

CSR Performance Digest 2014

€23.9
billion
in consolidated revenue

€1,108
million
in adjusted operating
income

179,000
employees worldwide
(as of December 31, 2014)

Veolia Group is the global leader in optimized resource management.

With over 179,000 employees worldwide, the Group designs and installs water, waste and energy management solutions that contribute to the sustainable development of communities and industries. Through its three complementary business activities, Veolia helps to develop access to resources, preserve available resources, and replenish them.*

In 2014, Veolia Group supplied 96 million people with drinking water and 60 million people with wastewater services, produced 52 million megawatt hours of energy and converted 31 million metric tons of waste into new materials and energy.

For more information on the company's activities, please see the 2014 Registration Document and the 2014 Annual and Sustainability Report, available on the website at veolia.com.

This document sets out the key data on Veolia's Corporate Social Responsibility (CSR) performance. It reaffirms Veolia's undertakings as a committed player that supports the economic and social development of the areas in which it operates on behalf of its municipal and industry customers.

Access to basic services and equitable resource distribution are defining issues today as societies undergo profound transformations. Access to water, waste management and energy is the very core of our businesses and expertise. These services are closely linked to the lives of the communities we serve on a daily basis.

Measuring our environmental, corporate and social performance is integral to the continuous improvement and enhancement of our business models and the services we offer to our customers. It is made possible as a result of ongoing efforts to define key indicators and establish reporting parameters at a Group-wide level (with over 330 consolidated indicators and several thousand contributors across Veolia).

This transparency reflects our drive for sustainable continuous improvement throughout the world, benefiting all our customers and stakeholders.

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Managing corporate responsibility

After the third year of implementing its transformation plan, the new Veolia is now based on a consistent, integrated structure organized by country rather than division.

A more specific management system is helping to improve Veolia's performance, faced with the challenges of increasingly complex pollution and soaring urbanization to which it responds on behalf of its customers.

Since 2011, Veolia has been adapting its businesses to move from an approach based on resource consumption to one of using and recovering resources in accordance with the principles of circular economy. Veolia designs and installs solutions to develop access to resources and to protect and replenish them.

In 2014, we confirmed our ambition with nine commitments to sustainable development, as the result of a concerted effort to clarify and prioritize our activities. This led to our setting ourselves nine commitments, twelve key progress indicators and specific targets for 2020. All departments are involved with this approach, which has the buy-in of the highest levels of the company.

1. ACTIVITIES, STRATEGY AND CHALLENGES

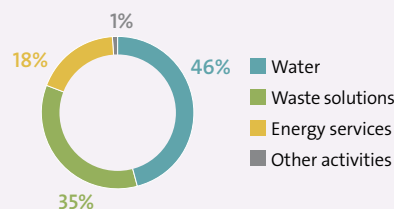
1.1 Three types of expertise and two customer segments

Veolia is a global leader in the environmental services sector, offering a comprehensive range of services and with the expertise necessary to define a service offering tailored to individual customer needs, whether the supply of water, the treatment and recovery of municipal or industrial effluent, waste collection, processing and recycling, the supply of heating and cooling services or the optimization of industrial processes.

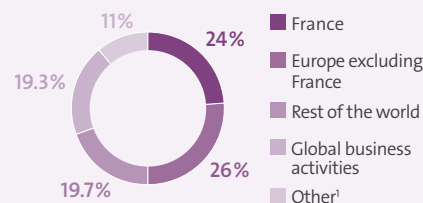
Veolia's operations are conducted through three businesses: Water, Waste solutions and Energy services. Through these businesses, Veolia currently provides drinking water to 96 million people and treats wastewater for 60 million people throughout the world, processes nearly 46.4 million metric tons of waste, and satisfies the energy requirements of hundreds of thousands of buildings, mainly for industrial and municipal customers.

Veolia also develops service offerings that combine several Group businesses, either through several individual contracts or by combining services within a multiservice contract.

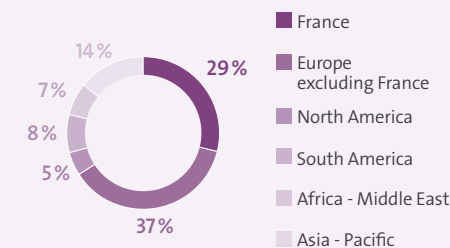
Breakdown of the revenue per activity (in %)



Breakdown of the revenue per geographical segment (in %)



Breakdown of workforce by geographic area



Water (46% of revenue²)

With a geographical structure featuring a strong local presence, Veolia designs, builds and manages water services and wastewater treatment and recovery services for municipal and industrial customers.

Contracts are generally long-term, ranging from 10 to 20 years in length, and they may extend up to 50 years with municipal customers in China and from 3 to 10 years with industrial customers. Veolia provides services under various types of contracts, tailored to the customer's goals and preferences, and may include public-private partnerships, BOT (Build, Operate & Transfer) contracts, DBO (Design, Build &

1) The "Other" segment includes the contribution of Dalkia France up to the unwinding of the joint venture on July 25, 2014, as well as the business activities of Eau Maroc and industrial multiservice contracts.
 2) Group consolidated revenue under IFRS in 2014.

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Operate) contracts or concessions/leases in France and O&M contracts. These contracts generally involve operation only and/or the engineering/construction of facilities, with the customer usually retaining ownership of the assets and responsibility for the pricing policy and investment under municipal contracts. Changes in legislation and needs have enabled Veolia to integrate more elaborate mechanisms into its contracts, allowing it to share in the value that is created (such as productivity gains, level of services and efficiency criteria).

Municipal customers often rely on Veolia to manage customer relations and the Group is constantly improving the efficiency of services and specific information systems.

In certain countries where public authorities are seeking either to implement new water and wastewater treatment systems or to improve existing ones, Veolia can offer feasibility studies and technical assistance, which may include master plans, project coordination and acceptance, network modeling and financial analysis.

Waste (35% of revenue¹)

Veolia handles waste in all forms and at all stages of the waste cycle. Veolia manages waste from collection to recovery, on behalf of

both industrial and service sector customers, as well as local communities.

Upstream, Veolia provides waste management and logistical services, including waste collection, waste processing, cleaning of public spaces, and maintenance of production equipment, soil remediation, and management of waste discharge at industrial sites.

Downstream, Veolia conducts basic or more complex waste processing operations in order to eliminate pollutants and transform waste into a resource. As such, the Group:

- sorts and processes waste in order to create new raw materials, otherwise known as recycling or material recovery;
- transforms organic material into compost to be returned to the soil, otherwise known as composting or organic recovery;
- processes waste in the least damaging way possible, through landfill sites or incineration;
- produces electricity or heat using waste in landfill sites or incineration, otherwise known as waste-to-energy recovery.

The term of Veolia contracts usually depends on the nature of the services provided, applicable local regulations and the level of investment required. Collection contracts usually range from one to five years. Waste processing contracts can range from one year (for services provided

on sites belonging to Veolia), to 30 years (for services involving the financing, construction, installation and operation of new waste processing infrastructure).

Energy (18% of revenue¹)

Veolia is developing three types of energy services:

- heating and cooling networks: operation of these networks provides heating, domestic hot water and air conditioning to a wide range of public and private facilities, including schools, health centers and office and residential buildings. In addition, the production plants often generate electricity that is sold to operators or on the market;
- industrial utilities;
- energy services for buildings, consisting of operating heating, domestic hot water and air conditioning systems to provide comfortable living and working environments.

For these three types of services, Veolia offers solutions that encompass the entire conversion cycle from the purchase of energies entering the site (fuel, gas, coal, biomass and biogas), the construction of new facilities or the modernization of existing facilities, to the sale on the market of the electricity produced. In 2014, Veolia managed 529 heating and cooling systems and 1,802 industrial sites.

¹) Group consolidated revenue under IFRS in 2014.

Veolia provides energy services to public and private sector customers with whom it forms long-term partnerships. Management contracts for the operation of urban heating or cooling systems can extend up to thirty years, while contracts for the operation of thermal and multi-technical facilities for public or private sector customers may have terms of up to sixteen years. Contracts to provide industrial utilities generally have shorter terms (six to seven years on average).

Autres activités (1 % du chiffre d'affaires¹)

The Group's other activities are:

- multi-business contracts with industrial customers, driven by VE Industries;
- transportation activity in partnership with Caisse des dépôts et consignations through Transdev Group, a joint subsidiary.

For more information on the Group's activities and markets, see the 2014 Registration Document, Chapter 6 and paragraphs 6.1.3 and 6.2 in particular.

1.2 Veolia's strategy

The environmental and social challenges facing big cities and major manufacturers are becoming increasingly complex (including pollution becoming increasingly difficult to treat, management of increasingly scarce resources and new regulations), not only in rapidly growing but also in mature countries.

In mature regions, some public authorities have been prepared to rethink their local public services in the face of the economic downturn, increasingly stringent regulatory restrictions (such as Europe's Energy Efficiency Directive) and price pressure.

The 21st century is therefore being marked by a radical change in the role played by cities in the global economy, where growth, prosperity and social welfare have become priority issues. Faced with increasingly strong worldwide competition and restrictive environmental standards, the industrial sector is finding itself forced to seek help in order to remain competitive.

