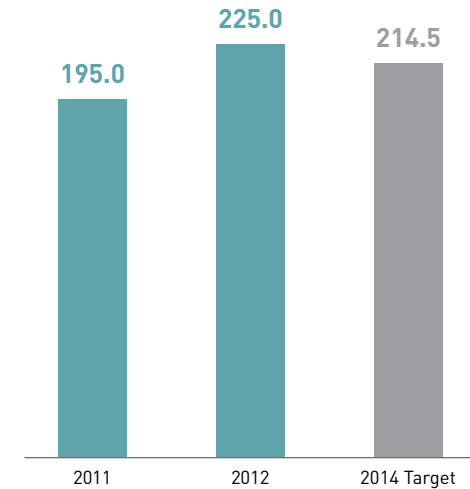
water resource management are the Western Corridor, Queensland (Australia) and the urban community of Hénin-Carvin, France, both of which are described in our publication "Our solutions for sustainable development."

Saving resources also involves developing alternative sources, such as the reuse of treated wastewater. Veolia Water manages large treated wastewater recycling facilities, such as Durban, South Africa, where the recycled water is used by the paper industry. In Abu Dhabi, the Wathba plant with a daily capacity of 300,000 cubic meters was commissioned in 2011. Built by Veolia Water, it will be used to irrigate a large expanse of farmland and leisure areas without having to use any existing water resources.

The use of recycled wastewater has grown sharply in the last few years. In order to further increase recycling of wastewater, Veolia Water has set itself a target of a 10% increase by 2014 in the volume of water reused from water that has been collected and treated (compared to 2011). In 2012, the volume of wastewater recycled by Veolia Water increased by 15% compared to 2011.

It should be noted that significant variations in quantities of recycled wastewater can be observed from one year to the next and that this performance can therefore only be assessed over the long term.

Volume of water reused from water collected and treated - Veolia Water - million m³



The Water Impact Index

■ Veolia Water has developed the Water Impact Index to help companies, public authorities and individuals make informed water and wastewater management choices. Unveiled

at the Milwaukee Water Summit in 2010, the index assesses the effects of human activity on water resources. Unlike indicators that only take account of the amount of water used, the Water

Impact Index includes data about the pressures on resources in terms of quality as well as quantity. This new tool therefore goes further in assessing the water footprint.



Veolia Water has also developed a tool to calculate the Water Impact Index of industrial activities and of water and wastewater services: the WII Tool. It is available on the Growing Blue website: <http://growingblue.com/footprint-tools/water-impact-index/>. For more information about the Water Impact Index, consult the Veolia Water North America White Book.

In addition to these solutions, the Water Impact Index (WII) developed by Veolia Water enables decision makers (companies and public authorities) to make the necessary choices in water management and use. It can be used with the carbon footprint and applies to both public water and wastewater services and to industrial clients. In Milwaukee, Wisconsin (United States), the WII highlighted the significant impact of reagent consumption for water disinfection, which then led to implementing innovative solutions at the wastewater plant to reduce its water footprint. At the L'Oréal plant in Jiangsu (China), the water and carbon footprints were reduced by improving the wastewater plant's biological treatment process.

Reduce loss in water distribution networks

In many cities around the world, 20% to 50% of the water produced is lost because of distribution network leaks. Veolia Water has made loss reduction one of its main priorities.

The indicator called "Network efficiency" assesses the percentage of water delivered to the end consumer but it is affected by consumption changes throughout the network. It is therefore often used in conjunction with the linear loss index to evaluate a water distribution network's performance. This index expresses the volume of water lost as a ratio of the network length and

so reveals the efforts made by the public authority and Veolia Water to reduce the volume of loss.

These two indicators are therefore complementary and their analysis applied to each network enables us to target better our leak detection efforts and advise clients about the best choices when deciding on expenditure for network replacement. As the aim is often to find the best balance between ecology and economy for each network, especially in the context of increasing consumption in some countries but a decline in others, it is not possible to set a company-wide target for this type of indicator. Conversely, the efforts made can be assessed based on the change in volume of losses on a like-for-like

5. PROTECT NATURAL RESOURCES

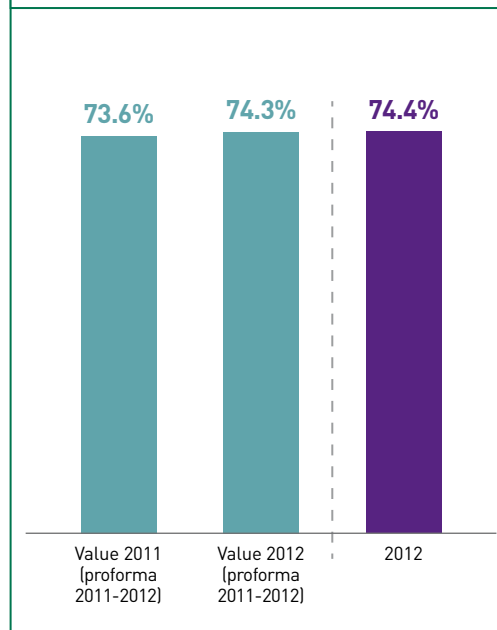
basis. Veolia Water's environmental plan for 2012-2014 sets a target of a 5% reduction in the volume of losses⁽¹⁾.



It is important to understand that the change in these indicators at the company level, at the current scope, reflects our efforts to reduce leaks but also the changes in scope as a result of contracts signed and terminated. Presenting the results on the basis of a pro forma scope (that is, retaining only those contracts in effect in both 2011 and 2012) makes it possible to assess real performance in terms of the reduction in water losses. Based on an identical scope for 2011 and 2012, the volume of water

¹⁾ Note that each year, the proforma values used to monitor the objective set will change in line with changes in scope (reporting entities that are not renewed will be gradually excluded from the proforma scope for all years).

Efficiency of drinking-water networks - Veolia Water



losses decreased in 2.9%. The change reflects improvements on most of the networks managed by Veolia Water.

Based on the current scope, as in previous years, non-renewed or lost contracts had achieved a good level of performance. This shows that Veolia Water is recognized and selected for its ability to reduce losses on water distribution networks.

Reducing water loss is always a priority for Veolia Water. Leak detection and

Volume consumed and water losses - Veolia Water (million m³)



repair programs as well as loss reduction programs are systematically presented to our clients. Other levers can also be used, such as improved water metering, optimum management of network pressure, and combating fraud. Reducing leaks can involve replacing or rehabilitating pipes, which sometimes requires major capital expenditure or funding that is determined on a case-by-case basis, depending on the contract, under the responsibility of the contracting authority. For more information about these programs, consult the "Save Water" brochure. Veolia

5. PROTECT NATURAL RESOURCES

Environnement also involves its research teams in this topic, as presented in the “*Drinking Water*” booklet (p.13-15) of its *Research and Innovation* report.

In France, in particular, Veolia Water’s role includes collecting, organizing and managing network information on behalf of municipalities (network and plant structure, ruptures and works, and data about pipe environments) to assist in establishing replacement programs.

MOSARE

■ The MOSARE decision-aid tool is one of the main aspects of the comprehensive network management method Veolia Water provides for its clients. Developed using a statistical approach, it includes several models adapted to the amount of data available and is used to assess the risk of pipe rupture so as to target pipe and network equipment replacements more efficiently.

Also, a specific index is monitored by ONEMA (National Office for Water and Aquatic Environments) in France to assess the level of knowledge of water distribution networks and ensure the quality of asset management by all water services.

For more information go to http://www.eaudanslaville.fr/IMG/pdf/P103_2_fiche_V070613-2.pdf (in French only).

Improve end-users’ awareness

Saving water requires close cooperation between service providers, public authorities and end-users. While some actions concern the public section of the network, others are the responsibility of individual customers. Approaches to improve savings naturally lead to closer ties being forged between the three partners: public authority, operator and end-user.

Encourage responsible conduct by end users

Various means are put forward by Veolia Water to improve consumer awareness and help save water:

- information about consumption through Customer Service Centers;
- information and advise documents about how to manage consumption;
- consumption information available via the Internet;
- leak prevention in the home;
- encouragement for consumers to gradually replace older appliances with new models that consume less water.

Veolia Water also encourages the installation of individual meters. Consumers often do not know how much water they use. This is especially the case in apartment buildings that do not have individual meters, and for which billing is based on the main meter at the building entrance. Improving consumer responsibility necessarily involves knowing how

Reducing water consumption

In addition to water-related activities, a responsible approach to better water management has been broadened to include all company activities. The Environmental Services division, for example, has made a commitment to introducing plans to reduce water consumption at 60% of its sites around the world by 2014.

much water they consume, and therefore installing individual meters. With its constant commitment to improving its service, Veolia Water is now turning its attention to smart meters and already offers remote meter reading. With this technology, consumers can be immediately alerted about a leak and they can track their consumption on the Internet or other media (e.g., mobile phone). Veolia Water also provides consumers with advice and useful information to improve their understanding of their water service.

In addition to these awareness actions, the public authority can also introduce incentivized pricing, depending on the local legislation, to help combat waste. The pricing policy is one of the economic tools designed to encourage an improved balance in the use of water resources, especially in areas where they are scarce. Veolia Water’s expertise in this field can help public authorities examine this issue and make an informed decision.

5.2 Conserving energy resources

Veolia Environnement is committed to improving energy efficiency, not just in the facilities it operates, but also through the energy services it provides. Wherever possible, it also promotes the use of renewable and alternative energy¹⁾, in accordance with the targets it has set, and makes every effort to recover the maximum energy potential from waste, wastewater to be treated or from the facilities it operates.

Rational energy management

■ **Veolia Energy–Dalkia** focuses its efforts on high-energy content activities leveraging its two key areas of expertise as a local producer and manager of energy services. The three priority areas of business are the production and distribution of heat and cooling through district networks, the production of industrial utilities, and energy services for buildings. Veolia Energy–Dalkia builds and upgrades facilities, improves the thermal efficiency of buildings, and optimizes production unit efficiency and the energy mix. In this respect, the use of renewable, local energy is systematically examined. The biomass solutions put forward, especially when they combine biomass with cogeneration, are based on unique expertise in plant design, combustion optimization and comprehensive

management of supply chains, which are key to securing the future for such projects. Additionally, Dalkia also provides energy performance guarantees that can range through to comprehensive management of energy demand to reduce the client's energy consumption.

Our Research and Innovation teams concentrate on improving the energy efficiency of industrial facilities and combustion plants, and the management of distribution networks. For more information, consult the “*Energy Questions*” booklet (p. 3-10) of our *Research and Innovation* Report. Our work also involves developing the biomass chain and the use of solar energy (see “*Energy Questions*” booklet, p. 11-14).

In 2012, Veolia Energy–Dalkia set new consumption targets for renewable energy as part of its energy mix (see § “Consumption of renewable and alternative energy”).

■ **Veolia Water** is developing expertise with the aim of achieving, or getting close to, energy self-sufficiency, mainly for wastewater treatment.

It aims to minimize energy consumption at the plants it operates, by promoting best practice and good technological choices, developing diagnostic tools and conducting energy audits. The electromechanical equipment renewal policy also targets improved energy consumption. Research and Innovation work led to the development of the Amonit® process that reduces energy expenditure for aeration (a high energy-consuming stage in wastewater treatment) by 20% at those sites where it has been installed. Other programs concentrate on developing an energy and environmental assessment tool for the various treatment systems used to produce drinking water (see *Research and Innovation booklet* N°. 1 “*Drinking Water*”).

To assess the efforts made in relation to reducing energy consumption, in 2012 Veolia Water introduced a target of a 5% improvement in the energy efficiency of wastewater treatment plants (by 2014, Veolia Water pro forma scope 2011).

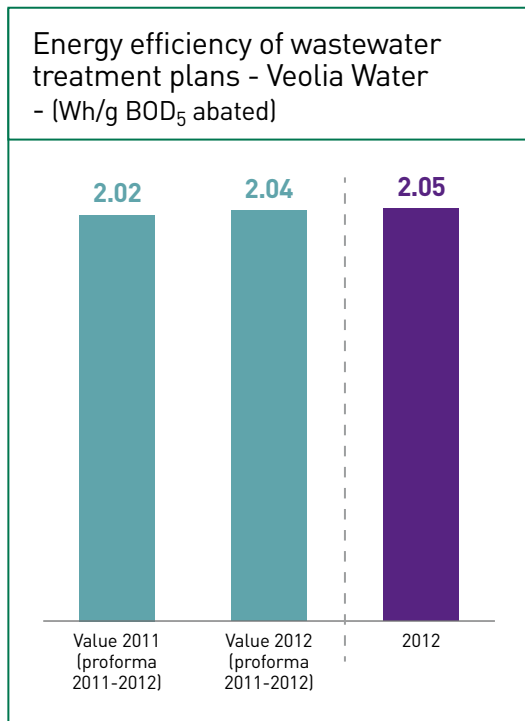
For this first year of the three-year action plan for 2012-2014, the energy efficiency of waste-

Veolia Energy–Dalkia's biomass supply policy

■ The development of biomass energy entails managing the balance between carbon sequestering, energy needs and industry's needs. To achieve this balance, Veolia Energy–Dalkia makes every effort to use local biomass while protecting timber's prime use, i.e., construction and use in industry,

and developing the concept of sustainable forestry management. For all its contracts, Dalkia uses only locally produced biomass. Among the results of this policy is the creation of supply chains bringing together foresters and local collection and haulage companies.

1) Renewable energies are indefinitely and inexhaustibly renewed or regenerated sources (e.g. biomass, biogas, solar, etc.). Alternative energies are natural or industrial sources of energy that would be lost if not immediately recovered (e.g. mine gas, etc.). Incinerated household waste is classed as being derived 50% from renewable sources and 50% from alternative sources.



water treatment plants remained stable compared with the reference year of 2011 (based on the pro forma scope). The efforts made to improve energy performance at our facilities are not yet visible in terms of results and various operational incidents may explain the variations in energy consumption from one year to the next.

In addition to its actions to reduce energy consumption and production, Veolia Water's Veolink Care Energy Diagnostics software is a dedicated tool for managing energy consumption at indus-

trial plants, which allows users to manage their energy supply, distribution and consumption for all active processes.

Also as part of its work on identifying the optimum solution for treating wastewater sludge (see waste recovery chapter), Veolia Water assesses waste-to-energy options (methanation, incineration or co-incineration with energy recovery, etc.), while also focusing on making its processes as energy-efficient as possible. The production of biogas from the anaerobic digestion of sludge can be improved with co-digestion, which involves mixing the digestion of wastewater sludge with that of other materials, such as fat, food industry waste, etc. Thermal hydrolysis increases the production of biogas, and therefore the energy potential, while at the same time reducing the volume of residual sludge. Veolia Water is also a partner in the CoDiGreen research program to test co-digestion with green waste.

From this perspective, the production of electricity and heat from biogas has increased by more than 10% compared with 2011. Part of the electricity and heat produced is consumed by the treatment plants themselves, which increases their energy self-sufficiency. Across the Water division, energy self-sufficiency increased by 2 points to 19% in 2012.

Furthermore, wherever technically feasible and economically viable, Veolia Water seeks to improve energy production by using renewable power generation systems, such as solar

panels, wind turbines, etc. It uses gravity and the mountainous terrain in some cities, such as Nice in France, to incorporate micro hydroelectric turbines in the drinking water network to generate electricity. It is also studying how much energy can be recovered by placing this same sort of turbine at wastewater treatment plant outlets, such as in Brussels, Belgium, and more recently in Madrid, Spain. Lastly, it is also researching, often together with the company's energy division, the use of heat pumps. The innovation in this instance involves redirecting part of a wastewater collection system's flow through a heat exchanger where the calories are recovered by a heat pump that uses the energy either to heat or cool buildings depending on the season.

Therefore, an increasing number of wastewater treatment plants are examples of energy efficiency, such as Gresham, United States, Qingdao, China, and the Braunschweig plant that generates more than 100% of the energy required for its operation in Germany.

In 2013-2014 the latter plans to introduce new processes to protect its energy independence and at the same time recover phosphate and nitrogen.

In addition, the publication "Take the water to energy challenge" describes Veolia Water's solutions and some of its projects in relation to energy optimization. Veolia Voda in the Czech Republic, for example, won an award in the "Best Innovator 2012" competition organized by the consultancy firm A.T. Kearney for its Water2energy project. The innovative approach

5. PROTECT NATURAL RESOURCES

developed in this project results in lower costs in relation to energy consumption for drinking water and wastewater processes and in optimizing the use of the energy potential available in these processes. The Water2energy methodology was also recognized in Germany as an example of best practice by the federal energy agency in (DENA) and by the association of energy and water producers (BDEW).

■ For **Veolia Environmental Services**, the development of energy recovery from waste enables its treatment units, such as landfills, incinerators and methanation plants, to reduce their dependency on other sources of energy for their operation and to supply energy to external users. In addition, recycling and recovery of solid fuels also contribute to reduce our customers' primary energy needs.

The Environmental Services division, in line with Veolia Environnement's 2012-2014 environment plan, has set itself a target of 80% deployment by 2015 of energy efficiency plans on sites around the world.

In addition, Veolia Environmental Services has set itself a new target for the production of green energy from waste (cf. § "Production of renewable and alternative energy").

Our research focuses on optimizing the energy potential of our landfills, and the efficiency of our waste-to-energy plants, as well as the recovery of energy from bioresources (see "Waste collection, sorting and recovery" *booklet*, p.7-13, and "Bioresources" *booklet*, p.7-9).

Renewable and alternative energy consumption

The divisions consume different levels of renewable and alternative energies depending on their activities and needs.

■ **Veolia Environmental Services** makes a 66% contribution to this, thanks to waste incineration and recovery of biogas captured from landfills and anaerobic digestion. In 2012, consumption of renewable and alternative energies decreased by 8% following the sale of our activities in the United States and Italy. We saw an increase of 6.7% over the 2011 historic scope due to the increasing influence of incineration in the United Kingdom and France.

■ **Veolia Water** consumes renewable and alternative energy through the use of biogas from

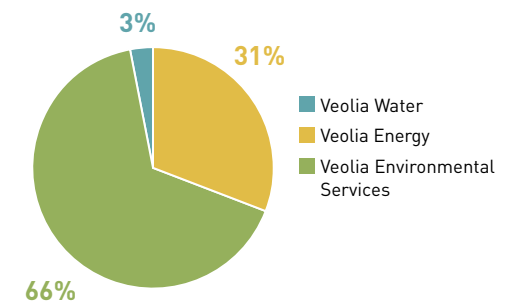
Gera becomes self-sufficient

■ Veolia Water has operated water and wastewater services for the city of Gera, Germany and the surrounding municipalities since 2003. It has implemented a triple energy approach: reduce consumption, increase biogas production and contribute additional energy through co-fermentation. Already autonomous since 2009 for its heat requirements, the plant became electricity self-sufficient in 2010, and now even sells its surplus electricity to the grid, having reached 110% autonomy in 2011.

Biofuels to conserve resources

■ Two pilot projects being run by Veolia Environmental Services have recently become operational: the biodiesel production unit using waste food oil and the production of biomethane (fuel produced from the biogas collected at landfills). Created from waste, these second-generation fuels do not compete with food crops and they also have a better energy balance than first-generation fuels. The company's R&D is today concentrated on developing third-generation fuels, in particular from micro-algae.