In just a few years, the world has been transformed from one of consumption into one where austerity and recycling are de rigueur. More specifically, energy efficiency

and the circular economy are becoming vitally important for industry and for cities. Against this backdrop, Veolia – the number one global player in the environmental services sector – is positioning itself as a creator of value by offering expert, innovative solutions to both growth and traditional markets.

Veolia's strategy is integral to the transformation program set out at the end of 2011 which aimed:

- to refocus the Group on its most profitable activities and segments;
- to put in place an integrated group with a single Veolia per country;
- to reduce its debt levels;
- to implement a program for reducing structural costs and improving industrial performance.

In 2014, Veolia continued to implement this strategic plan with a view to achieving selective, profitable and sustainable growth in its businesses:

- to become the benchmark company in major environmental markets;
- to balance its business activities between public authority and industrial customers;
- to refocus its business on the most dynamic regions and markets.

For more information on the Group's strategy, see the 2014 Registration Document, Chapter 6, paragraph 6.1.2.

1) Group consolidated revenue under IFRS in 2014.

1.3 Group growth and change

Introduced in 2013, the Group's new organizational structure aimed to transform Veolia from an organization structured around divisions (businesses) into an integrated concern structured by country, by flattening reporting lines, eliminating levels of the organizational structure and strengthening performance improvement initiatives to become closer to its customers, more streamlined, more integrated and more flexible.

This structural change continued in 2014, when Veolia took on the whole of Dalkia's international business. As a result of this full integration, Veolia now has complete control of energy services management, which is an essential element of environmental businesses for the future. Veolia can now take full advantage of the technological,

operational and commercial synergies that exist between its three business activities. In 2014, the Group's transformation was also reflected in the adoption of a single brand and tagline:

- the Veolia Environnement Group was simplified to Veolia, with the three businesses using a single "banner", a further sign of the Group's transition to a unified way of operating;
- Veolia also adopted a new tagline, "resourcing the world", as the issue of resources and developing, preserving and renewing them, applies across all of the Group's business activities.

The main changes in the scope of consolidation in 2014 were as follows:

- Veolia completed the divestiture of its 65% stake in the Marius Pedersen Group, which provides solid waste management and treatment services in Denmark, the Czech Republic and Slovakia, to Entreprenør Marius Pedersens Fond (the Marius Pedersen Foundation) for €240 million;
- the agreement signed between Veolia and EDF on March 25, 2014 regarding their joint

subsidiary, Dalkia, was finalized on July 25, 2014. Under this agreement, EDF has acquired all Dalkia activities in France (including Citelum); while Dalkia's international operations have been taken over by Veolia.

In addition, 2015 has seen the finalization of an agreement signed by Veolia on July 9, 2014 with funds managed by global investment manager Oaktree Capital Management, L.P., for the sale of its water, waste and energy activities in Israel.

For more information on the main changes to the Group's scope of consolidation, see the 2014 Registration Document, Chapter 6, paragraph 6.1.3.3 and Chapter 9, paragraph 9.1.1.

1.4 Our stakeholders

L'écosystème dans lequel vit une entreprise de services à l'environnement et d'accès à des biens essentiels s'est profondément modifié. La manière dont le

Groupe s'inscrit dans son environnement, dialogue et interagit avec ses salariés et ses parties prenantes externes, détermine sa recevabilité à produire, à vendre et conditionne sa licence à opérer. Nos parties prenantes sont nombreuses et c'est avec l'ensemble de celles-ci que le Groupe s'engage à nouer un dialogue.

Our stakeholders: multiple complexities



2. OUR COMMITMENTS

2.1 Our commitments for sustainable development

The new Veolia is here. We have everything it takes to deal with your challenges in terms of the environment, growth and access to resources. A new brand, a new organizational structure, a new strategic direction, and new

ambitions. In 2014, the New Veolia, in the words of its CEO, redefined and reasserted its commitment to sustainable development.

Because the sustainable development of the planet is fundamental, because the sustainable development of the regions in which the Group operates is its *raison d'être* and because its performance depends on the well-being of its employees, Veolia has decided to develop and present its commitments according to these three areas:

RESOURCING THE PLANET

- 1 – Sustainably manage natural resources by supporting the circular economy
- 2 – Contribute to combating climate change
- 3 – Conserve and restore biodiversity

RESOURCING THE REGIONS

- 4 – Build new models for relations and value creation with our stakeholders
- 5 – Contribute to local development
- 6 – Supply and maintain services crucial to human health and development

THE WOMEN AND MEN WE EMPLOY

- 7 – Guarantee a healthy and safe working environment
- 8 – Encourage the professional development and commitment of each employee
- 9 – Guarantee respect for diversity and human and fundamental social rights

The Group's commitments to sustainable development apply to all our activities, in every country and to all our employees. They entail steering and monitoring at the various levels of management in the company.

- The Internal Sustainable Development Committee coordinates and drives the measures taken. The committee is made up of the internal entities involved in the implementation of these commitments; it is chaired by the General Counsel and steered by the Sustainable Development Department.

- The executive committee produces an annual report on the progress of these commitments. More specifically, it ensures that the targets and action plans for the 12 key indicators set out in parts 2, 3 and 4 of this document are on track.

- The Innovation, Research and Development Committee, one of the four committees of the Board of Directors, monitors the company's social and environmental performance.

The key indicators of the Group's CSR performance are audited annually by an external firm and are publicly disclosed.

For more information, see the brochure on our commitments to sustainable development, on www.veolia.com.

2.2 Commitments of our Ethics Guide

In 2003, Veolia produced an Ethics Guide to guide its staff, setting out the fundamental values that employees' behavior should reflect in all circumstances. The guide was updated in 2013 and explains the values and rules of behavior the company expects its employees to adhere to and which it promotes to other stakeholders, such as compliance with laws and regulations, social responsibility, solidarity and social equity, innovation, customer focus and risk management, quality of information and corporate governance, as well as a commitment to sustainable development.

For more information, please see the Ethics Guide on our website or chapter 3.3, below.

2.3 Adherence with international reference texts

These commitments enhance the Group's voluntary adherence with the United Nations Global Compact and the signing of the Seoul Declaration, which recognizes the fundamental human right to a safe and healthy workplace environment.

Veolia's business principles are rooted in international reference texts:

- Universal Declaration of Human Rights and additional pacts;
- guiding principles of the United Nations on business and human rights;
- fundamental principles of the International Labor Organization;
- guidelines for multinational companies established by the Organization for Economic Co-Operation and Development (OECD);
- OECD Anti-Bribery Convention (1997);
- French code of corporate governance (AFEP-MEDEF);
- objectives of the national biodiversity strategy and the convention on biological diversity.

Our commitments under the Global Compact

Veolia joined the United Nations Global Compact on June 12, 2003, after an official decision by its governance bodies and a declaration of membership signed by its Senior Executive Vice-President. Since then, a permanent correspondent has been monitoring the close relations and contacts that exist with the Global Compact Board in New York. Our participation in the Global Compact, and the resulting pledge to support and promote its principles within our sphere of influence, is a major consideration in all aspects of the Group's social responsibility policy.

On July 15, 2014, Veolia, in the words of its CEO, restated this commitment. The communication describing the Group's progress qualified it as being compliant with Global Compact 'advanced status'. Veolia is also specifically investing in the French network of the Global Compact. The permanent contact chairs the GC Advanced Club, a forum for dialogue and reflection on corporate social responsibility. Veolia has also taken part in three meetings to raise awareness of and promote the Global Compact principles in France.

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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.
- 2. Businesses should make sure they are not complicit in human rights abuses.

■ **Labor**

- 3. Businesses should uphold the freedom of association and the effective recognition 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 approach to environmental challenges.
- 8. Undertake initiatives to promote greater environmental responsibility; and
- 9. Businesses should 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 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 partners to uphold this right through access programs that are both technically ambitious and socially innovative.

Veolia also continues to respond to the invitation of institutions involved in implementing this right by offering a combination of its recognized technical excellence and dialogue between all stakeholders to drive the emergence of shared solutions. This approach has been formalized as part of the Access methodology that the Group has developed in response to the complex challenges of providing safe access to water at an affordable price and in sufficient quantities for personal and domestic use for all (see the section 4.1.3 in the Managing our societal performance chapter, below).

In terms of international events (6th World Water Forum in Marseilles in 2012 and Rio +20, etc., Veolia, acting independently or in conjunction with AquaFed (international federation of private water operators) regularly reaffirms its commitment to good governance of water at a local and international level, and to helping to implement the right to water and sanitation.

Our commitment to human rights

Over the years, Veolia has shown a clear commitment to respecting human rights in its business activities and in the regions where it operates.

In 2014, Veolia set up a committee dedicated to such issues under the authority of its General Counsel. The committee coordinates policy and action plans in relation to providing support and evaluating processes and practices with the aim of driving progress. To date, we have carried out an assessment of the risks and challenges across the Group. This will form the basis of an action plan that is currently being defined.

Promote recognition of the fundamental right to a safe and healthy working environment

- On July 1, 2013, Veolia - represented by its Chairman and CEO - signed the Seoul Declaration at the International Labor Organization (ILO) in Geneva, recognizing the fundamental human right to a safe and healthy working environment.

In so doing, Veolia has made a commitment to promoting the process of continuous improvement in terms of health, safety and security promoted by the Seoul Declaration, training key players and labor-management relations in this area.

3. STRUCTURED ORGANIZATION

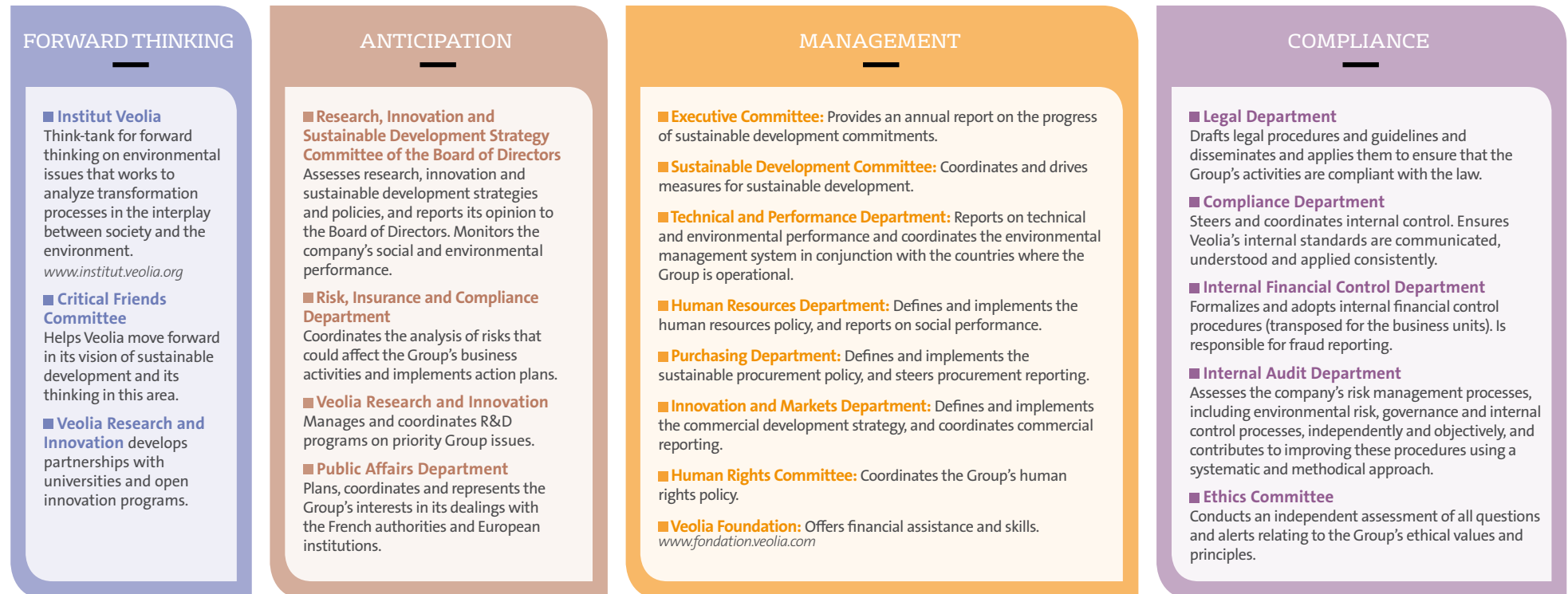
To anchor sustainable development in the day-to-day operations of its businesses, Veolia incorporates the concept into its management systems by defining commitments and deploying policies, objectives and procedures.

3.1 Governance bodies

Veolia uses a variety of bodies and methods to ensure its corporate responsibility is actively managed at all stages of maturity of the issues affecting the company.

The Sustainable Development Department, which is directly accountable to the General Counsel's Department, instigates and coordinates this process, steers corporate reporting and encourages the adaptation of contractual models and commercial propositions in order to prioritize the issue of sustainable development and make it a driver for value creation.

Our sustainable development policy involves a large number of internal stakeholders - functional departments, business units and independent bodies - and therefore requires a structured approach to manage all related issues, from forward thinking to compliance. The diagram below shows their contribution to this approach.



3.2 Coordinated anticipation of risks

Veolia builds long-lasting relationships of trust with its customers based in particular on its ability to manage the risks they have delegated. In introducing a coordinated system for risk prevention and management, the Group is responding to an issue that is fundamental to its development and reflects its strong commitment to corporate social responsibility for itself and its stakeholders. Developing services essential to community and industrial life requires ongoing vigilance and anticipation: managing the risks that its customers ask it to address is central to Veolia's expertise and means incorporating environmental, social and economic factors into strategic thinking about the Group's development.

Overall management of risks

The Group's Risk and Insurance Departments were combined in late 2012 in order to adopt a comprehensive, consistent risk management policy in line with Veolia's strategy. To complete this set-up, the Compliance division was created in 2014; the Risk, Insurance and Compliance Officer reports to the General Counsel, who is a permanent member of the Executive Committee. This new organizational structure is based on the principle of streamlining Veolia's organization to drive momentum in the sector and offer direct support to all countries in which the Group operates. The Risk Department is the starting point and the coordinating body for managing risk and for mapping the major risks faced by the Group. It is responsible for implementing action plans and ensuring their effectiveness.

Veolia's risk analysis methodology is based on a common core, designed to identify and prioritize risks consistently, in line with overall risk management standards and best practices. The Group's approach to risk management allows it to categorize all types of risks (strategic, operational, HR, financial, IT, etc.) in a standard fashion through the use of risk mapping; it therefore

includes environmental factors (e.g. flooding/drought and damage to the environment), social/corporate factors (e.g. human resources, human rights) and economic/financial factors (e.g. market risks).

In addition to analyzing their financial impact through evaluating strategic risks and opportunities (achievement of objectives) and plans (profitability and relevance), all risks and opportunities are examined in light of the Group's CSR and sustainable development objectives at both head office and business unit levels.

In 2014, the risk mapping exercise carried out at country level and for the whole of the Group was presented to the Executive Committee, meeting as a Risk Committee, and to the Accounts and Audit Committee in order to validate and monitor the effectiveness of the company's action plans; amongst other things, this helps the company to adapt to its exposure to environmental, social, corporate and economic factors. Risk management involves close cooperation between the Risk, Insurance and Compliance Department, the Internal Audit Department, the Legal Department and the Sustainable Development Department, which oversee the implementation of risk mitigation plans.

An Emerging Risk Identification and Evaluation Committee (new non-conventional risks that may impact the Group) was also created in 2014 in order to round out the risk management structure.

In addition, the Risk, Insurance and Compliance Department analyzes external factors affecting areas where the Group operates now or may operate in future, such as the geopolitical, economic, social and financial situation, but also the level of development, and working and environmental conditions (including human rights) in order to incorporate stakeholder expectations as effectively as possible, in line with corporate social responsibility.

Continuity of service

Risk management allows Veolia to ensure service quality and continuity for its customers and users. The Group employs various methods 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.

More detailed information on the Group's risk management systems is available in Chapter 4 of the Registration Document, at <http://www.veolia.com/en/veolia-group/media/publications>

Health and environmental risks: Veolia's responsible approach to tackling emerging risks

- The ability to manage environmental and health risks is a cornerstone of the Group's 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 possible impacts on the Group's operations and on its stakeholders, 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, scientific research and participation in international programs and R&D partnerships - in particular on issues such as nanomaterials, emerging biological parameters, chemical toxicity, and the impact of climate change on society, health and the environment.

3.3 Ethics

Ethics Guide

In 2003, Veolia formalized its values for all its employees in a guide called the *Ethics, Commitment and Responsibility Program*; the guide has been updated several times, in 2004, 2008, 2011 and 2013. Renamed the *Ethics Guide* in 2013 (see paragraph 2.2 above), two appendices have been added: a guide to compliance with competition law and a guide to managing criminal risk exposure.

These guides are available on the Group's website and intranet, and are distributed throughout the Group and have so far been translated into more than 10 languages. This is a Group-wide standard designed to guide the conduct of our employees in their day-to-day activities.

Since 2010, Veolia's General Management has entrusted the implementation of the Group's ethics policy to the General Counsel's Department. A network of ethics officers contributes to monitoring the Group's ethical policy at a local level.

The guide and a reminder of the values and major rules it contains was sent to directors in each country and to members of the Management Committee by the CEO in January 2014, reaffirming the company's commitment at the highest level. The documents were then relayed by the Group's Human Resources Director and Communications Director to their departments in each country and featured in local communications campaigns and training initiatives. Additional communication activities are organized regularly.

Raising awareness and training employees

Veolia uses awareness-raising and training activities to ingrain its ethical culture throughout the company and prevent risks. In 2004 and 2005, the Ethics and Business Life awareness-raising campaign targeted over 400 senior executives in France and other countries.

Between 2008 and 2014, around 4,000 managers attended the Competition Law Compliance training program, which consisted of seminars and supporting materials in France and other countries. In 2013, this was followed up with an online training course consisting of four modules

and aimed at over 6,000 Group employees throughout the world.

The training program on *Preventing Criminal Risk Exposure and Raising Awareness of Corruption Risks* has been delivered since 2010 and has already reached around 2,800 people, mainly in France, Europe, Brazil, the United Arab Emirates, China, Japan and South Korea.