Breakdown of renewable and alternative energy consumption



5. PROTECT NATURAL RESOURCES

wastewater treatment sludge, its own production or purchases of electricity produced from hydroelectric, wind or solar power. Once again this year, consumption of renewable and alternative energy increased by 10%, which can be explained primarily by the increased availability of digesters in 2012, enabling the consumption of energy produced from biogas derived from wastewater treatment sludge, particularly in the United States, Germany, Romania and China.

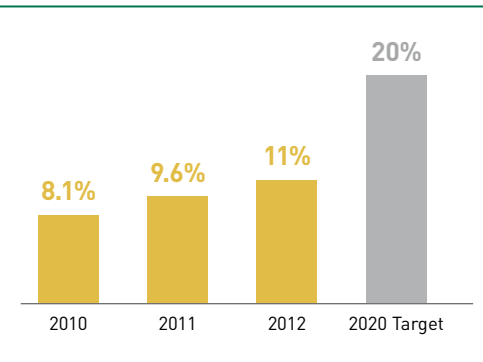
■ **Veolia Energy-Dalkia** contributes 31% to the consumption of renewable and alternative energy. This is primarily due to the development of the biomass sector (in Poland, France, Lithuania and Spain), the use of geothermal energy in France and heat recovery in industry (France and Finland). One of the division's commitments is to pursue a sustainable "growth" target, expressed in tangible terms partly by two indicators: one for the percentage of renewable energies in the energy mix in Europe and one for the percentage of biomass in the energy mix. The percentage of combustible biomass is increasing and now stands at 6.3% of Dalkia's total consumption of thermal and electrical energy. The increase is the tangible result of the initial impact of Veolia Energy-Dalkia's sustainable development policy.

Percentage of renewable and alternative energies in total energy consumption

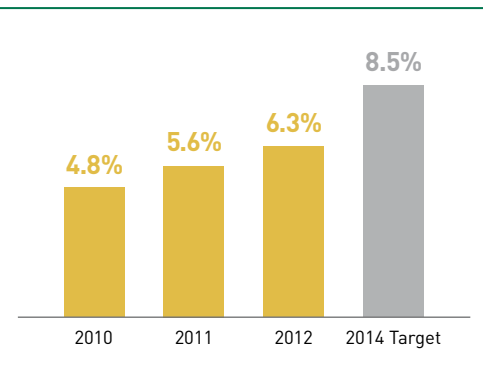
The percentage of renewable and alternative energies in the company's total energy consumption decreased by 7% in 2012. This is explained by the inclusion of Veolia Water's energy activities in the calculation of the company's total energy

consumption. Gross consumption of renewable and alternative energy, however, is slightly up (+1%) compared with 2011.

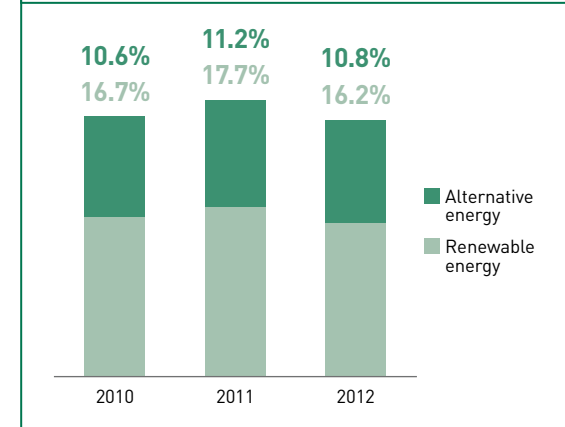
Percentage of renewable energies in the mix of energy services - Veolia Energy-Dalkia - European Union



Percentage of biomass in total energy consumption - Veolia Energy-Dalkia



Percentage of renewable and alternative energies in total energy consumption

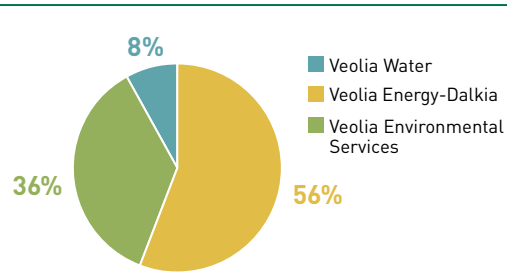


Renewable and alternative energy production

Renewable and alternative energy production is largely derived from sites consuming external renewable and alternative resources, especially Dalkia. However, it is also linked to the use of energy produced at the sites themselves (methanation and energy recovery at landfills). Veolia Environmental Services and Veolia Energy-Dalkia contribute 36% and 56% respectively to the company's overall energy sales.

In 2012, production of renewable and alternative energies increased by 20%, associated with the start of a new contract in Poland for Veolia Energy-Dalkia and the incorporation of Veolia Water's energy activities.

Breakdown of renewable and alternative energy production



For Veolia Energy-Dalkia, energy recovery from industrial effluents such as “black liquor” for Dalkia Atlantique in France or the recovery of coking plant gas in the Czech Republic are

contributing to the increase in the same way as heat recovery at both company and external incineration plants and (as in France) or recovery of industrial effluents (as in Finland).

In line with Veolia Environnement’s environmental plan for 2012-2014, the Environmental Services division has made a commitment to increase the production of renewable energy from waste (incinerated, landfill or anaerobically digested) by 10% (baseline: 2011) by 2015. In 2012, the production of renewable energy for the Environmental Service division fell by over 13% following the sale of its businesses in the USA and Italy.

Based on the same scope, however, we saw an increase of 6.9% due to the increasing influ-

ence of incineration in the United Kingdom and France and the increase in capacity of biogas recovery facilities in China.

5.3 Reduce raw material consumption

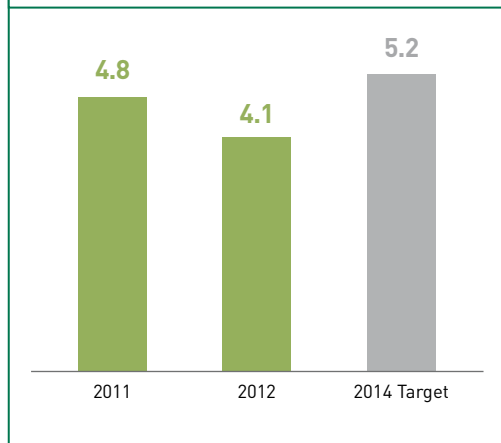
The raw materials (excluding fuel) consumed by Veolia Environnement’s businesses are mainly treatment reagents.

At Veolia Water, predictive regulation of reagents (such as the Prédifloc™ process for coagulants) makes it possible to optimize dosage levels and results in an average 15% reduction in the consumption of reagents. In addition, matching the size of storage tanks to actual requirements helps manage supplies more effectively, ensure consumption is properly planned and limit the number of truck journeys.

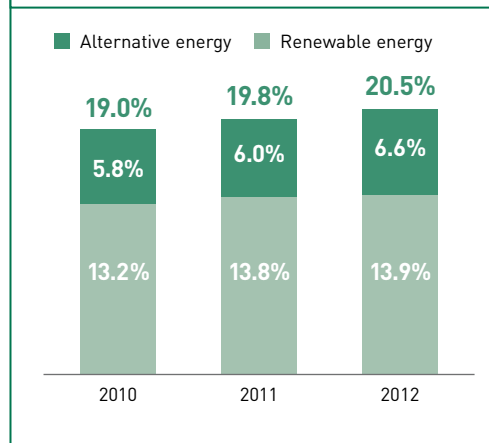
Wholly committed to different means of recovery, especially through the development of materials recovery systems for the waste handled under its contracts and the by-products from its other activities, Veolia Environnement contributes to reducing the consumption of primary raw materials by third parties by supplying them with secondary raw materials.

Veolia Environmental Services treated 54.4 million metric tons of waste in 2012.

Renewable energy production - Veolia Environmental Services (Million MWh)



Percentage of renewable and alternative energies in total energy production



5. PROTECT NATURAL RESOURCES

Source-separated collection and sorting of the waste (wood, paper, board, glass, metals, plastics, etc.) generated by industrial companies and households enables the waste to be recycled and transformed into reusable materials. Waste that is not suitable for materials recovery can be treated with processes allowing energy recovery using the heat produced by incinerators fitted with energy recovery systems and the biogas emitted by the decomposition of landfilled waste ⁽¹⁾.

In 2012, the quantity of waste recovered decreased by around 1% following the sale of the company's businesses in Italy. The rate of recovery, however, increased by 3 points (from 15.3% to 19.2%), up by almost 18%. The increase came mainly from sorting/recovery activities in Germany, the United Kingdom and Poland (new

contracts) and incineration of non-hazardous waste (recovery of bottom ash, mainly in Taiwan). Note that on the basis of the same scope, the rate of materials recovery was slightly up (2%).

This indicator above all reflects the type of contracts signed by Veolia Environnement (with or without recovery). It is Veolia Environnement's responsibility to develop innovative and efficient waste management technology that enable recovery (selective collection and materials, energy or organic recovery) and to present them to its industrial and municipal clients, which make the final decision about whether or not to implement them.

In line with Veolia Environnement's environmental plan for 2012-2014, the Environmental Services division has made a commitment to achieve an overall materials recovery rate of 30% for all waste treated worldwide by 2015.

Rate of materials recovery - Veolia Environmental Services



Given this situation, our research is concentrated on the following areas:

- optimize waste sorting and recycling;
- identify recycling solutions for complex waste from new technology, such as electronic equipment or plastics;
- organic and energy recovery of biodegradable waste;
- production of alternative fuels;
- optimization of the recovery of potential energy at landfills and waste-to-energy facilities.

For more information, consult our two specific Research and Innovation booklets: "Waste collection, sorting and recovery" and "Bioresources."

Promote responsible conduct by waste producers through price incentives

■ Veolia Environmental Services manages 30 contracts in France (covering almost 900,000 people) and some 60 contracts in Germany using incentivized pricing for waste collection and treatment. The division therefore has invaluable feedback about the operational aspects, as well as in the areas of communication, population behavior prediction and administrative and financial engineering for this approach. Veolia Environmental Services works with municipalities to boost awareness and promote the switch from a set fee buried in local taxes to a transparent fee based proportionally on the effort made by each individual to reduce their waste.

■ According to studies by ADEME, incentivized pricing results in a positive change in the flow of waste generated by users of the collection service:

- residual household waste decreases by 15% to 50% by weight;
- recyclables increase by 10% to 100% by weight, without any change to the quality of sorting;
- the overall quantity of waste collected remains stable or decreases slightly, whereas it is continuing to increase for all French municipalities as a whole*.

■ Incentivized pricing has an advantage for the municipality by lowering the associated collection cost and increasing revenue, and for the environment by achieving waste reduction at the source and increasing household waste recovery. For households, even if

this system does not always result in any immediate savings, incentivized pricing does limit the additional cost that would have been passed on if it had not been introduced. Lastly, the principle of incentivized pricing is equitable (users pay as a function of actual usage of the waste collection service, in the same way as they pay for the water or electricity they consume) and it encourages cost transparency.

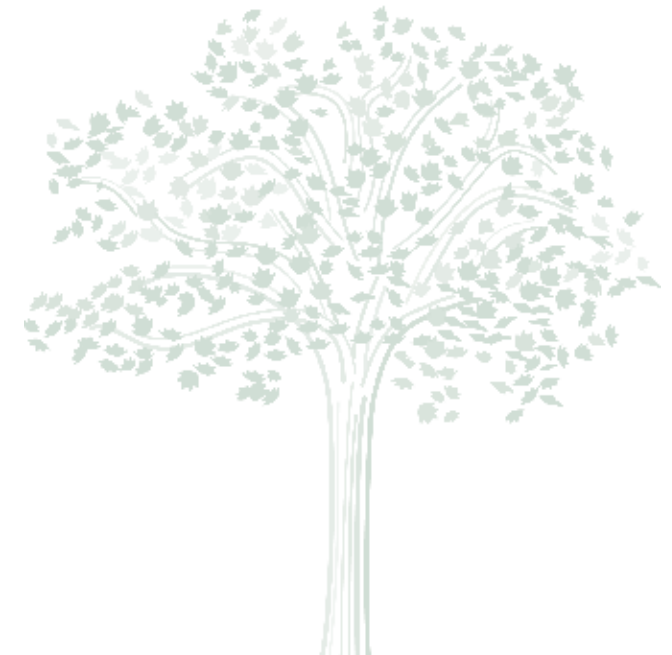
Approaches designed to reward good sorting programs complete the range of incentives based on positive actions. Recycle Bank in the UK, the "GRIN" program in Singapore and the partnership with Cité Green in France are all innovative experiments in this area.

* Source: ADEME, studies performed in France and internationally.

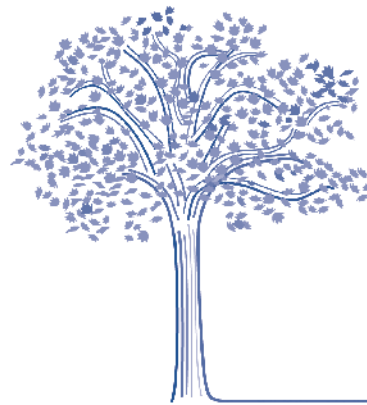
From treatment plant to bio-refinery

■ Veolia Water is constantly seeking new solutions for resource conservation and making progress in innovation. It is making headway toward being able, by around 2025, to "refine" wastewater into various sources of energy (biofuels, methane, hydrogen and ethanol), organic and mineral ingredients (fertilizers) and bio-materials, such as the biopolymer PHA, which can be converted into bioplastics. For example,

at the Aquiris Bruxelles-Nord wastewater treatment plant in Belgium, Veolia Water has installed an industrial prototype that produces bioplastics from wastewater treatment sludge. This biodegradable material could be reused in numerous industrial sectors, such as the automotive and bioplastics industries and the packaging sector.



MANAGING
SOCIAL
PERFORMANCE



Veolia Environnement's employees and labor relations policy have always played a pivotal role in the success of the company, and continue to do so during the current transformation. Human resources are involved in actions intended to reorganize activities by developing synergies between the company's fields of expertise. They are the foundation of a collaborative culture based on responsibility, efficiency, customer focus and social commitment.

Divestitures continued from 2011 into 2012, and the Human Resources Department mobilized to support the company's divisions. The resulting streamlined organization and industrialized operating methods places us in an excellent position to implement our growth strategy.

These developments prompted Human Resources to intensify efforts in key policy areas by providing employees with a safe and healthy work environment, training them to meet future challenges, promoting diversity, continuing to engage in constructive dialogue as well as strengthening solidarity between all our employees.

The CSR Performance Digest offers an insight into Veolia Environnement's key trends and labor data for 2012. Annual social reporting, based on some 200 social indicators and consolidated by over 900 correspondents worldwide, was first introduced in 2001 to provide data for these analyses and to help manage our human resources operations.



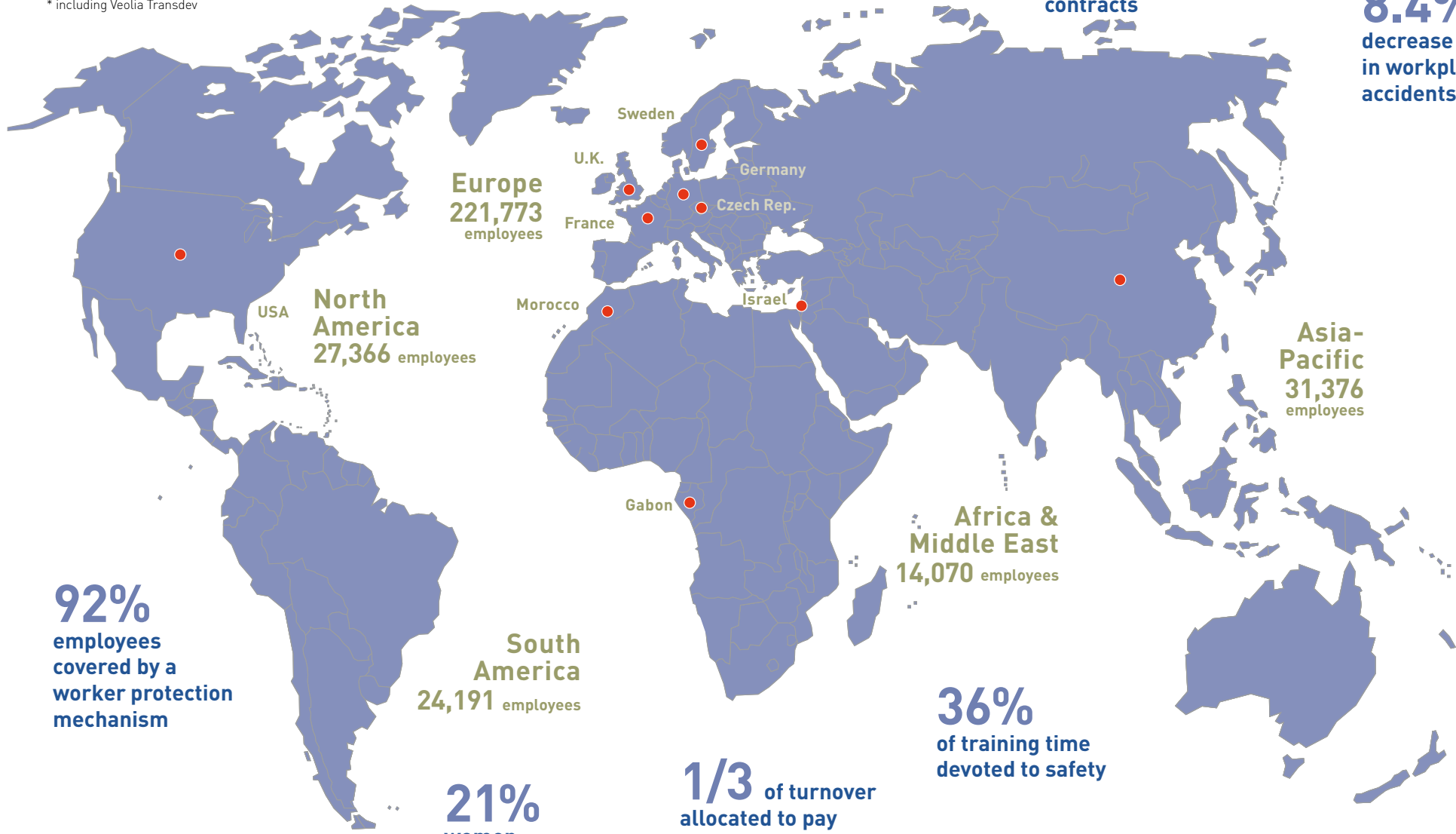
VEOLIA ENVIRONNEMENT AROUND THE WORLD

318,376*
employees worldwide
* including Veolia Transdev

5.5 million
training hours

92%
on unlimited-term contracts

8.4%
decrease
in workplace
accidents



92%
employees
covered by a
worker protection
mechanism

**South
America**
24,191 employees

**Africa &
Middle East**
14,070 employees

**Asia-
Pacific**
31,376
employees

21%
women

1/3 of turnover
allocated to pay

36%
of training time
devoted to safety

● Campus VE

1. COMPANY GROWTH AND CHANGE

As of December 31, 2011, Veolia Environnement had 318,376 employees, 3.9% fewer than at the end of 2011.