In 2012, nearly 500 managers around the world received training on improving fraud control and prevention. All course participants received a copy of the *Ethics Guide* along with the booklet on criminal risk exposure.

Providing a framework for practices

In addition to distributing the Ethics Guide, the Group has rolled out a series of business-wide standards aimed at preventing risks. These include:

- the Suppliers' Charter¹ and the Code of conduct: Sourcing Working group¹, which include chapters describing the ethical practices to be adhered to and promoted by all parties involved in company procurement. (For more information, see section 2b. on *Managing Sustainable procurement* in the *Managing societal performance* chapter);

¹) Document available at www.veolia.com.

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- an internal procedure to prevent criminal risks and corruption.
- a Group procedure that sets out a framework for commercial intermediaries, consultants and business agents. It validates the selection of service providers, and ensures the monitoring of their remit and payment; it also ensures that services are supplied in compliance with strict rules and under a framework contract. The contract itself includes a detailed “ethics and anti-corruption” clause. Internal audits are carried out to ensure that this procedure is applied;
- a legal reporting procedure for the Group as a whole;
- a procedure for sponsorship and patronage activities¹⁾;
- an alert procedure for declaring cases of fraud involving Group employees;
- an internal prevention and management procedure to handle conflicts of interest;
- an internal guide to good conduct aimed at Group employees involved in representing its interests;
- an internal procedure on compliance with competition law;
- an internal procedure on a “Code of Conduct for insiders & securities laws”;
- an internal “doing business in sensitive countries” procedure;
- a Code of Conduct for financial professionals;
- an internal procedure on prohibitions applicable to payments and aid given during voting periods;

1) Document available at www.veolia.com.

■ a guide to the protection of innovation and know-how.

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

The Ethics Committee

In March 2004, an Ethics Committee was established by the Executive Committee to examine any issues or questions relating to ethics. It consists of three to five members selected by the company’s Executive Committee. Its members are under strict obligation to act independently and maintain confidentiality and are not entitled to express their personal opinion outside the committee. To guarantee their freedom of judgment, they may not receive instructions from the company’s General Management and cannot be dismissed during their term of office (four years renewable).

The Ethics Committee is tasked with making recommendations concerning Veolia’s fundamental values. It ensures that the Ethics Guide is accessible to all.

Any employee may refer any matter relating to ethics to the Ethics Committee, which may also deal with such matters on its own initiative. It may carry out “ethics visits” to the Group’s operating sites. During the visits, individual interviews are conducted with a

sample of employees that is as representative as possible. The aim, in particular, is to assess the employees’ level of ethical maturity, their knowledge of the Group’s values, the ethical problems they may encounter, and the training they receive from their superiors or that they themselves provide for their employees on the subject.

Any Group employee who believes there has been a failure to comply with the rules set out in the Ethics Guide can refer the matter to the Ethics Committee by any means. This whistleblowing procedure can be used when the said employee considers that informing his or her direct line managers could result in difficulties or when the employee is not satisfied with the response from the latter. The committee is vested with the necessary authority to fulfil this purpose. On that basis, it is authorized to hear any Group employee, the auditors, and third parties. It can also call on the Internal Audit Department or any Veolia departments or on the services of external experts.

In 2014, the Committee presented its report on its activities for the past year to the Board of Directors’ Accounts and Audit Committee as well as to the Executive Committee, as it does every year.

3.4 Internal control and audit

In light of this restructuring, in 2014, the Group's Executive Management decided to create a formal compliance function, to bolster the internal financial control and regulatory compliance systems already in place. This function is responsible for overseeing and coordinating internal control activities within the Group. It ensures that Veolia's standards are communicated, understood and applied consistently; its activities are not limited merely to regulatory compliance.

The Compliance function comprises:

- the Risk, Insurance and Compliance Department (DRAC), which is responsible for the central coordination of internal control and compliance and for overseeing the establishment of nomenclature and the consolidation of Group standards.
- the Group's Corporate Legal Department, which checks the legal aspects of internal standards and works to ensure ethical and compliant behavior by providing information and training on competition law and the prevention of legal risk and corruption.

The Compliance function works closely with the Internal Audit Department, which

regularly monitors that standards are applied correctly.

The Internal Audit Department reports directly to Group General Management and provides regular information to the Board of Directors of its activities, through its Account and Audit Committee. It works in close cooperation with the Risk, Insurance and Compliance Department, the Legal Department, and with the Financial Division's Internal Control Department.

The annual internal audit plan, approved by the Accounts and Audit Committee, is based on a mapping of the Group's key risks. As well as purely financial internal control reviews, it includes reviews of an entity's governance and, in particular, ensures that the Ethics Guide and Group procedures are understood and applied, and that the human resources management policy and procedures are enforced. Since December 2012, the environmental audit team has been an integral part of the internal audit department allowing for coverage, whenever relevant, of all the risk areas of the audited entity.

The Internal Audit Department also reviews Group acquisitions and new contracts subsequent to their conclusion; these audits include a financial review as well as a review of the contractual process and terms.

The Internal Audit Department is always involved in the event of the risk of fraud, to recommend any additional measures required.

In addition to audits of each separate legal entity, cross-divisional audits are carried out, such as controls on the use of commercial intermediaries, the implementation of anti-corruption measures (in 2009 and 2014), the environmental management system (2010), social reporting (2011) and the whistleblowing system in the United States (2011).

On top of the system outlined in the internal financial control procedures in place within the Group, in 2005, the Financial Department set up a system to report cases of fraud on a quarterly basis. Proven cases of fraud are analyzed to identify any corrective actions to be taken within the relevant entity and, where applicable, in other Group subsidiaries. The Accounts and Audit Committee is informed once a year and more frequently if necessary, of any frauds identified. The lessons learned from this information are incorporated when defining audit assignments.

4. RECOGNIZED PERFORMANCE

As a company listed on France's CAC 40 index, Veolia is rated for its extra-financial performance based on published information and statements. Extra-financial ratings and inclusion in specialized stock market indexes provide a measure of companies' sustainable development performance. The principal areas evaluated are governance, human resources management, environmental performance, ethics, human rights, customer/supplier relations and dialogue with civil society.

FTSE4Good

Veolia has been listed on the FTSE4Good since 2004. Considering that inclusion criteria are regularly reviewed and tightened, Veolia's recurrent inclusion in this index is an acknowledgment of the Group's performance and long-term commitment to sustainable development, particularly in terms of transparency. The FTSE4Good acknowledges the performance of companies with highly responsible environmental, social and governance practices.

Bronze Class Sustainability Award 2014 from RobecoSAM

Every year, RobecoSAM rates the performance of companies that are leaders in sustainable development. Veolia's inclusion in the Bronze Class Sustainability Award category of the Sustainability Yearbook 2014 ranking recognizes the Group's excellent performance, marking it out as one of the top 15% of businesses in its sector.

Euronext VIGEO Europe 120

Veolia has been listed on the Euronext VIGEO Europe 120 index since its creation in 2012. Vigeo's indices are composed of the highest-ranking listed companies as evaluated by the agency in terms of their corporate social responsibility. The

index is updated every six months, providing investors with information on companies assessed by Vigeo that have achieved the highest ratings in terms of corporate social responsibility.

Ethibel Sustainability Indices (ESI)

Veolia is included in the ESI Europe index, which selects the 200 European companies with the best ratings. The Ethibel Sustainability Index is a sustainability index that offers investors a comparison between the financial performance of sustainable investments and that of traditional shares. It includes companies listed in the Excellence Register compiled by the independent organization Forum Ethibel.

STOXX Global ESG leaders

In 2014, Veolia was listed on the STOXX Global ESG leaders and STOXX Global ESG Environmental leaders indices. These indices select leading companies on the basis of environmental, social and governance criteria, according to the indicators proposed by the Sustainalytics ratings agency.

Classified Prime by Oekom Research

In 2014, Veolia was again selected in the Prime category assigned by German ratings agency Oekom Research to companies that are

among the best in their industry in terms of social and environmental responsibility.

Carbon Disclosure Project

In 2014, the Group obtained a score of 88/100 for transparency and retained its B rating in terms of performance. While the average company score in the utilities sector is 77B, these results reflect the fact that climate change has long been one of the Group's priorities. The aim of the Carbon Disclosure Project (CDP) is to inform investment decisions so that they account for the effects of climate change on companies. The association is supported by over 880 institutional investors with worldwide assets worth \$95 billion.

Rating by Enjeux-Les Echos of the most committed CSR companies on the CAC40 index

The Enjeux-Les Echos business magazine ranked Veolia 7th among the most CSR-committed CAC40 companies in 2014, just three percentage points away from the highest score.

Managing environmental performance

Our day-to-day aim is to resource the world in response to major environmental challenges. These three challenges are: preserving natural resources, combating climate change and protecting biodiversity.

Veolia is continuing to steer specific action plans, at the same time as refining its reporting processes to better reflect the impact of its activities.

Our three-year environmental plan for 2012-2014 has been extended by one year to develop a future environmental plan in relation to the strategic plan for 2020, which is currently being finalized.

In line with the aim of adapting to the Group's strategic guidelines and involving the business units, we began updating our EMS in 2014.