In France, the company had 105,553 employees, including 13,689 managers, compared with 105,756 and 13,858 respectively in 2011.

Excluding Veolia Transdev, the company had 219,739 employees, 4.2% fewer than at the end of 2011 on a like-to-like basis.

In 2012, we saw the first effects of efforts to transform Veolia into the "Industry standard for Environmental solutions." One of our strategic goals is to refocus the company's geographic distribution. At the end of 2012, the number of countries in which company employed a capital of more than €5 million was 48, with a target of 40 by the end of 2013.

In line with our strategy of refocusing geographic distribution and growth in key environment areas, Veolia may withdraw from countries where it no longer wishes to operate or divest businesses in certain countries. The conditions under which divestment is performed are discussed in more detail in the section on "Labor Management Dialogue at the Heart of Change."

The balance from mergers & acquisitions and divestment & subsidiarization comes to -9,563 fewer employees compared with an increase

of 11,509 employees last year. The two largest divestments in 2012 were:

- Our solid waste business in the USA, with an 11% reduction in the workforce of Veolia Environmental Services in North America.
 - Our regulated water business in the UK, leading to a 9.5% reduction in the company's workforce in the United Kingdom.
- These divestments include the sale of Ridgeline to Atlantic Power (an American wind power subsidiary), several businesses operated by Veolia Environmental Services in Switzerland, an incinerator in Italy, all companies owned by Veolia Environmental Services in Estonia and Lithuania, and Dalkia's businesses in Switzerland and Estonia.

The company stepped up its repositioning toward growth markets by driving sales, particularly in the United States, where it was awarded new performance and assistance contracts for optimizing water services in New York, as well as contracting for water distribution and wastewater collection networks in Rialto, contracting to rehabilitate and operate the drinking water network in the city of Nagpur, India, signing new contracts in Central and Eastern Europe for Dalkia, signing a new concession contract for the Changsha waste treatment center in China and renewing several contracts in France.

Breakdown of Workforce

Organic growth is the difference between hires (including new contracts) on the one hand and departures (including the loss of contracts) on the other. It comes to 3,010 fewer employees (1,953 fewer excluding Veolia Transdev).

In 2012, the turnover rate for employees on unlimited-term contracts dropped slightly to 12.04% from 12.95% in 2011.

The company hired 54,344 employees on the external labor market (compared with 60,288 in 2011), of whom 29,289 (54%) directly under an unlimited-term contract. 3.4% of these external hires were managers. In mainland France, there were 16,088 external hires. One-third of these were under unlimited-term contracts. Additionally, 27% of the hires under fixed-term contracts were transformed into unlimited-term contracts in the year.

Voluntary departures by resignation (13,675), was one of the main reasons for employees leaving, second only to the end of fixed-term contracts (20,009). In 2012, 1,318 people were laid off (0.4% of the total workforce), mainly in Poland, Brazil and Sweden. These types of departure involve locally-conducted labor consultations depending on the specific legal and employment situation.

219,739
employees
worldwide
(excluding
Veolia Transdev)

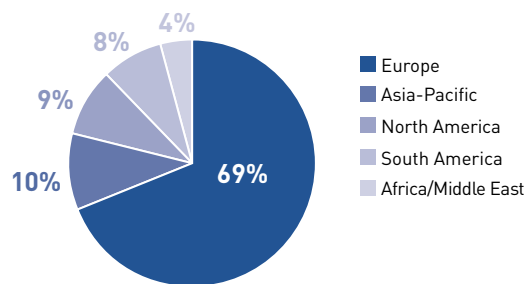
68,816
employees in
France (excluding
Veolia Transdev)

Management Code of Conduct

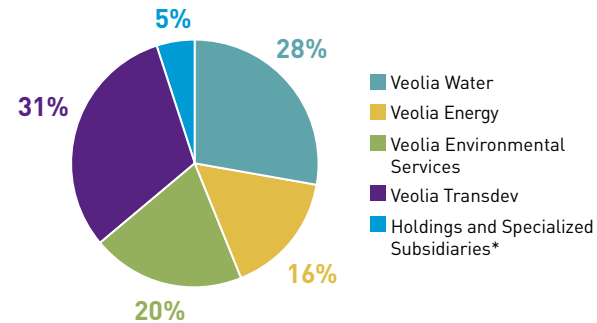
The Code of Conduct for Veolia Environnement's managers, agreed by the Executive Committee on December 7, 2012, is intended to be deployed by all Group subsidiaries and in all countries in which we operate by the end of 2013.

It is based on the Group's five fundamental values: respect, solidarity, responsibility, innovation and customer orientation. It expresses the Group's collective commitment to each of these values and in the future, managers' individual and collective behaviors will be assessed on this basis.

Breakdown of workforce in 2012 by geographic area



Breakdown of workforce by division in 2012



Scope of data

Data for Veolia Environnement, excluding Veolia Transdev, were consolidated to align the 2012 data with the company's strategy and divestment plans.

2011 data has been brought into alignment with the scope of the 2012 data.

The data included under Holdings and Specialized Subsidiaries cover: Veolia Environnement SA, VERI, VETech, Centre d'Analyses Environnementales, Campus Veolia Environnement, Défense Environnement Services, Seureca, OFIS, VE CSP Lyon, VEIS, Veolia Environnement Management des Services aux Industries, VEIC, Eco Environnement Ingénierie, Setude, all of SNCM and PROACTIVA.

2. EMPLOYEES

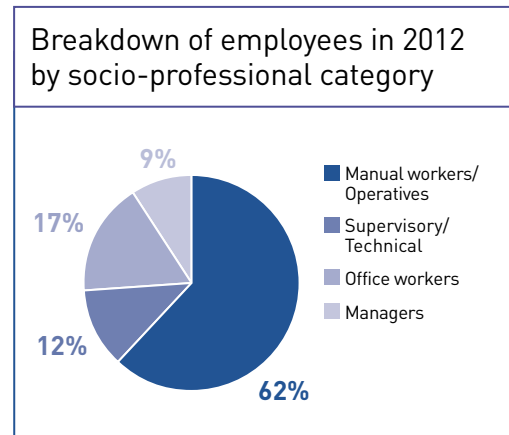
The nature of the company's businesses requires local management of personnel. The structure of the company's workforce reflects the labor markets in which we operate..

Of the company's total workforce, 62% are manual workers, and 80% are men. Depending on the level of an activity's development and the structure of the local labor market, these ratios are subject to considerable variations.

90%
of employees are non-managers

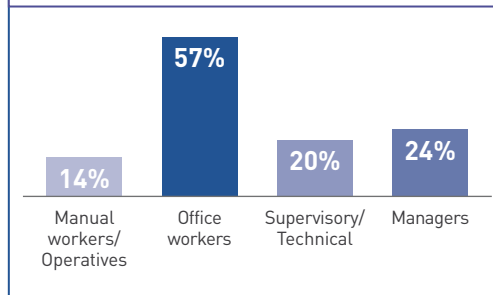
92%
of employees have an unlimited-term contract

1/5
of employees are women



Asian-Pacific, Central and Eastern European and South American countries have a much higher percentage of women employees than the company average. However, these rates vary within the countries themselves according to activity.

Percentage of female employees by socio-professional category



highest in North America (46) and Europe (44). Distribution of employees by age bracket also corresponds to the structure of the labor market.

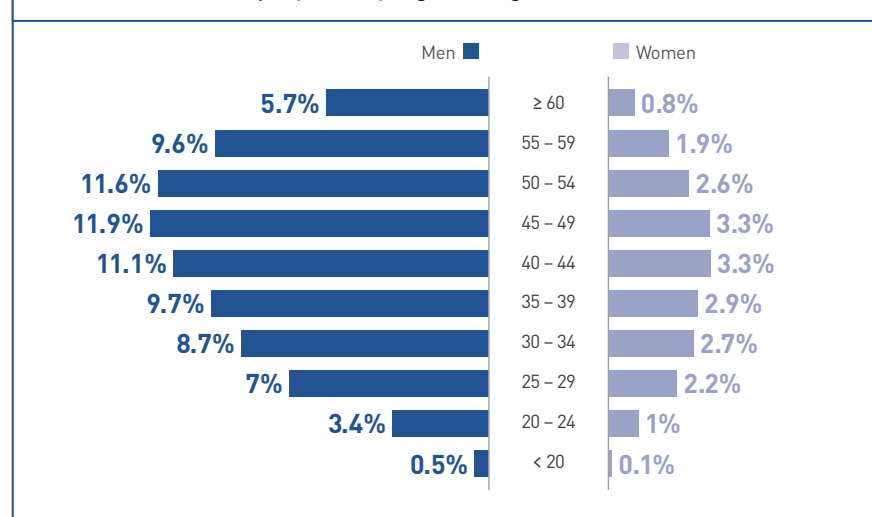
In France, in the company as a whole, employees aged over 50 account for 29.5% of the workforce (compared with 28% in 2011). This figure rises to 52% in Finland and 57% in the Netherlands. The areas with the highest number of employees under the age of 30 are Asia/Oceania and South America.

Breakdown by age

In 2012, the average age in the company was 43 (compared with 42.6 in 2011). It is

Whatever the characteristics of the labor market where we operate, Veolia Environnement companies are committed to promoting stable employment: **92% of employees have an unlimited-term contract.**

Breakdown of employees by age and gender



2. EMPLOYEES

Organization of working time

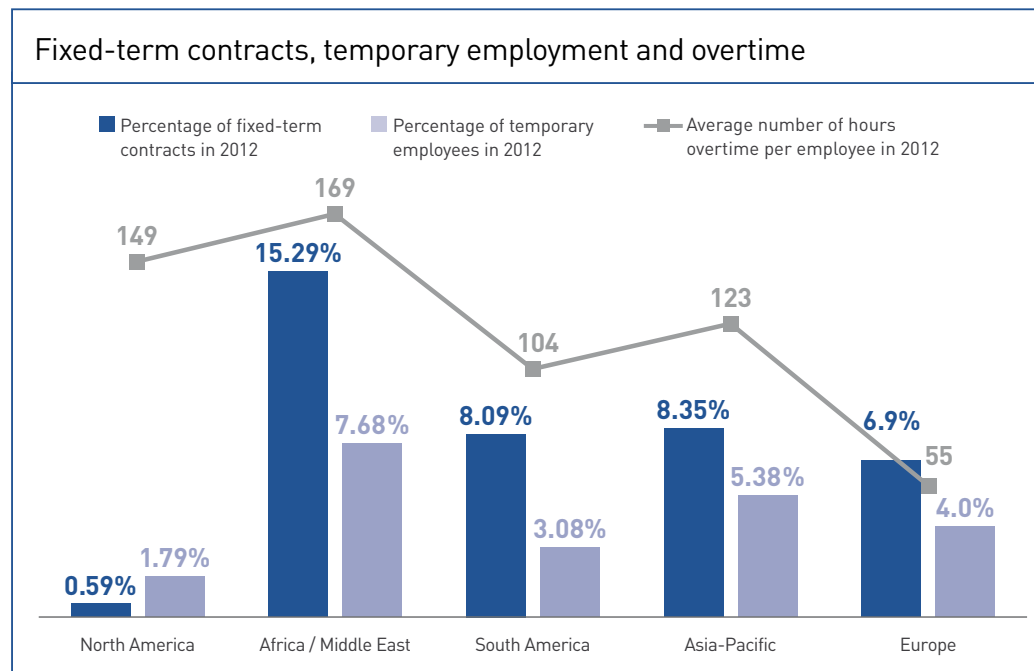
Veolia Environnement employees work an average of 1,790 hours a year (excluding overtime). To meet additional business demands or replace an employee, fixed-term contracts, temporary employment and overtime are used to varying degrees depending on the country.

The use of contingent hiring varies according to the country in which the company is operating, but overall remains limited; stable employment

(unlimited-term contracts) is still the preferred form of hire. North American entities, especially those in the United States, tend to resort to overtime, whereas in Europe, the preference is to hire additional employees on fixed-term contracts.

In 2012, the average number of overtime hours per employee and per year was 77 (compared with 78 in 2011). This figure varies by a factor of one to three between Europe and Africa/Middle East and North America. The use of temporary employees dropped marginally from 4.7% to 4.3%.

Overall, 5% of Veolia Environnement employees (excluding Veolia Transdev) worked part time. Once again, there are major differences depending on the countries in which the company operates.



BEST PRACTICES

A work-life balance social initiative

In Germany, where the birthrate has dropped in recent years, the company helps employees reconcile careers with family life. Veolia Umweltservice GmbH provides offices where parents can bring their children and has teamed up with an organization called Worklife to produce an intranet site on parenting. VWS Deutschland GmbH, in Celle, Germany, is a member of the "Women and the Economy" organization, which organizes family activities. OEWA, BSJENERGY and MIDEWA of Veolia Wasser were also awarded "Beruf und Familie" ("Career and Family") certification.

3. SKILLS MANAGEMENT AND EMPLOYMENT POLICY

As part of its transformation, Veolia is rationalizing its geographic distribution and divesting our transportation business. The Human Resources Department has committed to a strategy that prioritizes internal transfers and training.

Greater emphasis was placed on this policy to support reorganizations based on internal transfer and redeployment of staff within Veolia Environnement.

Prioritizing internal transfers

Veolia Environnement has for many years promoted internal transfers for all categories of employees. To encourage this mobility, company employment managers rely heavily on in-country HR coordinators where Veolia has a presence, as well as shared procedures and tools:

- the company's career portal, which features all job vacancies at Veolia
- annual interviews to create a skills development plan for each employee and identify his or her career development opportunities
- peer evaluations for managers that provide Veolia Environnement with an ECHOS-based approach and method for evaluating human resources, organizations and structures. Equal opportunity policy recommendations are also fac-

16,238
internal transfers,

more than
10%
of managers
worldwide

4.3%
of non-managers
worldwide

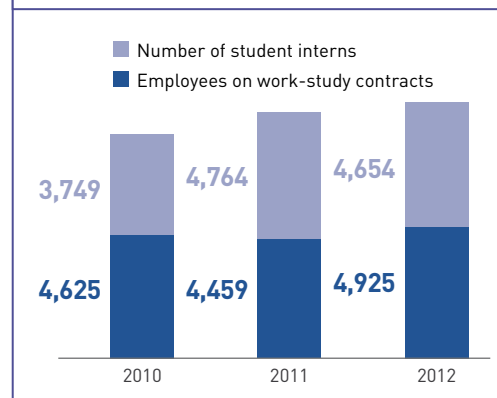
tored into these methods and tools.

- a jobs directory shared by all Veolia support services
- a GPEC agreement (skills and employment management) in France.

Work-study programs

Our work-study program is a preferred recruitment tool, and a path to excellence that prepares employees to work for Veolia by providing them with relevant skills. Veolia Environnement remains strongly committed to providing young people with access to employment. In 2012, 1,851 work-study contracts were signed in France, compared with 1,664 in 2011, representing **11.5% of external hires**, and continuing the trend of the last three years (10% to 11%).

Change in the number of internships and work-study contracts



The number of people on work-study programs on December 31, 2012 was up 10% compared with 2011, and the number of people on internships remained stable after a sharp rise between 2010 and 2011, providing opportunities for young graduates to gain professional experience.

BEST PRACTICES

A recruitment kit used by Veolia Environmental Services in France: Proveo

- Veolia Environmental Services has been working with operational managers and workers to design a recruitment tool for all of its manual jobs, a total of 35 listed occupations: the use of Proveo to hire new staff is now obligatory and ensures that the recruitment process is non-discriminatory and respects diversity, while being well suited to hiring people who are in some cases illiterate; the tool also ensures a harmonized recruitment procedure for manual workers in France. In 2012, the use of Proveo was extended to recruiting temporary staff, and assistants also began to be trained in the administrative part of the recruitment procedure. All operational staff and HR managers have been trained in the tool and continue to receive training on a regular basis, which provides an opportunity for the business to remind staff of its values and its commitment to a transparent, unified recruitment procedure.

3. SKILLS MANAGEMENT AND EMPLOYMENT POLICY

Training policy

Veolia Environnement has adopted an ambitious training policy to continually adapt skills to increasingly complex occupational requirements; to train for anticipated new technologies; and to promote evolving careers.

3 goals:

- improve employee skills across all occupations;
- promote Veolia's performance and business development;
- enhance Veolia's corporate culture.

The range of courses has been developed on the basis of requests from operational and corporate training departments and local operational units.

This allows us to offer training that reflects operational realities on the ground on an ongoing basis.

In 2012, 158 permanent trainers and 611 other contributors were employed to deliver training all over the world.

The network of Veolia Environnement campuses and training centers operates in 11 countries. Created in 1994, the network now

comprises a total of 20 centers – including six in France – covering two thirds of the areas in which Veolia operates, and runs almost 2,600 courses.

Four pillars of training

Training for all

Training is available for all employees from the moment they join the company and throughout their careers with the company.

In 2012, Veolia provided more than 630,000 training sessions targeted to improving every employee's skills. Recognized courses allow employees to earn qualifications and accreditations, to benefit from internal transfers and to advance their careers. More than 73% of employees (excluding Veolia Transdev) have taken a course.

Among those who attended a training course, 22% were women.

Veolia trains Veolia

Veolia employees not only receive training, many of them also provide training. Two-thirds of vocational training courses run in the Campus network and Veolia Environnement training centers are provided by company employees.

This combination of permanent trainers and occasional internal trainers from Veolia's businesses ensures that our courses remain relevant and promote cohesiveness.

Recognized training

Veolia offers degree program courses to officially recognize employee skills.

Qualification-based training motivates employees, enhances their employability and helps them acquire

measurable skill standards and develop their task intelligence—an essential competitive asset for any service occupation.

Over the last 20 years, Veolia has developed a range of certifications, from basic to advanced, dedicated to our activities and run by the Campus network.

A network of campuses in France offers 11 vocational training diplomas and certificates (CAP), nine vocational baccalaureate diplomas and certificates, three advanced vocational diplomas (BTS), two professional degrees and one Master's.

The Campus network and partnerships

Veolia Environnement's worldwide skills development platform is part of our active partnership policy.

88%
of courses
taken by
operators and
technicians

2 courses
on average per
employee

5.5 million
training hours

4. RISK PREVENTION AND EMPLOYEE HEALTH AND SAFETY

Prevention, health and safety are a continuing priority for Veolia Environnement and its divisions. Veolia's approach to these issues is shaped by a desire to protect the physical and mental wellbeing of our employees. We are committed to prevention, health and safety, which drive the company's transformation. We continue to work and improve our performance.

317
local agreements
on health, safety
and working
conditions

Veolia Environnement's workplace risk prevention approach is based on the involvement of line managers and a continuous improvement system. Suppliers are also expected to take measures to guarantee the safety, security and well-being of their employees.

48%
of employees
completed
safety training

3.7%
reduction in
workplace
accidents

Prevention, health and safety management system

Veolia Environnement's professional risk prevention system allows us to effectively manage health and safety issues throughout the company. This system is based on six key areas:

Commitment and motivation:

these should be visible to the entire hierarchy and are essential to the success of the system, so that everyone is involved in creating the desired corporate culture.