1. ENVIRONMENTAL POLICY AND MANAGEMENT

1.1 Environmental policy and objectives

Veolia has made “Resourcing the world” a day-to-day aim and in 2014 decided to restructure its environmental commitments in line with three key environmental challenges facing the planet, combined with its targets for 2020 (see *Managing corporate responsibility*, Chapter 2 above):

- **Commitment 1 - Sustainably manage natural resources by encouraging the circular economy.**

Target for 2020: achieve more than €3.8 billion in revenue linked to the circular economy.

- **Commitment 2 - Contribute to combating climate change.**

Target for 2020: capture more than 60% of the methane from landfill sites.
Target for 2020: accumulate 100 million metric tons of CO₂ equivalent in reduced emissions and 50 million metric tons of CO₂ equivalent in avoided emissions over the period from 2015 to 2020.

- **Commitment 3 - Protect and restore biodiversity.**

Target for 2020: to have carried out a diagnostic assessment and rolled out an action plan on 100% of sites identified as having a significant importance for biodiversity.

Every day, the Group takes practical measures to make its aim of “Resourcing the world” a reality, in an effort to manage the sites that it

operates in an exemplary way and offer the most effective and innovative solutions to its customers. In order to achieve this, it has not only introduced an internal environmental management system (EMS) overseen by the Executive Committee, but has also taken measures to achieve certification for its sites and activities around the world (including ISO 9001 quality management, ISO 14001 environmental management and ISO 50001 energy management). These initial targets are supplemented by a cross-functional target for 2020, to have the EMS in use for 100% of its operating activities.

Since 2009, the Group has broken down its environmental policy into three-yearly objectives. In accordance with the requirements of its EMS, these objectives apply to the Group as a whole and, where relevant, each entity must supplement these general objectives with local objectives decided on the basis of an analysis of the major environmental impacts identified for its remit.

The objectives of the 2012-2014 plan were defined on the basis of an analysis of the substance of the Group’s environmental challenges. For each type of environmental impact, the Group determined the activities

with the greatest contributions. It then defined quantitative targets for activities with:

- a high degree of interest for external stakeholders;
- a reasonable level of Group control;
- significance in terms of reducing operational costs or growing business volumes.

Work to draw up a new environmental plan, which had been scheduled for 2014, has been postponed for a year, partly due to the restructuring of Veolia in 2014 and partly so that this work could be carried out in line with the creation of the 2020 strategic plan, which is currently being finalized. The 2012-2014 plan has therefore been extended for an additional year pending completion of this work, and the targets for 2015 have been reevaluated.

However, as part of its new commitments for sustainable development, the Group has already defined targets for each of its three environmental commitments for 2020 (see box).

2012 - 2015 ENVIRONMENTAL PLAN

Analyzing the impact of our activities helps us to define quantitative targets for impacts seen as major, in addition to our overall targets.

Our commitments	Priority areas for our external stakeholders ⁽¹⁾	Contribution of Group activities to impacts, in 2014	Targets		2014 Quantitative targets	2014 Results	2015 Quantitative targets	For more information, see the paragraphs	
Impacts									
Commitment 1 - Sustainably manage natural resources									
Use of water resources	• • •	98%	Water	Reduce the volume of water lost from distribution networks operated (pro forma 2011) Increase ⁽⁴⁾ the volume of water reused from wastewater collected and treated	from -5% from 10%	-8.6% 49%	from -9% from 50%	2a.1	
Consumption of energy resources	• • •	62%	Energy	Increase the percentage of renewable energy in the mix of energy services (scope: European Union) Increase the percentage of combustible biomass consumed	to 20% in 2020 to 8.5%	14% 8%	20% in 2020 to 10%	2a.2	
		30%	Waste solutions	Increase the percentage of sites covered by an energy efficiency plan Increase the production of renewable energy from waste ⁽⁵⁾	to 60% /	Indicator abandoned 9.8%	/ from 12%		
		8%	Water	Improve energy efficiency at wastewater treatment plants (pro forma 2011)	from 5%	-1%	/		
Production of secondary raw materials	• • •	100%	Waste solutions	Increase the rate of materials recovery	to 26%	20%	to 26%	2a.3	
Water discharge	• • •	95% ⁽²⁾	Water	Improve wastewater treatment efficiency (BOD ₅) at wastewater treatment plants of over 50,000 eq. inhab. with a particular focus on plants with an efficiency level of less than 85%	/	95%	/	2b.1	
				Improve wastewater treatment efficiency (COD) at wastewater treatment plants of over 50,000 eq. inhab. with a particular focus on plants with an efficiency level of less than 80%	/	90%	/		
Atmospheric emissions excluding GHG	• •	90% ⁽³⁾	Energy	Reduce emissions	/	/	/	2b.2	
		10% ⁽³⁾	Waste solutions	Maintain the proportion of waste treated in incinerators in accordance with the European regulatory threshold for dioxin emissions (scope: world)	> 95%	99%	> 95%		
Waste production	•	/	All	Recover as much process waste as possible	/	/	/	2b.3	
Soil pollution	•	/	All	Prevent pollution	/	/	/	2b.4	
Local pollution	•	/	All	Reduce local pollution	/	/	/	2b.5	
Commitment 2 - Contribute to combating climate change									
Direct GHG emissions from managed facilities	• • •	52%	Energy	Improve ⁽⁴⁾ the carbon performance of combustion facilities	current scope Like-for-like 2011	by 15% /	-10% 3%	See below from 5%	3.4
		47%	Waste solutions	Improve methane capture rate in landfill sites	Excluding Latin America scope: world	to 66% /	67% 56%	See below >= 60% in 2020	
Contribute to reducing emissions by third parties	• • •	76%	Waste solutions	Increase the production of renewable energy from waste	compared with 2011 compared with 2012	from 7.5% /	-6% 9.8%	See below from 12%	2a.2
		23%	Energy	Improve the direct carbon efficiency of energy services (emissions avoided/emissions)		to 39%	37%	see 2020 target for commitment 2	3.4
Commitment 3 - Protect and restore biodiversity									
Activities that require a large land-take	• •	/	Waste solutions	Carry out an assessment and implement an action plan at sites with significant biodiversity issues Implement a national conservation plan in the six main countries	75% 75%	30% 33%	replaced by the indicator and target below	4.3	
		/	Water	Monitor the number of sites that have implemented an action plan to restore local biodiversity	/	13%			
		/	All	Carry out a diagnostic assessment and implement an action plan in sites identified as having a significant importance for biodiversity	/	23%	100% in 2020		

The quality of drinking water distributed is now covered in the chapter *Managing our societal performance*, section 4.2.

1) at a global level – other subjects may be seen as a priority at a local level. 2) estimate. 3) breakdown calculated on the basis of average values for sulfur dioxide and nitrogen dioxide. 4) compared with 2011. 5) compared with 2012.

1.2 Environmental reporting

Environmental reporting covers activities linked to the operation of public water and wastewater treatment services, and waste collection, transfer and processing activities as well as industrial cleaning and maintenance and energy services (heating and cooling systems, industrial utilities and energy services for buildings). For the first year, the scope of reporting includes activities relating to the operation of industrial water facilities within the United States, Asia and VE Industries¹.

Within this scope, reporting covers all activities over which the Group has operational control. The environmental data from the Group's dedicated information system are fully consolidated, regardless of the proportion of consolidation in the financial statements.

Excluded activities are split between those relating to the operation of industrial water facilities that still need to be integrated into the reporting, the Moroccan entities (Redal and Amendis) and activities with a low environmental impact that have not been integrated (such as support functions, research departments and training facilities). The total represents 4% of the Group's revenue in 2014.

The data collected covers the period from January 1 to December 31, 2014. The measurement and calculation procedures, together with the control and checking procedures are set out in the environmental reporting protocol available on Veolia's website. (www.veolia.com)

Historical data have been re-presented to take account of the sale of Energy services in France in 2014.

Key environmental reporting figures

Number of primary indicators	> 1000
Number of calculated indicators	> 600
Number of material indicators subject to external verification	> 15
Of which reasonable assurance	6
Number of entities where data is entered	1600
Number of contributors around the world	> 1000

¹) For VE Industries, see *Managing corporate responsibility*, Chapter 1, above

1.3 The environmental management system

The Group has managed its environmental impacts using an EMS (Environmental Management System) since 2002 and has reported on them since 2004.

Drawing in large part on ISO standard 14001, the Group's EMS is based on a set of requirements that was strengthened in 2009 and is structured around four levels of responsibility (Group, activities, business units and sites). At each relevant level, it enables environmental impacts and compliance with regulations and in-house company requirements to be assessed. Objectives are set and the resources and action plans implemented to attain them. The system also covers the prevention of accidental pollution and defines the resources to be implemented in the event that an accident arises nonetheless, and ensures such resources are operational. It specifies additional requirements:

- for facilities considered as priority facilities, such as those with a larger installed capacity and with a greater contribution in terms of their impact on normal operations, therefore;
- for "sensitive activities", which could have a significant impact on the environment in fail-safe mode, even if the likelihood of occurrence is low (e.g., cooling towers).

In order to continuously improve its content, the EMS was updated in 2014. The objective is to continue the strong involvement of the business units in this area, ensuring that the EMS is always a good fit with the strategic direction of the Group.

Details of methodology: priority facilities are those contributing the greatest impact.