Policy:

the definition of intentions, goals and ideas applicable by Veolia Environnement and its operational units to determine the cornerstones of the risk prevention, health and safety policy.

Planning:

initiative improvement and monitoring is designed to ensure compliance with legal provisions in force, and the targets and results expected at company level and within the business units, particularly through the definition of internal rules and procedures.

Implementation:

the organization of human and material resources and systems to help achieve optimum health and safety performance. Targets and expected out-

comes can be achieved by implementing appropriate programs.

Monitoring and corrective measures:

performance monitoring and assessment, particularly by implementing and monitoring the audit program, means that corrective measures can be defined and integrated into an ongoing improvement approach.

Management review:

this regular assessment of each element of the health and safety management system is analyzed by the Executive Committee. The aim is to adjust the system to ensure its relevance and effectiveness.

Veolia Environnement set up structured and controlled prevention approaches on the basis of standards such as HOSAS 18001 and ILO OSH 2001. Every year across the world, entities are certified to OHSAS 18001, labeled or presented with awards for their prevention, health and safety programs.



BEST PRACTICES

Dalkia takes part in Prevention, Health and Safety Week

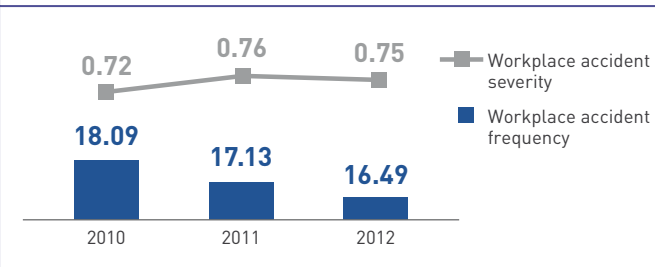
As part of Prevention, Health and Safety Week 2012, the managing director of Dalkia made a personal commitment to health and safety in the workplace in a video shown to Dalkia managers worldwide. The company also directly involved local teams by asking them to make short films on six best practices used in the field. These videos highlight the commitment of employees to safety and take a practical approach to prevention awareness.

Signing of a letter of commitment in Europe

Our European social partners signaled their support for our prevention, health and safety policy when staff representatives signed a joint letter of commitment with managers in 2012. This commitment allows us to take a coordinated approach in each European country where we have a presence.

The joint agreement's core provisions include systematic accident analysis, enhanced prevention, health and safety practices in the workplace, and strengthening labor-management dialogue on health and safety issues.

Change in the frequency and severity rate of occupational accidents



BEST PRACTICES

Paying tribute to safety in the United States

Veolia Water North America won three national health and safety awards in 2012, performing well ahead of urban public systems and private sector providers of water distribution, wastewater and similar services for the sixth consecutive year. Three sites received the George W. Burke Safety Award sponsored by the WEF (Water Environment Federation). In addition, the Fort Knox site run by Veolia Water received the prestigious VPP Star award given the US government organization, the OSHA (Occupational Safety and Health Administration), in October 2012.

5. LABOR-MANAGEMENT DIALOGUE AT THE HEART OF CHANGE

Veolia Environnement's HR strategy attaches particular importance to labor-management dialogue. The company is also committed making this dialogue a driving force for social cohesion and our business and social performance.

1. Strengthening representative bodies and promoting labor-management dialogue

Veolia Environnement is committed to successful labor-management dialogue at every level:

- at the business or entity level, a natural forum for negotiations on key issues impacting the day-to-day activities of employees;
- at the national level, grouping joint information and negotiation bodies addressing all national issues;
- in European occupational negotiation forums,
- at the company level with European and French Works committees and executives.

In October 2010, Veolia Environnement renegotiated the founding agreement of the European Works Committee, signed in October 2005. The goal was to modernize and enhance the operating methods of the European Works Committee and labor-management dialogue in Europe. This revision includes:

- realigning the initial agreement with new European social directives;
- enhancing European labor-management dia-

logue with new measures relating to composition, creation and informing of the European Works Committee;

■ **consolidating country labor-management dialogue areas**, as a complement to the European Works Committee, to facilitate the exchange and sharing of information on each country's social relations policy.

Veolia Environnement's labor-management dialogue model aims to forge and sustain trust between employees and their representatives. It is based on a policy of fair and rational remuneration, upward mobility, training, and jobs and skills management that promote professional development. We also strive to constantly improve our health, safety and risk prevention policy.

2. Improving labor-management dialogue

A collective bargaining agreement improving the quality of labor-management dialogue in France was signed in February 2010. The agreement covers almost one-third of Veolia Environnement's employees. It consolidates the roles and responsibilities of the various partners involved, whose work is recognized and valued as a result.

Modeled on training provided to French representatives, a course was provided for executives and members of the European Works Committee. This underlines the company's commitment to enhancing the labor-management dialogue in Europe. Designed in conjunction with the executive of the European Works Committee and

To deliver on our commitments, Veolia Environnement signed agreements with several representative union organizations

The company signed a GPEC agreement (Human Resources and Skills Planning) on February 3, 2011, committing to adapt to a changing business environment in line with the company's strategy, to facilitate and advance the career development of our employees and to offer the most relevant training programs possible. Faced with challenging economic conditions at the end of 2011, our social partners redefined, by common agreement,

the priorities for 2012 set out in the agreement, in order to focus on career developments adapted to the company's transformation plan.

In addition, the monitoring committee for the French "Workplace Risk Prevention, Health and Safety" agreement signed in 2008 and implemented over three years was redefined and extended by our social partners. A rider to the agreement formalizes all parties'

commitment to the priority issues of health, safety and risk prevention for all company employees.

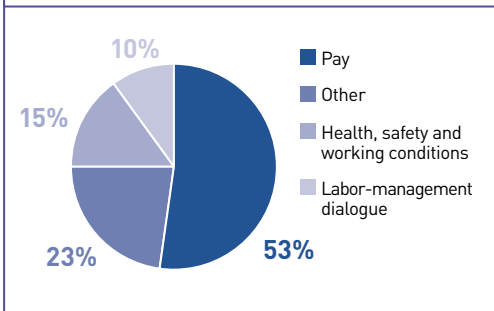
A company agreement establishing a joint retirement savings plan (PERCO) was signed in December 2012.

In addition to these associated agreements, more than 2,000 labor agreements were signed by the company's divisions and operations.

The European Works Committee represents **2/3** of Veolia Environnement's employees.

more than **2,000** labor agreements

Type of collective bargaining agreement signed in 2012



Astrée, it highlights what is at the stake in labor-management dialogue and inter-cultural relations within the European Works Committee.

3. Labor-management dialogue at the heart of the company's transformation

During this transformation, it is even more important to develop and structure labor-management dialogue to enhance social cohe-

CSR at the heart of European social dialogue

In 2012, we continued a dialogue on the company's social and societal responsibilities begun in 2011 by the European Works Committee. A study into the practices and challenges shared by our European social partners was conducted as part of this initiative. All parties agree to continue with the process. As an initial step, a course has been designed for executive members of the European Works Committee.

sion and ensure that the company can meet its human resources and social responsibility commitments in a difficult economic climate. By providing social support at this time of change, the company has underlined its commitment to guarantee the employability of our employees and promote internal transfers, as outlined when the voluntary departure plan was announced.

To insure transparency and fluidity of labor-management communications during this period of change, and in line with our commitments, the company reaffirmed that meetings of European and French Works Committees would be convened to keep all representative bodies regularly informed of projects liable to impact employees' futures. These include refocusing and divestment projects outlined in the transformation plan.

The company implemented part of the divestment program in 2012, paying particular attention to the quality of plans submitted by buyers and their concrete commitments concerning the terms of the takeover and staff management practices.

In 2012, French and European Works Committees continued to be closely involved in developing the new Veolia Transdev entity and were regularly consulted to define and develop plans establishing the new entity.

BEST PRACTICES Accredited training

A training course leading to a diploma launched in May 2011 for union representatives at the company level, created in partnership with IEP Paris (Sciences Po) and the "Dialogues" association. This course reflects the company's commitment to maintaining quality labor relations and reflects the company's efforts to consult with labor organizations on union careers. Training improves the skills of union representatives and motivates them by underlining the importance of their role.

Promoting social initiatives

The Human Resources Department is committed to developing innovative field practices adapted to local conditions. A policy of promoting social initiatives was relaunched to unify company divisions in a joint endeavor to strengthen local teams. This resulted in the 2012 Social Innovation Awards, organized to highlight efforts to promote solidarity, social fairness, staff employability, and prevention, health and safety. The Human Resources Department has decided to organize these awards on a regular basis to encourage all Veolia Environnement entities to share their human resource policies.

BEST PRACTICES Proactiva: rewarding commitment to CSR

The judges' Special Commendation was awarded to Proactiva Medio Ambiente's HR department for all of its actions to support its employees through training as part of a proactive approach to socially responsible employment, providing courses on basic knowledge, health and safety prevention and family support.

4. Respecting basic rights

Veolia Environnement complies with basic international conventions on social relations and working conditions, including those adopted under the auspices of the International Labor Organization ("ILO"). The company joined the United Nations Global Compact on June 12, 2003, of which points 1 to 6 reflect ILO goals. Veolia Environnement engages in collective bargaining by dealing directly with social partners and establishing joint organizations according to regulations in force in each country. **In 2012, 92% of the company's employees worldwide were**

covered by a worker protection mechanism.

Veolia Environnement's commitment to eliminating discrimination in respect to employment and occupation are discussed in more detail in section 5 **Encouraging Diversity and Guaranteeing Equal Opportunities.**

The Ethics, Commitment and Responsibility program underlines Veolia Environnement's commitments, particularly in regard to compliance with core international labor standards, the elimination of all forms of forced and compulsory labor in all of our operations, and the abolition of child labor in France and worldwide.

BEST PRACTICES Veolia Water: improving health in India

In addition to improving the general health of Indians through its wastewater treatment services, Veolia Water India provides employees with free health insurance and health check-ups in trusted local hospitals. All employees receive confidential check-ups: the company does not have access to the results. This successful health and prevention policy promotes solidarity and mutual respect between Veolia and its employees.



6. ENCOURAGING DIVERSITY AND GUARANTEEING EQUAL OPPORTUNITIES

Veolia Environnement joined the United Nations Global Compact on June 12, 2003. We agreed to support and promote its principles within our sphere of influence, particularly in regards to protecting internationally proclaimed human rights, upholding the effective recognition of the right to collective bargaining and eliminating discrimination in employment and occupation.

Across the company, employees aged over 50 account for 32% of the workforce (compared with 30.8% in 2011).

The company employs more women: they represented 24% of external hires in 2012, an increase of 4% over 2011.

Veolia Environnement's global human resources policy naturally guarantees respect for these core rights and promotes the diversity of employee profiles and career paths as a source of innovation and performance for our customers, employees and for the countries in which it operates.

Enhancing corporate culture and social cohesion

Fully committed to implementing its transformation plan and improving performance, Veolia Environnement is more determined than ever to leverage diversity and equal opportunity to enhance its corporate culture and social cohesion.

Four global priorities have been identified to achieve this goal:

- advancing gender equality: promoting the

employment of women in positions traditionally occupied by men and in management,

- optimizing long-term employment of seniors and experience-sharing through tutoring and mentorships,
- helping disabled people perform their day-to-day work,

Goals: 7 global indicators

7 global indicators for the next three years have been defined by the Group's Human Resources Department, with goals identified by each entity:

- **Gender equality in the workplace:** improved employment rate for women, including in management, with a goal of women comprising **15% of executives** and **20% on Veolia's boards of directors** by the end of 2014;
- **Seniors:** employment rate commitment for workers aged over 55;
- **Disabled persons:** target employment rate of 6% in France by the end of 2013;
- **Young people:** target inclusion rate of 4% in France by the end of 2013;
- **Management of foreign wage earners:** achieving full worker compliance with labor laws in each country;
- **Training:** target of 60% managers aware or trained in anti-discrimination practices by the end of 2013, and 100% by 2015;

- promoting inclusion through work-study programs.

To achieve these targets, we have created the "Diversity and Equal Opportunities 2012-2015" global action plan, based on three key areas:

- equal treatment to promote non-discrimina-

tion in employment, career development and skills management,

- day-to-day diversity management to ensure respect for differences and improve management practices,
- maintaining Veolia Environnement's employment standards by applying the principles of the UN Global Compact signed in 2003 to guarantee equal opportunities.

Veolia Environnement's commitments have already manifested, earning the company the Diversity Label, signing the Diversity Charter in France, overhauling its human resources processes and strengthening the involvement in its social partners.

In France, several local agreements concerning employing seniors and gender equality in the workplace have been signed. A process for enhancing union careers and fighting union discrimination was detailed in an agreement on developing and raising the standard of labor-management dialogue. These agreements promote gender equality and successful career development, and establish measures to promote a better balance between work and family life.

At an international level, these agreements reflect national equal opportunities and anti-discrimination laws and regulations. Veolia Environnement renewed a European Works Committee agreement to promote diversity, in particular increasing representation of women on European labor-management dialogue platforms.

6. ENCOURAGING DIVERSITY AND GUARANTEEING EQUAL OPPORTUNITIES

Proven commitment in France and worldwide

A follow-up audit conducted in January 2012 by AFNOR noted the extent to which the labeling scheme launched in 2007 had matured and improved.

Supported by 133 entities that have been awarded the diversity label in France, the company can call on a network of 70 diversity resource persons from its divisions and the Campus to closely monitor implementation of its action plans. The company has also been awarded other labels worldwide. In the Czech Republic, Dalkia was awarded the "Investor in People" label; in China, Veolia Water implemented the Gender Equality Charter; in the United Kingdom, Veolia

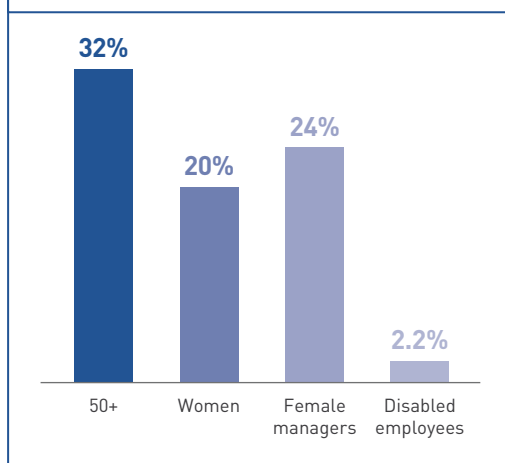
Environmental Services was included in the "responsible business" list published by the Financial Times and in Germany, OEWA recently renewed its professional work-life balance certification.

For two years, management of executives and potential managers has been subject to targets to increase the number of women and internationalize job profiles, validated by the Executive Committee.

The company is fully aware that women represent a potential pool of future managers, and introduced an annual celebration of women in the workplace on March 8 to coincide with International Women's Day. The "E Voila" women's network works

toward representing women on boards of directors. It leads a think tank and is trialing a mentoring system supporting other female employees in the company. The Campus Veolia Environnement has also developed a training program dedicated to "Woman in positions of leadership."

Targets of diversity action plan (as a % of total workforce on 12/31)



5%
of the workforce
are under 25



Long-term partnerships

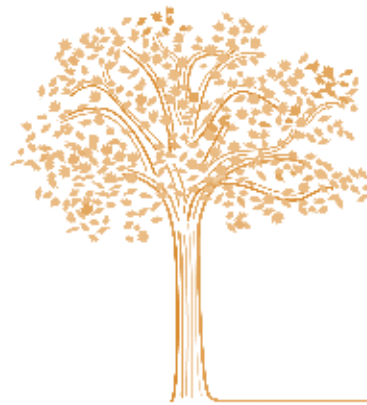
The company is also a partner and/or member of various organizations that promote diversity and equal opportunities. A partner of the corporate social responsibility observatory (ORSE), Veolia Environnement helped produce a guide called "How to develop an international diversity policy" and the "CSR and social protection" report in 2012.

As a member of the AFMD commission on the "Sustainable employment and career management of people with disabilities," the company helped produce a guide called "How to manage employees with disabilities."

The company is an active member of the labeled companies club within the Association of Directors of Human Resources (ANDRH), and takes part in label working groups in this capacity.



MANAGING
SUSTAINABLE
PURCHASING



1. SUSTAINABLE PURCHASING POLICY

Under Veolia Environnement's sustainable purchasing policy, its social and environmental commitments are incorporated into purchasing processes and managing supplier relations. The policy contributes to improving the company's economic performance, anticipating risks and working with suppliers on responsible actions that support innovation and creating value.

Veolia Environnement's sustainable purchasing policy is based on the following principles:

Purchasing officers' commitment to sustainable development

Purchasing officers are given responsibility for the environmental and social implications of the

company's activities so that those considerations enter into the officers' management of their specific purchasing areas. CSR issues are covered in Veolia Environnement's purchasing guidelines. The company also provides regular awareness-raising campaigns and tailored training modules.

Development of responsible purchasing actions

Purchasing officers' involvement in sustainable development issues motivates them to establish responsible purchasing practices. This means they are more likely to take environmental certification, eco-design and total cost of ownership (TCO) into account in managing their purchasing categories. Similarly, purchasing officers also promote responsible practices among contract users, for example, by encouraging better attitudes to consumption, or by rewarding improvements such as paperless orders and fewer deliveries.

Consideration of suppliers' CSR commitment and performance

Purchasing officers inform suppliers of the company's views and commitments on CSR and monitor management of associated risks throughout the process, from supplier selection to monitoring relations with the supplier. Procedures for supplier evaluation and audits are used to measure suppliers' CSR performance and implement improvement plans where necessary.

Suppliers and SME's

■ Following Veolia Environnement's signature of the Charte Relations Inter-Entreprises (Charter of Inter-Company Relations) on February 10, 2010, 500 suppliers engaged in national and regional framework agreements or contracts with Dalkia Centre Méditerranée were invited to fill out a satisfaction survey on issues such as the code of conduct and the inter-company charter. The results of this survey were used to assess their level of satisfaction and their expectations in terms of their relations with Veolia, especially with regard to Purchasing. As part of Veolia's continuous improvement program in 2013, the company introduced an action plan that includes a commitment to constantly improve communications to keep our suppliers better informed about initiatives such as Mediation, the Diversity Charter, the SME Pact, and Prevention, Health & Safety.

Societal innovation initiative

■ The Purchasing Department initiated a study on societal innovation in 2011 to identify the scope of innovation with suppliers that would more closely align the company's services with its clients' CSR requirements and make it more competitive. The study is a joint effort by suppliers and internal departments, such as Sustainable Development and Research & Innovation. The Purchasing Department may also be involved in enhancing Veolia's sales/marketing initiatives, and may, for instance, help its clients to develop sustainable purchasing initiatives.

Survey on the perception of purchasing

■ In 2010, the Purchasing Department launched an international survey on the perception of purchasing within the company. The findings were used to set priorities for action. One such priority involved increasing the added value of purchasing, with an emphasis on sustainable purchasing. Over 300 suppliers and close to 250 purchasing officers from around the world were asked to express their opinions using an online questionnaire.

2. INCORPORATING SUSTAINABLE DEVELOPMENT INTO THE PURCHASING PROCESS



Examples of responsible purchasing practices

| | |
|---|--|
| <p>Thinking in total-cost terms to combine economic performance and energy responsibility</p> <p>■ For Veolia Environnement, taking total cost into consideration is part of responsible purchasing best practices because it provides a long-term view of the economic, environmental and/or social aspects of a purchase. This gives an overall picture of the product in its environment, looking at its uses and life cycle, which helps target innovation drivers and areas for improvement.</p> <p>As an example, Veolia Water Asia-Pacific took a total-cost approach to the pumps circulating water in its water and wastewater treatment plants. This strategic equipment is crucial to the systems we manage for industrial and municipal clients and represents a major expenditure. Veolia Water Asia-Pacific's Purchasing Department worked with the Technical and Finance Departments to develop a comprehensive model for calculating a pump's life-cycle cost that included technical</p> <p>and financial projections (projected inflation and interest rates, etc.). The resulting model was used to compare different suppliers' pumps based on their technical features, energy efficiency, and operating, maintenance and end-of-life costs. Short-listed suppliers were evaluated on the basis of criteria ranging from quality to sustainable development.</p> <p>The resulting model included periodic checks on the accuracy of forecasts that demonstrated that the estimated return on investment at 18 months had in fact been reached, in large part due to improved energy consumption.</p> <p>These results confirm the value of calculating total cost of ownership, proving that economic gains can go hand in hand with a smaller environmental footprint.</p> | <p>Veolia Environnement Partners Day</p> <p>■ In June 2012, the Purchasing Department organized a Partners Day at the Hydrogaïa trade show in Montpellier in cooperation with Veolia Environnement Research & Innovation and the company's Mediterranean Delegation. The event was attended by more than 100 local, national and international suppliers. The main focus of the day's talks between buyers and suppliers was supplier innovation and more specifically the role of SMEs promoting innovation—issues given greater weight by the fact that Veolia Environnement signed the Pacte PME (SME Pact) the same day. Created in 2010, the SME Pact is an initiative designed to facilitate and build relations between innovative SMEs and major companies. This was the first time a service company had signed the Pact, helping to further strengthen ties between large corporations, SMEs and academia, while honing the competitive edge of all involved.</p> |
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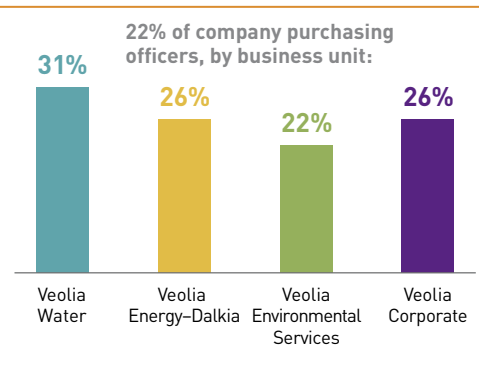
3. SUSTAINABLE DEVELOPMENT AND AWARENESS TRAINING FOR PURCHASING OFFICERS

Purchasing officers are the vanguard when it comes to implementing sustainable purchasing policies. Veolia provides a range of resources to give them greater autonomy in their day-to-day practices: societal responsibility issues are covered in training courses and purchasing guidelines like the Code of Conduct and the Purchasing Charter.

Veolia developed and deployed a comprehensive program in France and around the world in 2012 with the help of the Campus Veolia Environnement network to complement the existing range of courses on sustainable purchasing. The program is offered to purchasing officers in all company business units. It consists of one day of training combined with e-learning resources. The goal is to give purchasing officers the tools they need to incorporate sustainable purchasing policies at each step of the process and share them with suppliers, all while taking into account the social and environmental impacts of the products and services purchased, evaluating CSR risks and implementing improvement plans with suppliers. These training courses are part of Veolia's proactive approach to skills development and are a key part of Purchasing Department initiatives, in line with the 2012 launch of a plan to introduce a skills development and integration program for purchasing officers.

(1) For more information, please refer to "Details of Methodology."

Percentage of buyers trained in sustainable development over the past three years⁽¹⁾



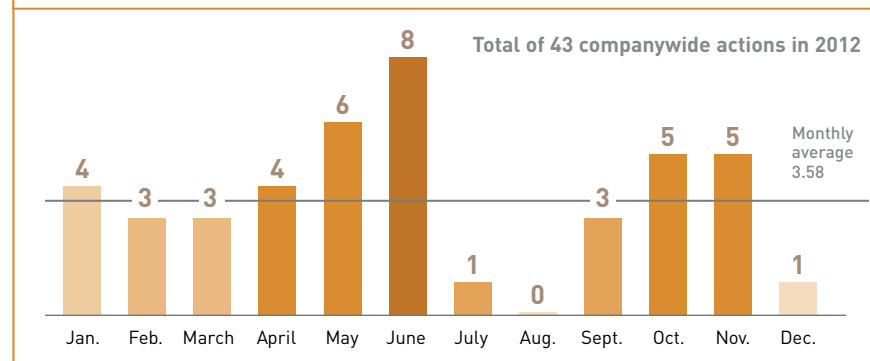
Over the past three years, 27% of preferred purchasing officers at Veolia (excluding Veolia Transdev)—representing the majority of purchasing officers working for the company at December 31, 2012—have received training in sustain-

able development issues and ways in which they are incorporated into the purchasing process.

In addition, regular awareness initiatives keep purchasing officers informed of changes in sustainable purchasing policies and encourage them to take CSR issues into account in their work. In 2012, the company's purchasing teams introduced 43 internal awareness-raising initiatives, including talks to purchasing committees, guest speakers, internal articles published on the company intranet and in the Purchasing Department's internal newsletter.

Veolia Environnement is also committed to promoting these values among stakeholders and key bodies. In line with this campaign, the company was involved in drawing up a standard on responsible purchasing published by French industrial standards authority AFNOR, and works to support a range of initiatives and contribute to inter-company specialist committees.

Number of actions taken to raise buyers' sustainable development awareness



4. COMMITTING OUR SUPPLIERS TO SUSTAINABLE DEVELOPMENT

Purchasing officers make suppliers aware of Veolia Environnement's commitments to sustainable development mainly through a variety of communication tools designed for and available at each step in the purchasing process.

At the start of a consultation, suppliers receive a copy of the Suppliers Charter, which was updated in 2012 to better reflect Veolia's commitments, with a focus on social responsibility. The charter is available to all purchasing officers and provides guidelines on issues such as the purchasing process, the company's commitments and what Veolia expects from its suppliers. A sustainable development questionnaire is also used to evaluate the extent to which the supplier's practices and commitments are consistent with Veolia's commitments.

Including sustainable development requirements in contracts with suppliers is being phased in through the addition of a special clause. The clause was first introduced in 2004 and has been regularly updated since then. Purchasing officers can find the current version on

the company's purchasing intranet. It covers the environment, ethical standards and social considerations, along with the company's commitments to health & safety and diversity. It can be adapted to the specific requirements of different purchase types.

Veolia introduced the clause to ensure compliance with and in anticipation of regulatory changes in certain markets, to formalize its commitments and to involve suppliers in its sustainable development initiatives.

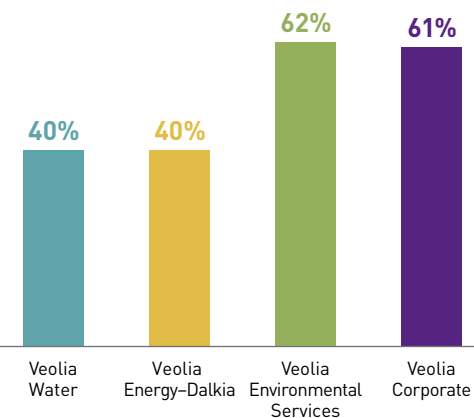
Since 2010, Veolia has been monitoring inclusion of sustainable development requirements in contracts through its contract management tool with a view to measuring maturity.

At the end of 2012, 52% of the current contracts in the company's contract base (except those managed by Veolia Transdev purchasers) were declared by purchasing officers to contain official sustainable development requirements. The following graph gives a breakdown of these contracts by business unit to which the purchasing officer is assigned.

In the interest of transparency, this policy and related commitments are posted in the Suppliers section of the company's website.

Percentage of contracts incorporating sustainable development requirements⁽¹⁾

52% of company contracts, by business unit:



(1) For more information, please refer to "Details of Methodology."

5. EVALUATING OUR SUPPLIERS' CSR COMMITMENT AND PERFORMANCE

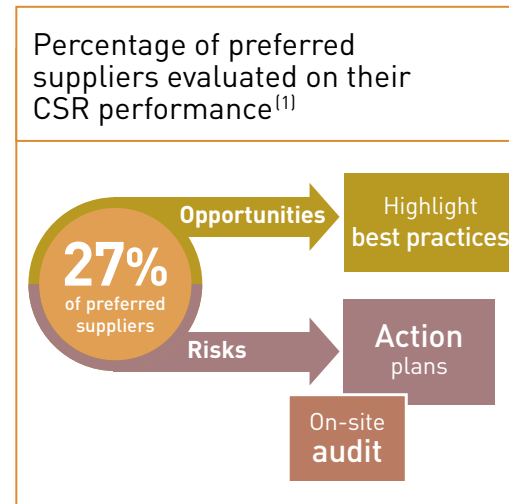
In 2010, Veolia Purchasing introduced a comprehensive system to evaluate supplier performance in societal responsibility, covering everything from risk mapping to corrective action.

Working with Veolia's Risk Management Department in 2012, all aspects of CSR risks were mapped based on purchasing category to cover every aspect of the purchasing process. Guidelines are based on generic social, ethical and environmental CSR criteria and purchasing issues specific to Veolia, such as expenditure, impact on energy use and business-line strategy. They can be used from an operational standpoint to better manage supplier relations, allowing purchasing officers to identify suppliers in categories most at risk and take the necessary steps to manage these risks, such as by conducting a CSR evaluation of suppliers. Performance is initially analyzed through a documentation audit handled by an independent consultant, covering 23 criteria in areas including Environmental, Social, Ethical and Supplier Relations categories. Since 2010, some 400 suppliers serving one or more business units have been evaluated on their CSR performance using this system.

27% of the preferred suppliers in the company's contract base—including contracts managed by Veolia Transdev purchasing officers—have been evaluated on their CSR performance since the start of these audits. In response to feedback

from clients and to serve as examples, some of the company's business units have also been audited.

All of Veolia Environnement's business units have formulated their own definition of strategic suppliers for their particular activity, considering, for example, expenditures or risks involved (economic, environmental, social, etc.).



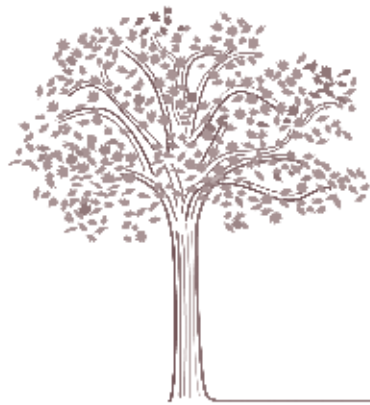
Based on these evaluations, specific actions defined in action plans or on-site audits can be undertaken to improve suppliers' performance. In 2011, the company approved a specialized service provider to conduct these audits, aligning with the four key evaluation categories to ensure methodological consistency. In keeping with the risk-management process and with a view to continuous improvement, some suppliers have been audited on-site based on these evaluations.

In addition to this system, some business units have been conducting on-site audits of their strategic suppliers for several years, using a methodology tailored to individual requirements.

⁽¹⁾ For more information, please refer to "Details of Methodology."



APPENDIX



1. ENVIRONMENTAL AND RESPONSIBLE PURCHASING DASHBOARD

| Independently checked Level of assurance | | INDICATORS | Unit | 2010 | 2011 | 2012 | 2012 | | | |
|--|------------|---|--|--|--|--|--------------|---------------|-------------------------------|---------------------|
| limited | reasonable | | | Veolia Environnement excl. Veolia Transdev | Veolia Environnement excl. Veolia Transdev | Veolia Environnement excl. Veolia Transdev | Veolia Water | Veolia Energy | Veolia Environmental Services | Veolia Transdev |
| | | | | | | | | | | |
| RESPONSIBLE PURCHASING | | | | | | | | | | |
| ● | | Percentage of purchasing officers trained in sustainable development over the last three years (world) | % | 17% | 22% | 27% | 31% | 26% | 22% | - |
| ● | | Number of actions taken to raise purchasing officers' awareness of sustainable development issues | - | 34 | 45 | 43 | - | - | - | - |
| ● | | Percentage of contracts incorporating sustainable development criteria | % | 17% | 39% | 52% | 40% | 40% | 62% | - |
| ● | | Percentage of preferred suppliers evaluated on their CSR performance | % | 7% | 24% | 27% | - | - | - | - |
| MANAGEMENT | | | | | | | | | | |
| ● | | Revenue from relevant activities | Billions of euros | 24.4 | 24.6 | 26.2 | 8.6 | 7.8 | 9.7 | 6.9 |
| | ● | EMS deployment rate (including ISO 14001 certified facilities) for relevant activities ⁽¹⁾ | Percentage of relevant revenue | 88% | 90% | 91% | 93% | 97% | 83% | 71% |
| ● | | %Percentage of relevant revenue covered by a certified management system (ISO 9001 or 14001) | % | 80% | 79% | 83% | 81% | 85% | 83% | 44% ⁽²⁾ |
| COMBATING CLIMATE CHANGE | | | | | | | | | | |
| AIR | | | | | | | | | | |
| ● | | Direct carbon efficiency ratio (Veolia Energy-Dalkia) | % | - | 31% | 36% | - | 36% | - | - |
| | ● | Direct CO ₂ emissions | Million metric tons CO ₂ eq. | 29.5 | 26.7 | 27.3 | 1.8 | 20.7 | 4.9 | 3.1 |
| ● | | Direct CH ₄ emissions | Million metric tons CO ₂ | 9.9 | 9.3 | 7.0 | - | - | 7.0 | 0.03 |
| ● | | Direct N ₂ O emissions (Veolia Environmental Services) | Million metric tons CO ₂ eq. | 0.15 | 0.15 | 0.14 | - | - | 0.14 | - |
| | ● | Total direct greenhouse gas emissions | Million metric tons CO ₂ eq. | 39.5 | 36.1 | 34.4 | 1.8 | 20.7 | 12.0 | 3.1 ⁽⁵⁾ |
| ● | | Indirect emissions of greenhouse gases related to energy consumption (electricity and heat) ⁽¹⁰⁾ | Million metric tons CO ₂ | 5.2 | 6.5 | 10.4 | 5.9 | 4.3 | 0.2 | 0.2 |
| | ● | Total direct and indirect (electricity and heat) emissions of greenhouse gases | Million metric tons CO ₂ | 44.7 | 42.6 | 44.8 | 7.7 | 25.0 | 12.2 | 3.3 ⁽⁵⁾ |
| ● | | Total reduction of greenhouse gas emissions | Million metric tons CO ₂ | 26 | 25 | 21 | 1 | 7 | 13 | 1 ⁽⁵⁾ |
| ● | | of which overall reduction of greenhouse gas emissions | Million metric tons CO ₂ | 18.2 | 17.7 | 13.9 | 0.2 | 7.5 | 6.3 | - |
| ● | | of which greenhouse gas emissions avoided through energy | Million metric tons CO ₂ | 2.6 | 2.7 | 2.7 | 0.38 | - | 2.3 | 0.95 ⁽⁵⁾ |
| ● | | of which greenhouse gas emissions avoided through materials recovery | Million metric tons CO ₂ | 5.5 | 4.7 | 4.9 | - | - | 4.9 | - |
| ● | | Carbon performance of combustion facilities (World) ⁽¹¹⁾ | Net metric tons CO ₂ /Mwh heat produced | 0.280 | 0.273 | 0.251 | - | 0.251 | - | - |
| ● | | CH ₄ collection rate at landfill sites (in operation) ⁽⁷⁾ | % | 54% | 56% | 49% | - | - | 49% | - |
| ● | | CH ₄ capture rates from landfill sites (excluding Proactiva) (sites in operation) ⁽⁷⁾ | % | 58% | 61% | 57% | - | - | 57% | - |

1. ENVIRONMENTAL AND RESPONSIBLE PURCHASING DASHBOARD

| Independently checked Level of assurance | | INDICATORS | Unit | 2010 | 2011 | 2012 | 2012 | | | |
|--|------------|---|-------------------------|--|--|--|--------------|---------------|-------------------------------|-----------------|
| | | | | Veolia Environnement excl. Veolia Transdev | Veolia Environnement excl. Veolia Transdev | Veolia Environnement excl. Veolia Transdev | Veolia Water | Veolia Energy | Veolia Environmental Services | Veolia Transdev |
| limited | reasonable | | | | | | | | | |
| ENERGY | | | | | | | | | | |
| ● | | Total energy production (electricity and heat) | MWh millions | 96.5 | 91.2 | 105.9 | 9.2 | 88.8 | 7.9 | - |
| | | o/w electricity | MWh millions | 21.7 | 20.2 | 25.7 | 7.6 | 13.0 | 5.1 | - |
| | | o/w heat | MWh millions | 74.8 | 71.0 | 80.2 | 1.6 | 75.8 | 2.8 | - |
| ● | | Total energy consumption (electricity and heat) ⁽³⁾ | MWh millions | 162.1 | 154.8 | 168.1 | 19.6 | 113.9 | 34.6 | 12.5 |
| | | o/w electricity | MWh millions | 10.2 | 11.0 | 14.9 | 11.6 | 1.7 | 1.6 | 0.6 |
| | | o/w heat | MWh millions | 152.0 | 143.8 | 153.3 | 8.1 | 112.2 | 33.0 | 11.9 |
| ● | | Share of incineration units equipped with energy recovery systems | % | 94% | 94% | 95.2% | - | - | 95.2% | - |
| ● | | Energy efficiency of wastewater treatment plants (pro forma 2011) | Wh / g BOD ₅ | - | 2.02 | 2.04 | 2.04 | - | - | - |
| ● | | Percentage of sites that have implemented an energy efficiency plan (Veolia Environmental Services) | % | - | - | Deployment underway* | - | - | Deployment underway* | - |
| RESOURCE CONSERVATION | | | | | | | | | | |
| ENERGY RESOURCES | | | | | | | | | | |
| ● | | Generation of renewable and alternative energies (electricity and heat) | MWh millions | 18.4 | 18.1 | 21.7 | 1.8 | 12.1 | 7.7 | - |
| | ● | o/w renewable energy | MWh millions | 12.8 | 12.6 | 14.7 | 1.8 | 8.7 | 4.1 | - |
| ● | | Share of renewable and alternative energies generated | % | 19.0% | 19.8% | 20.5% | 19.8% | 13.7% | 97.8% | - |
| | ● | o/w renewable energy | % | 13.2% | 13.8% | 13.9% | 19.8% | 9.8% | 52.4% | - |
| ● | | Percentage of renewable energy in the mix of energy services (European Union) | % | 8.1% | 9.6% | 11.0% | - | 11.0% | - | - |
| ● | | Renewable and alternative energy consumption | MWh millions | 44.2 | 44.8 | 45.2 | 1.2 | 13.9 | 30.1 | 1.3 |
| | ● | o/w renewable energy | MWh millions | 27.1 | 27.4 | 27.2 | 1.2 | 10.4 | 15.6 | 0.7 |
| ● | | Share of renewable and alternative energies consumed | % | 27.3% | 28.9% | 27.0% | 6.1% | 12.2% | 87.2% | 10.4% |
| | ● | o/w renewable energy | % | 16.7% | 17.7% | 16.2% | 6.1% | 9.2% | 45.2% | 5.2% |
| ● | | Percentage of combustible biomass consumed | % | 4.8% | 5.6% | 6.3% | - | 6.3% | - | - |
| WATER RESOURCES | | | | | | | | | | |
| ● | | Amount of water losses from water distribution networks ⁽⁴⁾ | m ³ millions | 2,188 | 2,294 | 2,144 | 2,144 | - | - | - |
| ● | | Water losses per mains length | m ³ /km/d | 17.1 | 18.1 | 18.2 | 18.2 | - | - | - |
| ● | | Water consumption for plant requirements | m ³ millions | - | 350 | 289 | 289 | - | - | - |
| ● | | Withdrawal of industrial process water ⁽⁴⁾ | m ³ millions | - | ~410 | ~362 | ~300 | ~50 | ~10 | ~2 |