- Drinking water production plants with a capacity of over 10,000 m³/day*.
- Municipal wastewater treatment plants with a capacity of more than 50,000 PE*.
- Facilities with a thermal power rating of over 20 MW.
- Incineration plants.
- Physical-chemical treatment plants.
- Hazardous waste recycling centers.
- Landfills (excluding inert material) in operation.

* Installed capacity.

Management

The Sustainable Development Committee, chaired by the Group's General Secretary and run by the Sustainable Development Department, brings together representatives from operational departments and from the various businesses to decide on how the Group implements sustainable development. It defines the strategic direction and validates the environmental policy.

The EMS is run by an environmental steering committee made up of the stakeholders responsible for environmental issues for each business activity and it ensures that information is communicated and action plans are coordinated.

The Group's Internal Audit Department is responsible for monitoring the roll-out of the EMS in the different countries and business units. Auditors with operational experience in the field (for example, as operations managers) have been recruited for these specific tasks.

In addition, the Risk Department is responsible for coordinating, identifying and assessing Group risks, particularly environmental risks, and ensuring that they are controlled. It works with a risk committee that brings together the members of the Executive Committee and is chaired by the General Counsel and run by the

Chief Risk, Insurance and Compliance Officer. This committee validates and monitors the effectiveness of the action plans implemented with respect to the significant risks identified in the mapping (see *Managing corporate responsibility*, section 3.2 above).

The Group has also implemented a warning system and a crisis management procedure throughout its sites, to monitor

Creation of Group-level centers of excellence

The new Veolia has transformed the structure of the Group by strengthening the technical capabilities and performance management of the Water, Waste solutions and Energy services activities. The Centers of Excellence (CoE) that existed in some of the activities have been strengthened and expanded, each bringing together a dozen or so world experts.

The standards created by these CoEs contribute to preventing pollution and conserving resources.

- Over 200 managers and experts are involved across 25 centers of excellence;
- 1,600 people are stakeholders in 16 *Communities* covering the main business activities;
- Six standards have already been published.

VALIDATION AND COMMUNICATION OF TARGETS

Sustainable Development Committee

- Sustainable Development Department
- Technical and Performance Department
- Other relevant functional departments

Defines

- Environmental policy
- Strategic direction
- Corporate communications

OPERATIONAL MANAGEMENT

Environmental Steering Committee

- Technical and Performance Department
- Sustainable Development Department

Manages and monitors

Defines

- EMS guidelines
- Quantified targets

- Implementation of guidelines
- Environmental reporting
- Environmental results review

DATA CONTROL AND VERIFICATION

External audit of reporting by KPMG

- Technical and Performance Department
- Sustainable Development Department
- Countries

Certification audits ISO 9001/ISO 14001

- Countries

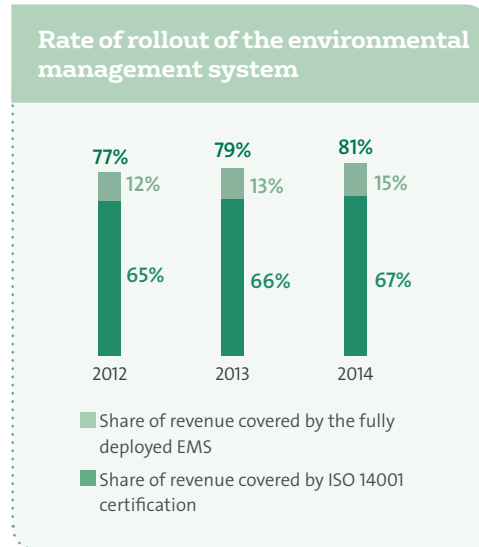
EMS internal audits

- Internal Audit Department

environmental risks and issues in particular. These procedures mean that any necessary measures can be taken on a timely basis and at an appropriate level. No serious environmental incidents were reported at Group level in 2014.

Implementation

The EMS continues to be rolled out with the aim of achieving 81% of revenue, of which 67% is ISO 14001-certified.



To improve control of the EMS implementation, a team of business experts within the Internal Audit

Department conduct audits of the Group’s business units worldwide.

Additionally, the Group has also strengthened the external auditing of the EMS implementation indicator, achieving a reasonable level of assurance for this indicator since 2010.

The requirements redefined and detailed in 2009 are comparable to those required by the ISO 14001 standard. While Veolia has set itself the target of continuing to roll out its EMS, it has opted not to systematically pursue ISO 14001 certification for its business units. Locally, external certification may be sought on the basis of this standard depending on the management needs of the relevant business unit.

In terms of business units, over 35,000 Group 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 we decided to measure and manage this initiative on the basis of the revenue covered.

Resources dedicated to the prevention of environmental risks and pollution

Given the nature of the Group’s activities, the amounts allocated to preventing environmental and pollution risks account for the majority of its expenses and investments. Veolia’s industrial investments amounted to €1,555 million in 2014, including growth and compliance investments. The Group also invested in employee training, certification programs and the implementation of the environmental management system (EMS). Funds were also specifically earmarked for the Research and Innovation budget, amounting to around €78.1 million in 2014.

In 2014, the Group continued a policy of selective investment, while maintaining industrial investments that were contractually required or that were needed to maintain industrial assets.

During the course of its activities, provisions for environmental risks primarily consist of provisions for site closure and post-closure costs (encompassing provisions for site restoration, the dismantling of facilities and environmental risks). This amount totaled €640.5 million in 2014.

Employee awareness and training

Training and informing employees about environmental issues is an integral part of the measures put in place by the Group in each of the countries where it operates. The Veolia Campus network provides business units with access to environmental training, which is

prepared at the request of the Group's business committees (see *Managing our social performance*, section 4b). This is supplemented by local training sessions based on identified needs.

To provide our Group's employees with the necessary awareness of the major issues for the business in relation to international or political developments, the Sustainable

Development Department organizes several conferences each year (three in 2014) at which leading specialists address the topics raised.

Each year, the Group runs an international awareness campaign on World Environment Day on June 5. This is an opportunity for sites around the world to organize awareness events.

2. SUSTAINABLY MANAGE NATURAL RESOURCES BY SUPPORTING CIRCULAR ECONOMY

2a. Protecting natural resources

2a.1 Saving water resources

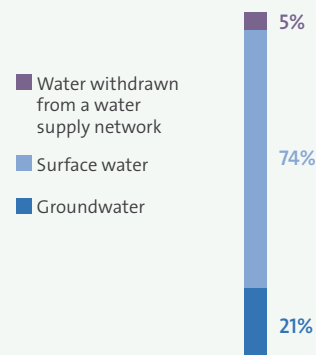
Reducing the quantity of water withdrawn from resources, whether for its own facilities or those operated on behalf of its customers, is a constant concern for Veolia.

In 2014, of 9.8 billion m³ of water withdrawn:

- 9.1 billion m³ were introduced into drinking water distribution networks;
- 0.1 billion m³ were provided to industrial customers to be used as process water;
- 0.6 Billion m³ were used in industrial processes carried out by the Group.

The most sizable withdrawals of water made or managed by the Group were connected with drinking water production or distribution (accounting for 93% of the total volume extracted). In 2014, 8.7 billion m³ of drinking water was produced in the 4,455 production plants operated by the Group under contracts with municipal customers. It distributed 9.1 billion m³ across a network of 316,993 km.

Breakdown of water withdrawals by source (% of total volume)



The volume transformed into drinking water and put back into the distribution networks fell by 0.8% compared with 2013. This slight drop was primarily due to the removal of the desalination plant at Ashkelon (Israel) from the scope of consolidation.

Under its drinking water and industrial water production contracts, Veolia abides

scrupulously by the withdrawal permissions issued to its customers (delegating municipal authorities and industrial companies) by the competent authorities. These permits are generally determined on the basis of prior environmental impact studies, which are carried out to determine the conditions for sustainable withdrawals and to distribute the amounts withdrawn between various types of consumption.

Veolia fulfils its responsibilities as an operator but cannot assume those of its customers, who remain responsible for the decisions and measures they take regarding the conservation of resources, particularly when such actions require large investment. In fact, other than in a few cases, Veolia does not own the facilities. Veolia is firmly committed to optimizing water cycle management and saving what is at times a scarce resource. It offers its customers, as well as the general public, where appropriate:

- various awareness-raising tools (see the paragraphs on *Monitoring the status of resources and sharing the information with others* and *Encouraging responsible consumption by end users*, below)

- tools to aid decision-making (see *Proposing a tool to calculate the Water footprint*, below)
- and a range of technical solutions (see paragraph *Proposing technical solutions to save water*, below)

Although Veolia cannot commit to reducing the overall volume withdrawn (73% of withdrawals were for consumption by end users in 2014), the Group believes that its dual role as a designer of facilities and an operator means that it is able to take action and make commitments in two areas:

- reducing losses in water distribution networks (22% of withdrawals in 2014);
- increasing water reuse (the volume of reused water was 3% of withdrawals in 2014 and has increased by 49% from 2011).

Monitoring the status of resources and sharing the information with others

In 2011, working in collaboration with a variety of NGOs, universities and environment professionals, Veolia launched a website called GrowingBlue.com, designed to help consumers - including municipal customers, manufacturers and local residents - gain a better understanding of water issues and use water more efficiently.