1. ENVIRONMENTAL AND RESPONSIBLE PURCHASING DASHBOARD

| Independently checked Level of assurance | | INDICATORS | Unit | 2010 | 2011 | 2012 | 2012 | | | |
|--|------------|--|-----------------------------|--|--|--|--------------|---------------|-------------------------------|-----------------|
| | | | | Veolia Environnement excl. Veolia Transdev | Veolia Environnement excl. Veolia Transdev | Veolia Environnement excl. Veolia Transdev | Veolia Water | Veolia Energy | Veolia Environmental Services | Veolia Transdev |
| limited | reasonable | | | | | | | | | |
| WATER RESOURCES (continued) | | | | | | | | | | |
| ● | | Water distribution network efficiency (World) | % | 75.3% | 74.6% | 74.4% | 74.4% | - | - | - |
| ● | | Volume of water reused from wastewater collected and treated | m ³ millions | - | 195.0 | 225.0 | 225 | - | - | - |
| ● | | Wastewater treatment efficiency in terms of BOD ₅ (biological treatment plants with a treatment capacity of over 3 metric tons of BOD ₅ per day – 50,000 EP) | % | 92.8% | 93.5% | 95.0% | 95.0% | - | - | - |
| ● | | Wastewater treatment efficiency in COD (wastewater treatment plants with a treatment capacity of over 3 metric tons of BOD ₅ per day – 50,000 EP) | % | 87.5% | 88.5% | 89.9% | 89.9% | - | - | - |
| ● | | Percentage of sites that have implemented a plan to reduce water consumption (Veolia Environmental Services) | % | - | - | Deployment underway* | - | - | Deployment underway* | - |
| POLLUTION ABATEMENT AND HEALTH PROTECTION | | | | | | | | | | |
| ● | | Quantity of compost produced | Thousands of metric tons | 1,130 | 1,093 | 990 | 29 | - | 961 | - |
| ● | | Quantity of sludge dealt with | Thousands of metric tons DS | 1,130 | 1,143 | 1,136 | 1,136 | - | - | - |
| ● | | Share of sludge produced used in agriculture | % | 47% | 48% | 48% | 48% | - | - | - |
| ● | | Rate of significant micropollutants discharged into the natural environment (France) | % | - | - | 5.6% | 5.6% | - | - | - |
| ● | | Percentage of the population for whom a quality class could be calculated | % | 96.1% | 96.1% | 95.3% | 95.3% | - | - | - |
| ● | | Percentage of population supplied with excellent quality or high quality water | % | 97.4% | 97.5% | 97.5% | 97.5% | - | - | - |
| ● | | Population served with water of non-compliant quality ⁽⁸⁾ | % | 0% | 0% | 0% | 0% | - | - | - |
| ● | | Percentage of progress made in the legionella risk prevention plan [Dalkia] ⁽⁹⁾ | % | 76% | 78% | 73% | - | 73% | - | - |
| ● | | Rate of materials recovery | % | - | 15.3% | 19.2% | - | - | 19.2% | - |
| Emissions from waste incineration plants (hazardous and non-hazardous) per metric ton of waste incinerated | | | | | | | | | | |
| ● | | SOx | g/metric ton incinerated | 87 | 88 | 72 | - | - | 72 | - |
| ● | | NOx | g/metric ton incinerated | 763 | 772 | 671 | - | - | 671 | - |
| ● | | HCl | g/metric ton incinerated | 42 | 42 | 40 | - | - | 40 | - |
| ● | | Dusts | g/metric ton incinerated | 14 | 14 | 11 | - | - | 11 | - |
| ● | | Non-hazardous waste from Veolia Environmental Services treatment processes | Thousands of metric tons | 2,568 | 2,584 | 2,432 | - | - | 2,432 | - |
| ● | | Hazardous waste from Veolia Environmental Services treatment processes | Thousands of metric tons | 658 | 670 | 664 | - | - | 664 | - |
| ● | | Percentage of waste processed in incinerators (hazardous and non-hazardous) with dioxin emissions below 0.1 ng/Nm ³ (all sites) | % | - | 98.3% | 99.9% | - | - | 99.9% | - |

1. ENVIRONMENTAL AND RESPONSIBLE PURCHASING DASHBOARD

| Independently checked Level of assurance | | INDICATORS | Unit | 2010 | 2011 | 2012 | 2012 | | | |
|--|------------|---|------|---|--|--|--------------|---------------|-------------------------------|-----------------|
| limited | reasonable | | | Veolia Environnement excl. Veolia Transdev | Veolia Environnement excl. Veolia Transdev | Veolia Environnement excl. Veolia Transdev | Veolia Water | Veolia Energy | Veolia Environmental Services | Veolia Transdev |
| | | | | CONSERVATION AND DEVELOPMENT OF BIODIVERSITY | | | | | | |
| ● | | Number of inventoried sites that have carried out a biodiversity assessment (Veolia Water – Veolia Environmental Services) | No. | - | - | > 140 | 70 | - | > 70 | - |
| ● | | Number of sites that have deployed an action plan to restore local biodiversity (Veolia Water) | No. | - | - | 42 | 42 | - | - | - |
| ● | | Percentage of sites of significant importance for biodiversity that have put in place an associated action plan (Veolia Environmental Services) | % | - | - | Deployment underway* | - | - | Deployment underway* | - |

– **(1)** Value 2012, excluding SADE and VWS, Veolia Water subsidiaries which have only recently been included in the scope of reporting – **(2)** Includes NFS service certificates for Veolia Transdev in France – **(3)** The Group's consumption of its own thermal production is marginal and therefore not included – **(4)** Reporting conventions for these volumes and methods to ensure consistent consolidation across the group are currently being checked for reliability – **(5)** Emissions avoided by Veolia Transdev (energy efficiency) are net of direct and indirect GHG emissions for the corresponding scope – **(6)** The 2012 proforma value against the 2011 base scope is 2.144 billion m³ – **(7)** Calculation of the indicator includes methane oxide – **(8)** Tolerance threshold of 10 per 1 million inhabitants – **(9)** This rate of progress takes into account the existing installation and the maintenance of a local prevention system, as well as the results from the monitoring the compliance of the main at-risk installations (Dalkia cooling towers, cf. the Reporting protocol) – **(10)** Indirect GHG emissions linked to heat purchases are historically calculated on the basis of the thermal energy emissions factor used for natural gas – **(11)** Historical figures recalculated based on the new 2012 methodology (cf. page 49) – **(*)** Data collected for the first year currently being analyzed and checked for reliability – **(-)** Indicators not available, not significant or not applicable.



2. SOCIAL DASHBOARD

| INDICATORS | Unit | 2010 | 2011 | 2012 | 2012 | | | | | |
|---|-------|----------------------|----------------------|----------------------|--------------|---------------|-------------------------------|-----------------|---|----------------------------------|
| | | Veolia Environnement | Veolia Environnement | Veolia Environnement | Veolia Water | Veolia Energy | Veolia Environmental Services | Veolia Transdev | Holding companies and specialist subsidiaries | Total 2012 excl. Veolia Transdev |
| HEADCOUNT | | | | | | | | | | |
| Total headcount at Dec. 31, Year ** | Nb. | 317,034 | 331,266 | 318,376 | 89,094 | 49,824 | 64,291 | 98,637 | 16,530 | 219,739 |
| Total headcount – men | Nb. | 253,672 | 263,288 | 251,992 | 68,198 | 41,062 | 52,152 | 77,631 | 12,949 | 174,361 |
| Total headcount – women | Nb. | 63,362 | 67,978 | 66,384 | 20,896 | 8,761 | 12,140 | 21,006 | 3,581 | 45,378 |
| Total nb. of managers | Nb. | 29,084 | 30,165 | 29,074 | 12,529 | 5,635 | 5,223 | 3,364 | 2,323 | 25,710 |
| Total nb. of non-managers | Nb. | 287,950 | 301,101 | 289,302 | 76,565 | 44,188 | 59,069 | 95,273 | 14,207 | 194,029 |
| Headcount on unlimited-term contracts | Nb. | 294,638 | 304,774 | 292,913 | 84,495 | 44,669 | 59,083 | 90,438 | 14,228 | 202,475 |
| Headcount on fixed-term contracts | Nb. | 22,396 | 26,492 | 25,463 | 4,600 | 5,154 | 5,208 | 8,199 | 2,302 | 17,264 |
| Number of fixed-term contracts converted to permanent contracts | Nb. | 5,803 | 6,599 | 6,671 | 1,256 | 740 | 1,705 | 2,765 | 205 | 3,906 |
| Part-time staff | Nb. | 22,515 | 29,562 | 30,329 | 3,620 | 1,084 | 6,126 | 19,267 | 232 | 11,062 |
| Headcount on work-study contracts | Nb. | 4,652 | 4,459 | 4,925 | 1,764 | 775 | 1,635 | 611 | 140 | 4,314 |
| Nb. of students on work placements | Nb. | 3,749 | 4,764 | 4,654 | 2,430 | 630 | 548 | 806 | 240 | 3,848 |
| Nb. of staff registered as disabled | Nb. | 5,546 | 6,325 | 6,907 | 1,602 | 752 | 1,720 | 2,674 | 159 | 4,233 |
| Total annual headcount – full-time equivalent ** | Nb. | 301,433 | 320,106 | 305,978 | 87,556 | 49,695 | 61,325 | 90,724 | 16,677 | 215,254 |
| Staff on unlimited-term contracts – full-time equivalent ** | Nb. | 282,857 | 296,936 | 284,804 | 83,292 | 44,583 | 57,004 | 85,510 | 14,416 | 199,294 |
| Staff on fixed-term contracts – full-time equivalent ** | Nb. | 18,587 | 23,170 | 21,174 | 4,264 | 5,113 | 4,322 | 5,214 | 2,261 | 15,960 |
| RECRUITMENTS | | | | | | | | | | |
| Total number of external hires | Nb. | 57,393 | 60,288 | 54,344 | 9,216 | 8,182 | 12,902 | 18,510 | 5,534 | 35,834 |
| of which number hired on fixed-term contracts | Nb. | 21,645 | 26,345 | 25,055 | 4,242 | 2,714 | 5,479 | 9,233 | 3,387 | 15,822 |
| of which number hired on unlimited-term contracts | Nb. | 35,748 | 33,943 | 29,289 | 4,974 | 5,468 | 7,423 | 9,277 | 2,147 | 20,012 |
| DEPARTURES | | | | | | | | | | |
| Total number of staff departures | Nb. | 56,506 | 61,283 | 59,683 | 9,573 | 9,706 | 13,585 | 20,757 | 6,062 | 38,926 |
| Resignations and desertion (unlimited-term staff) | Nb. | 16,598 | 16,384 | 13,675 | 2,001 | 2,162 | 3,117 | 4,872 | 1,523 | 8,803 |
| Individual redundancies (unlimited-term staff) | Nb. | 9,686 | 9,609 | 8,551 | 1,240 | 1,610 | 1,931 | 3,094 | 676 | 5,457 |
| Group redundancies (unlimited-term staff) | Nb. | 722 | 698 | 1,318 | 112 | 801 | 112 | 118 | 175 | 1,200 |
| Departures for other reasons | Nb. | 2,528 | 2,858 | 2,850 | 484 | 396 | 653 | 1,095 | 222 | 1,755 |
| OUTSOURCED LABOR | | | | | | | | | | |
| Temporary staff – full-time equivalent | Nb. | 13,443 | 15,032 | 13,051 | 4,795 | 1,341 | 4,957 | 1,543 | 415 | 11,508 |
| Amount paid to temporary staffing agencies | Euros | 390,407,292 | 498,086,964 | 457,510,053 | 124,728,159 | 40,215,140 | 197,361,695 | 87,926,825 | 7,278,233 | 369,583,228 |
| Average cost of temporary work | Euros | 29,041 | 33,135 | 35,056 | 26,014 | 29,994 | 39,814 | 56,990 | 17,525 | 32,116 |

** Indicators that have been independently checked

2. SOCIAL DASHBOARD

| INDICATORS | Unit | 2010 | 2011 | 2012 | 2012 | | | | | |
|---|-------|----------------------|----------------------|----------------------|--------------|---------------|-------------------------------|-----------------|---|----------------------------------|
| | | Veolia Environnement | Veolia Environnement | Veolia Environnement | Veolia Water | Veolia Energy | Veolia Environmental Services | Veolia Transdev | Holding companies and specialist subsidiaries | Total 2012 excl. Veolia Transdev |
| REMUNERATION | | | | | | | | | | |
| Mean gross annual remuneration | Euros | 27,222 | 28,350 | 29,864 | 29,087 | 25,405 | 32,779 | 32,168 | 23,969 | 28,892 |
| Mean gross remuneration paid to men | Euros | 27,940 | 29,122 | 30,770 | 30,457 | 26,789 | 33,391 | 32,742 | 23,612 | 29,940 |
| Mean gross remuneration paid to women | Euros | 24,186 | 25,161 | 26,220 | 24,527 | 19,061 | 29,688 | 29,871 | 25,278 | 24,674 |
| TRAINING | | | | | | | | | | |
| Total expenditure on training including remuneration of training program participants | Euros | 183,766,825 | 207,166,271 | 188,496,326 | 56,759,179 | 33,956,677 | 41,887,124 | 48,918,614 | 6,974,733 | 139,577,712 |
| Training budget (as % of the total payroll) | % | 2.24% | 2.28% | 2.06% | 2.23% | 2.69% | 2.08% | 1.68% | 1.74% | 2.24% |
| Spend per employee | Euros | 610 | 647 | 616 | 648 | 683 | 683 | 539 | 418 | 648 |
| Average amount of a training program | Euros | 310 | 300 | 298 | 278 | 297 | 357 | 336 | 133 | 286 |
| Total number of training program participants | Nb. | 592,924 | 691,312 | 633,237 | 203,837 | 114,291 | 117,204 | 145,427 | 52,478 | 487,810 |
| Number of employees who have attended at least one training program | Nb. | 207,497 | 237,874 | 217,522 | 62,122 | 37,750 | 45,133 | 59,746 | 12,771 | 157,776 |
| of which managers | Nb. | 64,955 | 78,976 | 75,032 | 32,378 | 16,380 | 14,784 | 6,308 | 5,182 | 68,724 |
| of which non-managers | Nb. | 527,969 | 612,336 | 558,205 | 171,459 | 97,911 | 102,420 | 139,119 | 47,296 | 419,086 |
| non-managers Men | Nb. | 404,534 | 463,673 | 434,521 | 132,798 | 82,839 | 75,690 | 104,427 | 38,767 | 330,094 |
| non-managers Women | Nb. | 123,435 | 148,663 | 123,684 | 38,661 | 15,072 | 26,730 | 34,692 | 8,529 | 88,992 |
| men | Nb. | 454,243 | 523,853 | 491,387 | 157,820 | 95,666 | 87,054 | 108,861 | 41,986 | 382,526 |
| women | Nb. | 138,681 | 167,459 | 141,850 | 46,017 | 18,625 | 30,150 | 36,566 | 10,492 | 105,284 |
| Average number of training programs per employee | Nb. | 1.87 | 2.16 | 2.07 | 2.33 | 2.3 | 1.91 | 1.6 | 3.15 | 2.27 |
| Total number of training hours ** | hours | 6,060,027 | 6,603,960 | 5,466,113 | 1,495,199 | 965,496 | 1,108,212 | 1,674,269 | 222,937 | 3,791,844 |
| Of which training hours on safety | hours | 1,793,617 | 2,400,515 | 1,926,915 | 473,529,50 | 334,259,25 | 381,041,25 | 661,556 | 76,529 | 1,265,359 |
| Of which hours delivered in an internal Veolia training center | hours | 1,015,328 | 1,596,300 | 1,108,862 | 310,555 | 204,394,50 | 420,925,50 | 158,314 | 14,673 | 950,548 |
| Average length of training programs | hours | 10.22 | 9.55 | 8.63 | 7.34 | 8.45 | 9.46 | 11.51 | 4.25 | 7.77 |
| Percentage of employees who have attended at least one training program during the year | % | 68.84% | 74.31% | 71.09% | 70.95% | 75.96% | 73.60% | 65.85% | 76.58% | 73.30% |
| Percentage of hours delivered in an internal Veolia training center | % | 16.75% | 24.17% | 20.29% | 20.77% | 21.17% | 37.98% | 9.46% | 6.58% | 25.07% |
| ORGANIZATION OF WORKING HOURS | | | | | | | | | | |
| Total number of overtime hours ** | hours | 26,780,561 | 25,865,323 | 24,567,505 | 4,766,940 | 2,071,715 | 7,454,732 | 8,460,893 | 1,813,224 | 16,106,612 |
| Working week ** | hours | 39 | 39 | 39 | 38 | 39 | 38 | 38 | 46 | 39 |
| Annual number of hours worked per employee | days | 236 | 233 | 232 | 229 | 231 | 230 | 229 | 259 | 233 |

2. SOCIAL DASHBOARD

| INDICATORS | Unit | 2010 | 2011 | 2012 | 2012 | | | | | |
|---|-------|----------------------|----------------------|----------------------|--------------|---------------|-------------------------------|-----------------|---|----------------------------------|
| | | Veolia Environnement | Veolia Environnement | Veolia Environnement | Veolia Water | Veolia Energy | Veolia Environmental Services | Veolia Transdev | Holding companies and specialist subsidiaries | Total 2012 excl. Veolia Transdev |
| ORGANIZATION OF WORKING HOURS (continued) | | | | | | | | | | |
| Average number of days worked per week by a full-time employee | days | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Number of calendar days lost through absence ** | days | 4,377,067 | 4,701,090 | 4,843,042 | 1,051,086 | 662,082 | 997,858 | 1,889,808 | 242,208 | 2,953,234 |
| Of which days of absence sick leave | days | 2,937,715 | 3,283,915 | 3,399,461 | 720,988 | 457,100 | 721,869 | 1,369,746 | 129,758 | 2,029,715 |
| Of which days of absence for maternity, paternity and adoption leave | days | 335,439 | 393,653 | 397,964 | 103,913 | 71,971 | 69,783 | 127,280 | 25,017 | 270,684 |
| Of which days of absence for long-term sickness (< 3 months) | days | 1,102,326 | 621,572 | 634,385 | 66,860 | 76,939 | 157,104 | 295,034 | 38,448 | 339,351 |
| Rate of absenteeism for sickness | % | 2.99% | 3.17% | 3.43% | 2.55% | 2.84% | 3.63% | 4.68% | 2.33% | 2.91% |
| Average number of hours worked per employee per year | hours | 1,812 | 1,792 | 1,790 | 1,754,09 | 1,799,5 | 1,753,8 | 1,749 | 2,203 | 1,807 |
| Actual number of hours worked over the year | hours | 548,952,614 | 574,733,131 | 546,768,462 | 153,232,060 | 88,904,613 | 110,576,828 | 157,302,660 | 36,752,301 | 389,465,801 |
| HEALTH AND SAFETY CONDITIONS | | | | | | | | | | |
| Number of lost-time occupational accidents (excluding travel) ** | Nb. | 9,933 | 9,848,00 | 9,017 | 1,506 | 843 | 1,751 | 3,358 | 1,559 | 5,659 |
| Total number of calendar days lost through occupational accidents (excluding travel) ** | days | 395,572 | 438,695 | 409,020 | 66,976 | 31,137 | 77,616 | 189,069 | 44,223 | 219,951 |
| Frequency rate of occupational accidents ** | | 18.09 | 17.13 | 16.49 | 9.83 | 9.48 | 15.84 | 21.35 | 42.42 | 14.53 |
| Severity rate of occupational accidents ** | | 0.72 | 0.76 | 0.75 | 0.44 | 0.35 | 0.7 | 1.2 | 1.2 | 0.56 |
| Employees who received safety-related training | Nb. | 192,144 | 154,286 | 145,621 | 40,894 | 25,980 | 34,242 | 35,507 | 8,998 | 110,114 |
| Number of committees on occupational health and safety | Nb. | 3,149 | 3,198 | 3,145 | 575 | 560 | 1,258 | 605 | 147 | 2,540 |
| LABOR RELATIONS AND COLLECTIVE AGREEMENTS | | | | | | | | | | |
| Number of collective agreements signed | Nb. | 2,143 | 2,199 | 2,135 | 347 | 318 | 459 | 910 | 101 | 1,225 |
| Agreements related to remuneration | Nb. | 1,190 | 1,177 | 1,128 | 126 | 198 | 293 | 466 | 45 | 662 |
| Agreements related to health, safety or working conditions | Nb. | 230 | 275 | 317 | 70 | 49 | 73 | 107 | 18 | 210 |
| Agreements related to labor-management dialogue | Nb. | 286 | 302 | 203 | 50 | 20 | 21 | 111 | 1 | 92 |
| Other agreements | Nb. | 437 | 445 | 487 | 101 | 51 | 72 | 226 | 37 | 261 |
| Total number of employee representatives | Nb. | 15,822 | 17,162 | 17,238 | 4,770 | 2,375 | 4,292 | 5,093 | 708 | 12,145 |
| EQUALITY OF OPPORTUNITIES | | | | | | | | | | |
| Percentage of women employees | % | | 19.49% | 19.92% | 23.10% | 17.91% | 16.52% | 19.99% | 21.42% | 19.90% |
| Percentage of women managerial staff | % | | 23.22% | 23.85% | 22.34% | 19.89% | 24.25% | 26.16% | 37.32% | 23.54% |
| Percentage of women employees through external recruitment (permanent contracts) | % | | 22.93% | 23.77% | 21.31% | 25.24% | 15.82% | 30.69% | 23.29% | 20.56% |
| Percentage of older workers (aged 55 and over) [Dec. 31] | % | | 17% | 18.08% | 15.03% | 13.90% | 15.65% | 26.13% | 8.56% | 14.47% |
| Percentage of employees aged 30 and under | % | 18.15% | 15.16% | 14.18% | 14.42% | 17.35% | 15.24% | 10% | 24% | 16.05% |

2. SOCIAL DASHBOARD

| INDICATORS | Unit | 2010 | 2011 | 2012 | 2012 | | | | | |
|--|-------|----------------------|----------------------|----------------------|--------------|---------------|-------------------------------|-----------------|---|----------------------------------|
| | | Veolia Environnement | Veolia Environnement | Veolia Environnement | Veolia Water | Veolia Energy | Veolia Environmental Services | Veolia Transdev | Holding companies and specialist subsidiaries | Total 2012 excl. Veolia Transdev |
| EQUALITY OF OPPORTUNITIES (continued) | | | | | | | | | | |
| Percentage of directly employed disabled staff (Dec. 31) | % | 1.75% | 1.91% | 2.17% | 1.80% | 1.51% | 2.68% | 2.71% | 0.96% | 1.93% |
| Percentage of employees on work-study programs | % | 1.47% | 1.35% | 1.55% | 1.98% | 1.56% | 2.54% | 0.62% | 0.85% | 1.96% |
| CORPORATE PHILANTHROPY | | | | | | | | | | |
| Subsidies paid for social activities | Euros | 67,438,790 | 75,121,012 | 75,726,156 | 35,656,751 | 12,033,432 | 9,455,170 | 15,109,425 | 3,471,378 | 60,616,731 |



3. GOVERNANCE STANDARDS

| GOVERNANCE CRITERIA | | SITUATION ON MARCH 21, 2013 | | OBSERVATIONS OF VEOLIA ENVIRONNEMENT | | |
|--|---|---|---|--|--|--|
| Reference codes and regulations | | The Company's code of reference is the AFEP-MEDEF corporate governance code. | | The Company believes that it is in compliance with its code of reference. See chapter 16 of the Registration Document. | | |
| Chair and general management | Separation of the functions of Chairman of the Board of Directors and CEO | No | | | | |
| | Presence of a senior independent director | On October 21, 2009 the board of directors created the position of vice-chairman on the British model of the senior independent director. Since May 2012, this position has been replaced by that of senior independent director. | | Louis Schweitzer's term of office as Vice-Chairman of the Board of Directors began on October 21, 2009 and to an end at the Shareholders' Meeting of May 16, 2012. He has been Senior independent director since then. | | |
| | Simultaneous employment contract and Company office | No | | | | |
| Directors among themselves and in relation to management | Definition of the independence of directors used | Definition in compliance with that of the AFEP-MEDEF code | | | | |
| | Existence of committees independent of the Board of Directors | Board of Directors | | Accounts and Audit Committee | Nominations and Compensation Committee | Research, Innovation and Sustainable Development Committee |
| | According to the AFEP-MEDEF code, the proportion of independent directors must be at least: 50% of the members of the Board of Directors, two-thirds of the members of the Accounts and Audit Committee and the majority of the members of the Nominations and Compensation Committee | 13/17, or a rate of 76.47% | | 5/5 | 3/4 | 4/5 |
| | Term of office of a director | 4 years | | Annual statutory renewal of a quarter of the members of the Board of Directors. | | |
| Statutory auditors in relation to management | Fees of the statutory auditors (KPMG and Ernst & Young networks) paid by the Company and its worldwide consolidated subsidiaries: - Audit tasks: - Other services directly related to audit tasks: - Other duties and services (legal, fiscal, social): | €23 million (81.27%) €5.3 million (18.73%) 0.0 (0%) | | Refer to chapter 9.5 of the Registration Document. | | |
| | Meetings between statutory auditors and directors and between statutory auditors and operational management in the absence of senior management | Yes | | | | |
| | Maximum term and rotation of appointment of external auditors | Rotation of external auditors every five years (auditor engagement partner of statutory auditor) | | Renewal of term of statutory auditors every six fiscal years in compliance with French law and rotation of the auditor engagement partner every five years in compliance with US law. | | |
| Directors | Payment of part of directors' attendance fees linked to participation in meetings of the Board of Directors | Yes | | Application of fees with holdings in relation to attendance. Refer to chapter 15.1.2 of the Registration Document. | | |
| | Number of meetings and average participation ratio at meetings of the Board of Directors and committees: | Board of Directors | Accounts and Audit Committee | Nominations and Compensation Committee | Research, Innovation and Sustainable Development Committee | |
| | • Number of meetings | 11 | 8 | 3 | 3 | |
| | • Participation ratio | 82% | 87.5% | 100% | 66.67% | |
| | Regular evaluation of the operation of the Board of Directors and its committees | Annual evaluation | | Informal evaluation in 2012 via a questionnaire sent out to directors (refer to chapter 16.1.4 of the Registration Document). | | |
| Regular formal evaluation of the operation of the Board | Yes, every three years | | Formal evaluation in 2010-2011 (chapter 16.1.4 of the Registration Document). | | | |

INDEPENDENCE

ROLE in decision-making

3. GOVERNANCE STANDARDS

| | GOVERNANCE CRITERIA | SITUATION ON MARCH 21, 2013 | OBSERVATIONS OF VEOLIA ENVIRONNEMENT | |
|---|---|--|---|--|
| ROLE IN decision-making (cont.) | Reference codes and regulations | The Company's code of reference is the AFEP-MEDEF corporate governance code. | The Company believes that it is in compliance with its code of reference. See chapter 16 of the Registration Document. | |
| | Directors | Balanced gender representation on the Board of Directors. French Law of January 27, 2011 on balanced gender representation on company Boards | Three women sit on the Board of Directors, representing 17.64% of Directors. | In accordance with this law and the AFEP-MEDEF code revised in April 2010, the Nominations and Compensation Committee made recommendations to the Board regarding the nomination of a greater number of women for Board membership at future annual shareholders' meetings. The Board decided to propose that Marion Guillou's co-optation should be ratified and her term of office renewed at the Shareholders' Meeting of May 14, 2013. Refer to chapter 16.1.2 of the Registration Document. |
| | Shareholders | Participation ratio (quorum) at the last Shareholders' Meeting (2012) | 66.76% | In compliance with Article R. 225-71 of the French Commercial Code. |
| | | Minimum percentage of share capital to submit a resolution to the Annual Shareholders' Meeting | One or more shareholders representing at least 0.51% of the share capital | |
| | | Means of obtaining information and voting made available to shareholders | On March 21, 2013 shareholders were provided with the Registration Document containing the draft resolutions for the Annual Shareholders' Meeting on May 14, 2013. Information via the www.finance.veolia.com website, with direct retransmission of the meeting. | |
| Criteria for adoption of a resolution (minimum percentage of shares present or represented) | | 50% for ordinary resolutions 66.7% for extraordinary resolutions | | |
| FINANCIAL INFORMATION | Remuneration paid to the company representative (Antoine Frérot, Chairman and Chief Executive Officer)* | €1,219,123 (including 2011 variable remuneration paid in 2012) | Refer to chapter 15.1 of the Registration Document. | |
| | Remuneration paid to the senior management in 2012 (Executive Committee) | €3,445,263 (of which 33.10% in respect of 2010 variable remuneration) (On December 31, 2012, the Executive Committee was made up of eight members excluding the Chairman and Chief Executive Officer). | Refer to chapter 15.2 of the Registration Document. | |
| | Criteria for determining the 2011 and 2012 variable remuneration of the Chairman and CEO | 70% quantitative share on criteria determined by the Board of Directors 30% qualitative share determined by the Board of Directors. | 2011 and 2012 quantitative criteria. Refer to chapters 15.1 and 15.2 of the Registration Document. | |
| | Number of share purchase options awarded to the Chairman and CEO and to senior managers (Executive Committee) in 2012 | No share purchase options awarded in 2012 or in 2013 to the Chairman and CEO or to the members of the Executive Committee | Refer to chapter 17.3 of the AMF Registration Document. | |
| | Number of performance shares allotted to the Chairman and CEO and senior managers (Executive Committee) in 2012 | No allocation of performance shares in 2012 or 2013 to the Chairman and CEO or to the members of the Executive Committee | The company's current policy does not provide for the allotment of bonus shares to the Chairman and CEO or senior managers (Executive Committee). Refer to chapter 17.3 of the Registration Document. | |
| | Severance payments ("golden parachutes") provided for the Chairman and CEO and senior managers (Executive Committee) | The principle of a severance payment was approved by the Board of Directors on December 17, 2009, and approved by the May 7, 2010 Annual Shareholders' Meeting, in application of the French Commercial Code (TEPA law). | The conditions for fixing and disbursing the severance payment that will be granted to Antoine Frérot if his functions as CEO are terminated are in compliance with the French Commercial Code (ascertainment of performance condition). The payment will be calculated on the basis of the remuneration received by Mr. Frérot during the base period (fixed amount of the remuneration received during the previous year, to which the performance rate will be applied, plus the average variable remuneration). In application of the AFEP-MEDEF code, the severance payment may not exceed two years of remuneration (fixed and variable). Refer to chapter 15.3 of the Registration Document. | |

* Amounts paid during the year 2012 including fixed 2012 remuneration, variable 2011 remuneration paid in 2012, benefits in kind and attendance fees paid during the year by the Company and its subsidiaries.

4. INDEPENDENT OPINIONS



KPMG's opinion

Attestation of disclosure on social information and limited assurance report on a selection of social information published in the management report

Financial year ended 31 December 2012

At your request and in our capacity as Statutory Auditor of Veolia Environnement S.A., we present you our report on the social consolidated information presented in the management report established for the financial year ended 31 December 2012 in accordance with the provisions of Article L.225-102-1 of the French Commercial Code.

Company's responsibility

It is the responsibility of the Board of Directors to establish an annual report including in particular social consolidated information required under Article L.225-102-1 of the French Commercial Code (hereafter the "Information"), established in accordance with the protocols used (the "Protocol") by the company and available upon request at the headquarters of the company, of which a summary is provided in the "Social Information" part of the management report.

Independence and quality control

Our independence is defined by the rules and regulations, the deontological code of the profession, and by the provisions of Article L.822-11 of the French Commercial Code. In addition, we implemented a quality control system which includes documented policies and procedures aiming at ensuring the compliance with the deontological rules, professional standards and applicable rules and regulations.

Responsibility of the Statutory Auditor

Based on our work, it is our responsibility:

- to attest that the required social Information have been disclosed in the management report or if any has been omitted, that an explanation has been provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code and of the Decree 2012-557 of 24 April 2012 (Attestation of disclosure regarding the social Information);
- to provide limited assurance on whether that the quantitative data selected¹ by the Veolia Environnement group and identified by the** symbol (the "Data") are fairly presented, in all material respects, in accordance with the Protocol (Limited Assurance Report on a selection of Data). To assist us in conducting our work, we referred to the corporate responsibility experts of our Firm.

1. Attestation of disclosure on the social Information

We conducted our engagement in compliance with the professional standards applicable in France:

- We compared the Information disclosed in the management report with the list provided by Article R. 225-105-1 of the French Commercial Code;
- We verified that the Information covers the consolidated scope, namely the company and its subsidiaries within the meaning in Article L. 233-1 and the controlled entities as defined in Article L. 233-3 of the French Commercial Code;
- In case some consolidated Information has been omitted, we verified that explanations were provided in accordance to the provisions of Decree 2012-557 of 24 April 2012. On the basis of this work, we attest the disclosure of the required Social Information in the management report.

2. Limited Assurance Report on a selection of Data

Nature and extent of work

We conducted the review in accordance with the ISAE 3000 standard (International Standard on Assurance Engagements) and the professional guidelines applicable in France. We performed the following procedures to obtain a limited assurance that nothing has come to our atten-

¹) Total headcount at the 31/12/N, Total annual headcount Full Time Equivalent (FTE), FTE headcount of unlimited-term contracts, Hours of training, Weekly work time (in hours), Annual amount of working days per employee, Average number of working days per week for a full-time employee, Absenteeism in calendar days, Number of overtime hours paid, Work accidents with sick leave (excluding the journey to and from work), Work days lost due to work accidents (excluding the journey to and from work)(long term and fixed term contracts).

4. INDEPENDENT OPINIONS

tion that causes us to believe that the Data are not fairly presented, in all material respects, in accordance with the Protocol. A higher level of assurance would have required more extensive work.

We performed the following work:

- We assessed the suitability of the Protocol regarding its relevance, reliability, neutrality, understandability and completeness, by taking into account, if need be, the best practices of the sector.
- We verified the implementation in the Group of a reporting, consolidation, handling and control process, aiming at the completeness and the consistency of the Data. We analyzed the internal control and risk management process related to the Data production. We conducted interviews with those responsible for social reporting.

- At the consolidated level and on controlled entities, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this information.

- At the level of the entities²
 - carried out interviews in order to verify that the procedures were correctly applied; that we selected based on their activity, their contribution to the consolidated Data, their geographical distribution and a risk analysis, we:
 - conducted tests of detail on a sample-basis, which consisted of verifying calculations and reviewing the associated supporting evidence.

The contribution of the selected entities represents 20% of the headcount.

Conclusion

On the basis of our work, nothing has come to our attention that causes us to believe that the Data identified by the** symbol are not fairly presented, in all material respects, in accordance with the Protocol.

Paris La Défense, 21 March 2013

KPMG Department of KPMG S.A.

Karine Dupré
Partner

Philippe Arnaud
Partner in charge of the
Climate Change &
Sustainability Services Department

²) Veolia Water: UES Veolia Eau (France), Stredoslovenska Vodarenska A.S. (Slovakia) and Praske Vodovody a Kanalizace (Czech Republic);
Veolia Energy: Dalkia NV (Belgium) and Dalkia France (France);
Veolia Environmental Services: Veolia Umweltservice - Waste (Germany), Collex (Australia) and Veolia Environmental Services Holding Plc (United Kingdom);
Veolia Transport: TCAR and Transdev S.A. (France) and Connexion (Netherlands).

Ernst & Young's opinion

Independent verifier's assurance report on environmental and purchasing information

To the General Management,

Year ended December 31, 2012

In accordance with your request and in our capacity as independent verifier of Veolia Environnement, we hereby report to you on the environmental and purchasing information presented in the CSR Performance Digest for the year ended December 2012, 31st (in the following chapters "Managing the environmental performance" and "Managing responsible purchasing"), and in the dashboard and the methodological information (environmental and purchasing reporting) presented in the appendix.

Company's Responsibility

The company is responsible for the preparation of the environmental and purchasing information (hereinafter the "environmental and purchasing Information" or the "Information"), in accordance with the company's internal reporting standards which are available on its web-site¹ (the "Guidelines").

Our Independence and Quality Control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession and article L. 822-11 of the French commercial code (*Code de commerce*). In addition, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent verifier's responsibility

It is our role, on the basis of our work to provide:

- reasonable assurance on whether the consolidated environmental Information selected by the Group related to environmental management, greenhouse gas emissions and energies (especially renewable energies), indicated by the sign « ● » in the environmental dashboard², is fairly presented, in all material respects, in accordance with the Guidelines (reasonable assurance);
- Limited assurance that nothing has come to our attention that causes us to believe that the other consolidated environmental and purchasing information, is not fairly presented, in all material respects, in accordance with the Guidelines (limited assurance).