Serving as both a database and an educational tool, the site emphasizes how water shortages could have a socio-economic impact on our communities. From the site's home page, visitors can link to an interactive map of the world displaying data on 180 countries (plus each state in the United States), including water-stressed areas, the number of inhabitants with access to water services, the total per capita volume of renewable resources used per year, the relative impact of water-consuming activities, etc. Additional features are available to track the impact of shortages on the population, as well as economic growth between now and 2050. As a source of information and a reliable resource for policymakers, the site highlights the results of numerous studies conducted worldwide and fosters stakeholder dialogue on the socio-economic challenges posed by access to water.

Proposing technical solutions

Veolia offers its customers a wide range of technical solutions designed to:

- protect resources (identification of chronic sources of damage to resources, prevention of accidental pollution and creation and supervision of protected areas);

- optimize their long-term management (resource monitoring, water withdrawal management, controlled use of resources, improved network efficiency, combating fresh water parasites, managing demand, etc.)
- develop alternative resources, where needed (water reuse, groundwater recharge and sea water desalination).

For more information on these measures, see our brochure on *Protecting and managing water resources*, available on request.

When relevant to the local context, these measures are offered to the Group's customers, who then decide whether to apply them on a case-by-case basis.

Protective perimeter around water catchment areas

- Protective perimeters are established around catchment areas of water intended for human consumption to preserve the resource. Within these protective perimeters, human activities that could directly or indirectly affect the quality of water are forbidden or tightly controlled.

When the Group operates well fields, it implements voluntary biodiversity-friendly actions (differentiated management of public parks, inventory of animal and plant life, etc.) much like the actions carried out at the Crépieux-Charmy well field in Lyon (see Chapter 4 below).

Improving water footprints

In addition to these proposed technical solutions, the Water Impact Index (WIIX) developed by Veolia enables policymakers (companies and municipalities) to make the necessary choices in water management and use. It can be combined with the carbon footprint and applies to both public water and wastewater services and to industrial customers. The WIIX has been adopted for dozens of municipal and industrial contracts worldwide.

■ When applied to the water cycle in conjunction with the carbon assessment in the American city of Milwaukee in 2010, for example, the index highlighted the significant impact of reagent consumption for water disinfection, which subsequently led to the use of innovative solutions at the wastewater plant to reduce its water footprint.

■ Used to evaluate and compare the water footprints of the seven main sites of Vallourec, a world leader in tubular solutions for the oil and gas industries, WIIX provides an objective basis and justification for the relevance of the measures implemented or planned at each of its plants.

■ In February 2014, Veolia was awarded a contract to roll out WIIX at the seven thermal power plants of Tenaga Nasional Berhad (TNB), a national electricity company in Malaysia. Veolia now provides technical expertise in order to attain ZLD (Zero Liquid Discharge) facilities.

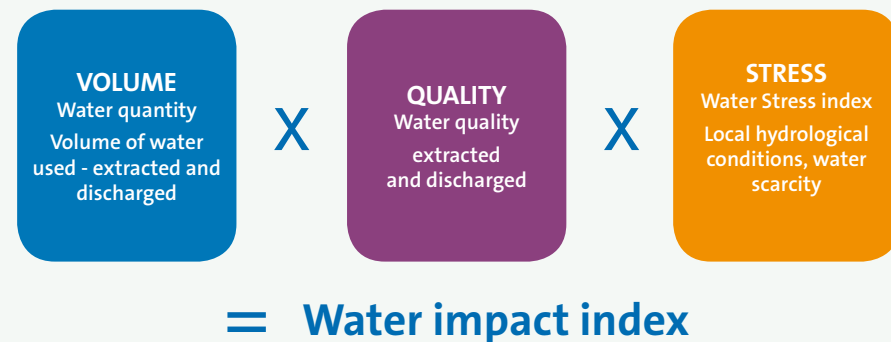
Veolia has also developed a simplified tool for calculating the Water Impact Index of industrial activities and water and

wastewater services: the WIIX Tool. It is available on the Growing Blue website: <http://growingblue.com/footprint-tools/water-impact-index/>.

Veolia has also developed and now offers its municipal customers tools to raise awareness and empower end users to manage their consumption (such as the installation of individual meters and incentive-based pricing).

The Water Impact Index (WIIX)¹

■ Veolia has developed the Water Impact Index to help companies and decision makers 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. Compatible with the ISO 14046 standard on the water footprint, the Water Impact Index includes data on the pressures on resources in terms of volume and quality. This new tool therefore goes further in assessing the water footprint of human activities.



1) <http://www.veolia.com/en/our-customers/solutions>

Incorporating environmental efficiency into our service fee structure

■ Many of Veolia's services now come with contractual commitments for long-term performance. For example, numerous contracts that Veolia has signed with local communities for drinking water production and distribution include financial, environmental and social performance indicators, such as showing progress in efforts to improve network efficiency through reduced water loss or to preserve water resources.

Reducing losses in water distribution networks

In many cities around the world, 20% to 50% of the water produced is lost due to distribution network leaks. Veolia has made reducing such losses one of its priorities and has set a target of reducing the volume of losses by 5% between 2011 and 2014, on a like-for-like basis. Within this scope, in 2011, losses totaled 27.2% of the water introduced into the distribution networks. In 2014, they accounted for 24.8%. On this 2011-2014 like-for-like basis, the volume of water lost fell by 8.6%, showing a net improvement for most of the networks managed by Veolia. The target for 2015 was increased to 9% for the same scope.

8.6% decrease in water loss since 2011, that is 184 millions of cu.m saved

Volume consumed and water losses (millions of cu.m)



The like-for-like decrease in the volume of losses across the distribution networks is due to the introduction of the leak reduction program (leak detection, breaking up of networks into sectors, improved metering control, etc.). On this same basis, we are seeing a drop in these water losses year on year, which is proof that the Group is capable of improving the efficiency of complex systems, in particular, on recent contracts such as the city of Sofia (Bulgaria).

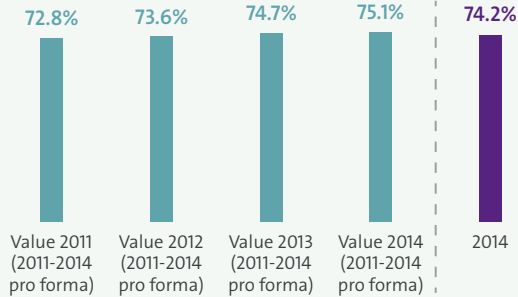
In order to focus our leak detection efforts and advise our customers on the best options for network replacement, we have

two complementary indicators that monitor network performance:

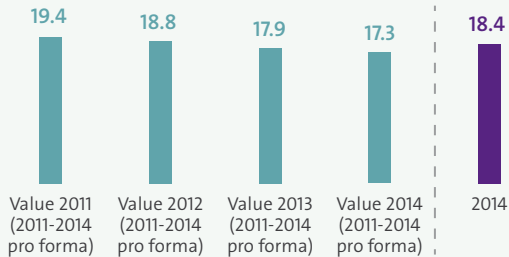
- network efficiency, which assesses the percentage of water delivered to the end consumer, but is influenced by changes in consumption on the network;
- the linear loss index, expressing the volume of water lost in relation to the length of the network.

As the aim is often to find the best environmental and financial balance for each network, especially in a context where consumption is increasing in some countries but reducing in others, it is not possible to set a Group-wide

Efficiency of drinking-water networks



Water losses per length of mains per day (m³/km/d)



Productivity of the networks: + 2.3% improvement between 2011 and 2014

target for this type of indicator. However, the progress made can be measured on the basis of changes in water loss volumes on a like-for-like basis.

The change in these indicators at Group level, within 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 like-for-like scope (that is, retaining only those contracts in effect in both 2011 and 2014) makes it possible to assess real performance in terms of the reduction in water losses.

Moreover, as in previous years, contracts that had not been renewed or lost since 2011 had achieved a healthy level of performance, with output levels of 87.9% in 2014, proof that Veolia is recognized and selected for its ability to reduce losses on water distribution networks.

Since reducing network losses is a priority for the Group, leak detection and repair programs as well as loss reduction programs are systematically offered to our customers. Other tools are also available, such as improved water metering, optimum management of network pressure, and efforts to combat 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 our brochure on *Saving Water*. Veolia is also focusing the attention of its research teams on this subject.

In France, municipalities are legally required to prepare a detailed description of the infrastructure used to transport and distribute drinking water, and to set water loss targets based on water availability. Municipalities that fail to meet these targets must prepare an action plan that includes a multiyear program of upgrades to their network. ONEMA (France's National Office for Water and Aquatic Environments) has created a special index to assess the level of knowledge of drinking water distribution networks and ensure the quality of asset management by all water services. Within this regulatory environment, Veolia manages its drinking water network infrastructure in France (that is, 64% of networks operated by the Group) by striving for an optimal level of investment and the most efficient operating methods in both the short and long-term, in order to maintain the desired performance levels. To do this, the company collects, organizes and manages network information on behalf of municipalities (covering network and plant structure, burst pipes and service activities and data on pipe environments).