We also provided an attestation and assurance report on environmental and purchasing information published in the 2012 management report.

Nature and scope of the work

We conducted our engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements), IFAC (International Federation of Accountants) and French professional guidance:

- We assessed the suitability of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, the good practices in the environmental services sector.
- We examined the collecting, processing, control and reporting procedures relating to the preparation of the environmental and purchasing Information. We conducted interviews with those responsible for environmental and purchasing reporting.
- We selected the consolidated environmental and purchasing quantitative Information to be tested (indicators)³ and determined the nature and scope of the tests, taking into consideration their importance with respect to the social and environmental consequences related to the Group's business and characteristics, as well as its commitments:
 - at the level of the consolidating entity and its four divisions (Water, Energy, Environmental

1) Environmental Guideline : measuring and reporting Protocol for 2011 environmental indicators, online in June 2012 (being up-dated), <http://www.veolia.com/en/group/performance/environmental-performance/> and 2012 Responsible purchasing Protocol, dated January 2013 (being published online): <http://www.veolia.com/en/group/performance/sustainable-purchasing/>

2) Deployment rate of the environmental management system on relevant activities (% of income), direct and indirect greenhouse gas emissions (teCO₂), total energy consumption (thermal and electric MWh), energy produced from renewable sources (% thermal and electric MWh).

3) Indicators related to the 2012-2014 environmental roadmap objectives (environmental management, fighting climate change, biodiversity protection, reducing pollution and health protection, protect natural resources), and to the purification rate (used water), air emissions (especially NO_x and SO_x emissions), sewage sludge management, energy consumption and production, use of renewable energies.

Services and Transport), we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this environmental and purchasing information;

- at the level of the sites that we selected based on their business, their contribution to the consolidated indicators, their location and a risk analysis, concerning the environmental indicators:

- we conducted interviews to verify that the procedures were correctly applied;
- we performed tests of detail based on sampling, consisting in verifying the calculations made and reconciling the data with the supporting documents.

The sample thus selected gather more than forty business units (including twelve newly selected entities⁴) located in fifteen countries in France, in Europe (Germany, Italy, Lithuania, Netherlands, Poland, Czech Republic, United Kingdom, Sweden), in Americas (United-States of America, Canada, Mexico, Venezuela), in china and in Australia. This sample represents on average 61% of the consolidated environmental indicators, and between 40% and 70% depending on the issue⁵.

■ We reviewed the environmental and purchasing information (quantitative and qualitative) published in chapters "Managing our environmental performance" and

"Managing responsible purchasing" of the 2012 CSR performance Digest established for the year ended December, 31st 2012, and in the environmental and purchasing dashboards presented in appendix, in order to assess their accuracy and consistency with the indicators tested and our knowledge of the company.

■ As regards the environmental and purchasing Information selected by the Group related to environmental management, greenhouse gas emissions and energies (especially renewable energies), indicated by the sign « ● » in the environmental dashboard presented in appendix, the performance of work of the same nature as - but more detailed than - that performed on the other Information, in particular as concerns the number of tests, enable us to express reasonable assurance.

Comments on the Guidelines and Information

■ We wish to make the following comments on the Guidelines and the Information:

■ As part of its 2012-2014 environmental plan, the company is still reporting on environmental health prevention issue (water quality class, Legionella, dioxins). This reporting has been extended to reused water, air emissions (in particular NOx and SOx emissions), and biodiversity protection issues. The reporting could be completed with the monitoring of environmental events (incidents or accidents

for instance) and might differentiate water resources indicators regarding the level of water stress.

■ The company has simplified the indicators related to material recovery and has improved the traceability of the calculation methodology of fugitive methane emissions. Some indicators, such as the release of greenhouse gas emissions (in particular the "reduced" emissions assessed against theoretical baselines used by the company which do not take additionality criteria into account) and the environmental management system (especially the deployment rate on relevant activities, including systems being deployed), have been simplified but are still complex and difficult to compare.

■ The environmental scope is based on the concepts of operational control and relevant activities on a global scale. It includes for the first year the energy production activities of the Water Division, and some environmental impacts from Veolia Water Solutions and Technologies (engineering) and SADE in France. The scope still excludes industrial water activities. The comparison between the environmental and the financial scope must be improved and integrated into the environmental reporting process.

■ The environmental reporting process is based on an Environmental Information System which is now deployed on more than two hundred

4) The entities Veolia Water South-West and Northwest (France), Shenzhen (China), Veolia Water Central (North America), the entities Dalkia North (France), Poland and China, the entities Veolia Environmental Services Centre-Ouest (France), C&I (UK) and Taiwan (remote audit), the entities Veolia Transdev Ile-de-France (France) and Connexion (Netherlands).

5) Considering the consolidated scope (Veolia Environment without Transdev), the sample represents 57% of the relevant activities income, on average 74% of climate change and energy data (CO₂ and methane emissions, energy consumption and production), on average 52% of the data related to resources conservation and reducing pollution (53% of drinking water volumes introduced into the grids, 61% of the quantity of DBO₅ entering water treatment plants, 47% of waste treated by Veolia Waste, 65% of discharged sludge), and on average 61% of the data related to the monitoring of sanitary risks (44% of the residents provided with drinking water, 66% of the installations concerned with the monitoring of the risk of Legionella, 72% of the incinerated waste).

and fifty business units. However, the reporting procedures should be updated and completed, especially for new indicators or those requiring a specific treatment out of the system: particularly concerning water and energy action plan for Veolia Waste installations, biodiversity protection, NOx and SOx emissions from combustion plant. Internal controls should be better planned and adapted to the shortening of closing process. Variance analysis, particularly those at constant scope should be systematized.

■ The reporting methodology of the following indicators should be revised: water consumption (except the needs of plants for drinking water treatment) and indirect CO₂ emissions from heat purchases.

Conclusion

Reasonable assurance

In our opinion, the consolidated environmental Information selected by the Group related to environmental management, greenhouse gas emissions and energies (especially renewable energies), indicated by the sign « ● » in the environmental dashboard presented in appendix, is fairly presented, in all material respects, in accordance with the Guidelines.

Limited assurance

Based on our work described, nothing has come to our attention that causes us to believe that the other consolidated environmental and

purchasing Information is not fairly presented, in all material respects, in accordance with the Guidelines.

Paris La Défense, May 6, 2013

The independent verifier

ERNST & YOUNG et Associés
Cleantech and Sustainability

French original signed by:
Eric Duvaud



External Statement issued by DNV Business Assurance France

Assurance Engagement on societal information

Exercice clos le 31 décembre 2012

Introduction

DNV Business Assurance France was commissioned at the Company's request to verify the societal data provided in the CSR Performance Digest and to express an opinion on the sincerity of the societal indicators within the scope of application of Decree No. 2012-557 of 24 April 2012 (French Grenelle II Act of 12 July 2010).

The Company is responsible for the collection, analysis, aggregation and presentation of the societal information included in the CSR Performance Digest 2012. Our responsibility in performing our verification assignment is solely towards the Company's Management and in accordance with the terms of reference agreed on with the Company.

It is our responsibility to issue conclusions on this societal information by certifying that the information is present or by indicating which information is missing or lacks explanation, and by issuing an engagement on the sincerity of the information provided.

Scope of verification / opinion

The scope of our verification work agreed on with the Company includes the following information and entities:

- Societal indicators from 1 January 2012 to 31 December 2012, as communicated in the CSR Performance Digest 2012, except for:
 - data related to subcontractors and suppliers, which is included and verified within the scope of procurement reporting;
 - information on action taken to promote the health, safety and security of consumers, which is included and verified within the scope of environmental data reporting;
 - data concerning the social aspects of human rights, which is included and verified within the scope of social data reporting.
- Entities concerned: Veolia Environnement Group, Veolia Water Division, Veolia Energy Division, Veolia Environmental Services Division, Veolia Transdev Division.

Verification methodology

Our verification was planned and carried out in accordance with our 'Protocol for Verification of Sustainability Reporting'. The qualitative societal information and quantitative indicators included in the CSR Performance Digest 2012 were also verified in accordance with the requirements of Decree No. 2012-557 of 24 April 2012 and with those of our verification protocol.

Within the scope of the audit carried out from 31 January 2013 to 11 March 2013, we examined the various items comprising the societal reporting and carried out the following tasks:

- Analysis of the reliability, relevance and level of deployment and assimilation of the reporting protocol pertaining to qualitative and quantitative societal information, information flows and control and risk management systems;
- Assessment of the compliance of the societal indicators and representations comprising the information provided in the CSR Performance Digest 2012 with the criteria of accuracy, relevance, impartiality, completeness and responsiveness;
- Examination and review of documents, files and all information communicated and made available by the Veolia Environnement Group and its Divisions;
- 18 interviews, including with the following persons responsible for reporting on societal matters at the headquarters of the following Divisions and entities:
 - Veolia Environnement: Corporate Secretary, General Counsel, Head of Social Innovations, Societal Project Manager, Chairman of the Ethics Committee, Director of Sustainable Development.
 - Dalkia France: Director of Marketing and Sustainable Development.
 - Veolia Water - Compagnie Générale des Eaux: Assistant to the Director of Development and Partnerships, Head of Customer Service, HR Director.
 - Veolia Water Ile-de-France: Head of Customer Service Coordination,

4. INDEPENDENT OPINIONS

- Veolia Environmental Services: Head of HR Development, Diversity Director, Handicap mission officer, Local Authority Marketing Manager.
 - Proactiva: Director of Sustainable Development.
 - Veolia Environnement Foundation: Executive Officer.
- Interviews with the following stakeholders:
 - "Voisin Malin" association.
 - In accordance with our procedures and with regard to quantitative indicators, tests carried out by sampling, consistency checks and data verification on the basis of documentary evidence;
 - Verification of qualitative information on the basis of documentary evidence and interviews with the authors.

Conclusions

Certification of presence

We certify the presence in the CSR Performance Digest on the Group's management of all information specified in the list drawn up under the responsibility of the Board of Directors pursuant to Decree No. 557 of 24 April 2012 and in respect of the scope of verification entrusted to us.

Opinion on the sincerity of the information provided in the 2012 Registration Document:

- Regarding the quantitative information, the tests carried out detected no material errors that could

cast doubt on the sincerity of the information. Calculation rules concerning the conditions of the dialogue with the stakeholders must be specified to be able to communicate on comparable quantitative data which would reflect the commitment of the various business units within territories

- Regarding the qualitative information, our sample test did not detect any errors in the information presented.

Opportunities for improvement

The following is a summary of the observations and findings reported back to the Management of the Veolia Environment Group. These do not, however, affect our conclusions on the CSR Performance Digest 2012.

Competence and independence of DNV Business Assurance France

DNV is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries.

DNV Business Assurance France was not involved in the preparation of any statements or data included in the CSR Performance Digest except for this Assurance statement. DNV Business Assurance France maintains complete

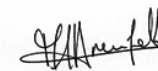
impartiality in the work carried out and complete independence regarding all stakeholders interviewed during the verification process.

DNV Business Assurance France expressly disclaims any liability or co responsibility for any decision a person or an entity may make based on this Assurance Statement.

COFRAC certification

DNV Business Assurance France undertakes to file an application with COFRAC for ISO/CEI 17020:2012 accreditation. This application will be filed upon official publication of the supplementary order to Decree No. 557 of 24 April 2012.

For DNV Business Assurance France.
Paris, 02 April 2013



Marc-Antoine
Horenfeld
Project Manager



Jean-Christophe
Carrau
Reviewer

1) DNV Business Assurance France means the verification process described by the decree as following the Article L.225-102-1 of the Commercial Code (French Grenelle act II of 12 July 2010), which resulted in the issuance of a statement.

5. DETAILS OF METHODOLOGY

Details of methodology used in environmental and purchasing reporting

In the absence of any recognized and relevant reporting baseline for its activities, the company has defined its own reporting procedures based on best practices and draft international standards.

Methodological procedures

Veolia procedures comprise:

- A company-wide measurement and reporting protocol for environmental indicators, available on the corporate website at <http://www.veolia.com/en/group/performance/environmental-performance> and supplemented by specific instructions for each division;
- A reporting protocol for sustainable purchasing indicators, available on the corporate website at <http://www.veolia.com/en/group/performance/sustainable-purchasing>.

Scope of reporting and consolidation method

The scope of environmental reporting includes all worldwide activities over which the company has operational control. Activities in the construction and operation of industrial water systems are excluded from the scope of reporting. Some subcontracted activities may also be included in the scope, in particular in the field of waste management (e.g., biogas conversion) or transportation. The scope of the purchasing reporting system includes buyers using Veolia's contract management tool (excluding Veolia Transdev buyers), who

represent the majority of the company's buyers. This report covers the contracts and suppliers already approved in the contract management tool, with the exception of special cases specified in the reporting protocol available at www.veolia.com. Some data needed to calculate the 2012 indicators may have changed over the past year based on whether or not Veolia Transdev data are included. The contract management tool covers approximately 80% of Veolia's total purchasing expenditure and refers to both cross-division contracts managed on the basis of managerial groups and certain local contracts.

Consolidation method

The environmental data within the scope described above are fully consolidated. In general, purchasing data are also fully consolidated, unless it is specifically stated that only data for a limited scope are consolidated.

Scope variations for environmental data

Scope variations are taken into account on the date on which they become effective. Acquisitions, the creation of companies and contracts won may, however, only be taken into account after a full year of operations. For 2012, the main changes in scope or activity were:

- **Veolia Water:** Acquisition of new contracts in China, Japan, Australia, the United Kingdom,

France, India, Mexico and the United States; divestiture of drinking-water operations in the United Kingdom and the end of contracts in Japan, India and France, along with liquidation of a company in Italy and handover of operations in Taiwan from Veolia Water to Veolia Environmental Services;

- **Veolia Energy-Dalkia:** End of operations in South Korea, Malaysia, Switzerland, Estonia and Turkey; Citelum operations not taken into account;
- **Veolia Environmental Services:** Integration of new sites, mainly in France, the United Kingdom and Germany; sale of business interests in the United States, Italy, Egypt, the Baltic States, Morocco and Senegal; and loss of contracts in France, the United Kingdom, Germany and Switzerland.

Choice of indicators

Indicators have been chosen in order to track:

- The company's commitments and policy (in line with its 2012-2014 environmental targets);
- Performance related to the company's main challenges and impacts;
- The company's policy of incorporating sustainable development into purchasing;
- Regulatory obligations (Grenelle II – Art 225)

Consolidation and checks

Environmental data are consolidated and checked by each division and by the Environmental and Operational Performance Department, based on data collected from business units. Data for some indicators are calculated or estimated directly at the divisional level. The

most relevant environmental indicators have been independently audited since 2001 by Ernst & Young, the company's statutory auditor, whose detailed report is above. Purchasing data are consolidated and audited by Veolia's Purchasing Department, and also audited by the statutory auditor for the fourth year.

Limits to the methodology

Environmental and purchasing indicators may be limited by:

- The lack of harmonization between national and international legislation;
- The unrepresentative nature of some measurements and estimates;

- Changes in definition that may affect comparison;
- The practicalities of collection methods.

Based on the above, we consider most data to be accurate to within 5-10%.



Details of methodology used in social reporting

In the absence of any recognized and relevant external reporting baseline, the Group has defined its own reporting procedures for social data based on best practices and draft international standards.

Methodological procedures

The Group's procedures are made up of:

- a protocol for the indicators reported in five languages, which can be consulted by contacting the Veolia Environnement Human Resources department;
- a comprehensive social reporting procedure describing the methodology used for gathering, checking, analyzing and consolidating the data, based on reporting software that includes a workflow process.

Scope and consolidation methods

The scope of social reporting covers all consolidated companies included in the financial statements based on the full integration method and those managed in operational terms by the Veolia Environnement Group and which are consolidated in the financial statements and located in all the countries in which the Group employs staff.

Consolidation method

Within this scope, social data are fully consolidated, regardless of the level of integration.

In order to present the data for 2012 in line with the Group's strategy and planned divestments, data for Veolia Environnement excluding Veolia Transdev have been consolidated where this was relevant.

The data shown under the heading Holding Companies and Specialist Subsidiaries cover: *Veolia Environnement SA, VERI, VETech, Centre d'Analyses Environnementales, Campus Veolia Environnement, Défense Environnement Services, Seureca, OFIS, VE CSP Lyon, VEIS, Veolia Environnement Management des Services aux Industries, VEIC, Eco Environnement Ingénierie, Setude, the scope of the SNCM and PROACTIVA.* Data for 2011 have been presented to reflect the 2012 scope.

Variations in scope

Variations in scope are taken into account on the date on which they become effective. It is accepted, however, that acquisitions, company creations or contracts won may only be taken into account after a full year of operation.

In 2012, the workforce decreased by -3.89% in total. This was the result of:

- **Veolia Water:** 2,596 fewer employees than in 2011, or a decrease of 2.83% across the division;
- **Veolia Energy:** 2,847 fewer employees than in 2011, or a decrease of 5.41% across the division;
- **Veolia Environmental Services:** 6,061 fewer employees than in 2011, or a decrease of 8.62% across the division;
- **Veolia Transdev:** 1,152 fewer employees than in 2011, or a decrease of 1.15% across the division;

■ Holding Companies and Specialist Subsidiaries:

234 fewer employees, or a decrease of -1.40%, the scope of which is described above.

Choice of indicators

Indicators have been chosen to track the following as a priority:

- performance related to the Group's main human resources challenges,
- effects of the Group's labor policy,
- regulatory obligations (Article R225-105-1 of the French Commercial Code).

Consolidation and checks

Automated checks are performed at the business unit level by the software package used. Social data are consolidated and checked by each division and the Group Human Resources Department.

The most relevant social indicators set by the Group have been subject, since the 2007 financial year, to an independent review by KPMG, whose report is shown in the previous section.

Limits to the methodology

There may be methodological limits to the social indicators due to:

- the lack of harmonization between national and international legislation;
- the mix of data managed and the variety of tools in the Group's many subsidiaries;
- changes in definition that may affect their comparability;
- the particularities of labor laws in certain countries;

- the practicalities of collection methods;
- the availability of source data as at the reporting date.

The main indicators are shown in the appendix organized by section. Some of them should be interpreted with caution, in particular the averages, since these are global data that require a more detailed analysis at the level of the geographical areas, countries or sectors concerned.

Details of methodology

- The calculation method for the absenteeism rate was modified in 2011. The previous calculation was based the inclusion of all days of

absence. It was modified to ensure that days of absence due to maternity or paternity leave were excluded. The figures for the previous years were adjusted in accordance with the new calculation in order to provide comparable data over time.

- As regards the severity rate of workplace accidents, the definition chosen by the Group to calculate the number of days lost due to workplace accidents includes days lost during the year due to accidents that occurred in previous years; differences in the application of this method can occur in some business units. Finally, for 2011, accident data from the Environmental Services division were collected through the consolidation tool Acciline and then consolidated at Group level.

- Regarding the number of hours of paid overtime, the definition used includes the total number of hours worked in excess of the legal basis leading to overtime hours paid and/or compensatory time off. Differences in the application of this method may exist in certain entities due to the inclusion of hours leading only to overtime payment.

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