In addition, Veolia advises municipal authorities on defining their action plans and provides support for achieving those plans. To that end, the company has developed sophisticated decision-making tools to prepare action plans and cost assessments for scenarios under

+ 49% of water reused since 2011

consideration. These tools include MOSARE (Module for Statistical Analysis of Water Networks – see box) and Vision, which can be used to develop a long-term network servicing plan: it uses the age of the network to calculate the best trade-off between pipe replacement, leak detection and pressure management.

More information is available at www.services.eaufrance.fr/docs/indicateurs/P103.2B_fiche.pdf

Mosare

■ The Mosare decision-making tool – now used on Vedif contracts in France (in suburban Paris), in Shanghai and Shenzhen (China), in Bucharest (Romania), in Bogotá (Colombia) and in Aguascalientes (Mexico) [10% of the networks operated by the Group] - is one of the main components of the comprehensive network management strategy that Veolia offers its customers. 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.

Increasing the reuse of water

Saving resources is also achieved by developing alternatives, for example, by reusing treated water, which has seen a significant increase in recent years. In order to further

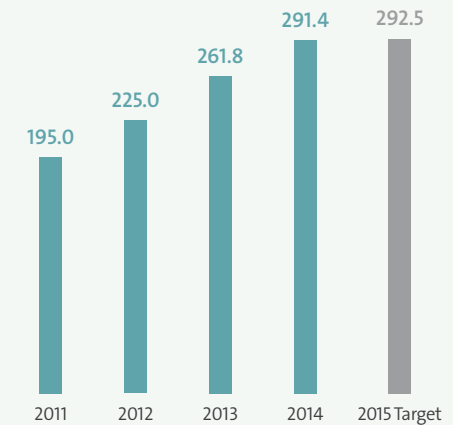
increase recycling of wastewater, the Group has set itself a target of a 10% increase by 2014 (compared with 2011) in terms of the volume of water reused from water collected and treated. In 2014, the volume of recycled wastewater increased by 49% compared with 2011. It should be noted that significant 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. For 2015, the target increase compared with 2011 has been raised to 50%.

Current research is focused on developing technical solutions for the reuse of water in the oil and mining industries – two booming markets. Two strategic avenues are being investigated with an eye to meeting these customers' needs:

■ a reuse solution that captures 50% to 85% of industrial wastewater;

■ a Zero Liquid Discharge (ZLD) solution which recovers 95% to 99% of industrial wastewater.

Volume of water reused from collected, treated wastewater (Water business activity - Millions of cu.m)



Water reused examples

■ Veolia manages large treated wastewater recycling facilities, including one in Durban, South Africa, where the recycled water is used by the paper industry. Since 2011, Veolia includes in its scope two wastewater recycling plants in the United Arab Emirates, offering a total capacity of 430,000 m³/day. The treated wastewater is used to irrigate green

spaces in Abu Dhabi and Al Ain, and partly explains the change in the volume of reused water. For the remainder of this area, the use of treated wastewater for other purposes (irrigation, fertilization, alternative resource for industry, pollution control barrier, etc.) is increasing in line with local regulatory constraints.

Introduction	Contents	Managing corporate responsibility	Managing environmental performance	Managing societal performance	Managing social performance	Appendix
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Encouraging responsible consumption by end users

Under drinking water contracts, the relationship with end consumers and raising their awareness of responsible water use falls to the public authority and Veolia cannot assume their remit; however, the Group can fulfill this role when receiving delegation from the public authority. In the case of delegation, the measures adopted are the subject of a contract agreed with the public authority, which remains the decision maker. Veolia strives to improve consumer awareness and help users save water in a variety of ways:

- it provides information about consumption through Customer Service Centers;
- it includes information and advice on reducing consumption with invoices sent to customers;
- it provides information on consumption via the Internet, through its customer website and newsletters;
- it helps users prevent leaks within the home, by providing advice on leak detection and alerting customers when abnormally high consumption is detected;
- it provides incentives for consumers to gradually replace older appliances with new models that consume less water.

The installation of individual meters is also an important tool in raising customer awareness of water consumption. Users

in collective housing often have little knowledge of their actual water use. In collective apartment buildings that do not have individual meters, for example, billing is based on the main meter at the building entrance, and in most cases the invoice amount is broken down among individual units based on their floor area. In order for consumers to take more responsibility for their water use, they must know how much water they consume - which explains the increase in individual meters.

To ensure that it constantly provides more efficient service for both users and the municipal customers that are answerable for service performance, Veolia is moving forward in the realm of smart metering, and now offers remote meter reading to a million French households. 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). Moreover, they need no longer be present when their meter is read, and as a result, they enjoy a more worry-free water service. With real-time monitoring of the distribution network and the volumes produced and consumed, users can manage their water resources more closely and carefully.

In addition to these awareness measures, municipal customers can also introduce

incentivized pricing, depending on local legislation, to help combat waste. The pricing policy is one of the economic tools designed to improve balance in the use of water resources, especially in areas where water is scarce. Veolia's expertise in this field can help municipal customers to examine this issue and make informed decisions (see the chapter on *Managing societal performance*).

Reducing water consumption at the facilities that we operate

In addition to water-related activities, a responsible approach to better water management has been expanded to include all the Group's business activities. Energy services account for 6% of the water withdrawn and not consumed by the end users. The water is used in closed circuits to carry the thermal energy used to meet service users' needs, via heat exchangers in the form of radiators, convectors or radiant panels. The water supply networks, which are often tens of kilometers in length, are managed locally. Veolia preserves water resources by combating waste in the facilities entrusted to its care. Top priority is given to controlling leaks in heat distribution networks.

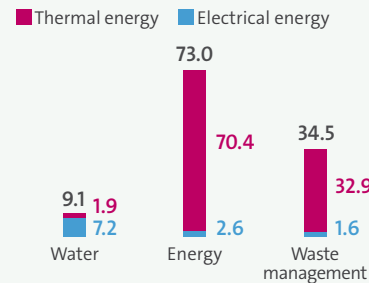
2a.2 Protecting energy resources

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

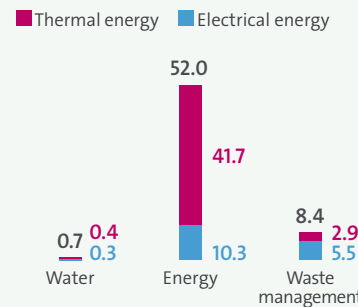
Energy services, naturally, are Veolia's biggest consumer and producer of energy². However, energy-related issues also affect the Water and Waste solutions business activities, both of which contribute to the Group's consumption and production of renewable and alternative energy¹, as shown below. Veolia has adopted separate targets for each business activity to help it manage its energy use in greater detail.

For Energy services, the thermal energy it produces is destined for the district heating networks it operates; the aim is also to cover the needs of industrial customers and managed buildings. This can also include recycled unavoidable energy (e.g. recycling energy produced by IT data management centers).

Energy consumption (millions of MWh)

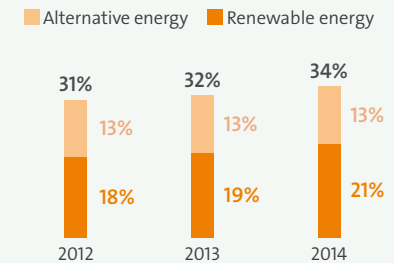


Energy production (millions of MWh)

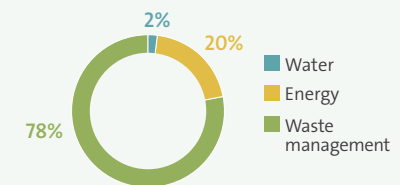


For other activities, the thermal energy produced comes from waste recovery and wastewater recycling. The electrical energy produced³ originates from the Group's desire to optimize the energy efficiency of thermal facilities, of energy recovery from waste and treated water, mainly by installing co-

Share of renewable and alternative energy in total energy consumption



Breakdown of renewable and alternative energy consumption

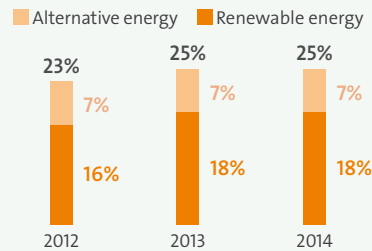


generation units as soon as technically and financially feasible.

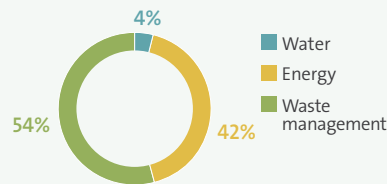
The Group's efforts to diversify its energy mix and recover energy as part of its waste and wastewater treatment processes, translates into an increasingly diversified energy mix. The percentage of renewable and alternative energy consumed increased by two percent between 2013 and 2014, up from 32% to 34%.

¹ Alternative energy includes natural or industrial energy sources that would be lost if not immediately recovered (e.g., mine gas, biogas, auto-consumption, etc.). - ² In the chapter *Managing environmental performance*, the historical data were revised outside the Energy activities in France (accounting for 24% of the energy consumption of the activity in 2013), to account for the cession that occurred in 2014. - ³ With the exception of two contracts specifically aimed at generating electricity, representing 2 million MWh (out of the 16.1 million MWh produced by the Group).

Share of renewable and alternative energy in total energy production



Breakdown of renewable and alternative energy production



+ 3% of renewable and alternative energy consumed between 2012 and 2014 in the Group mix

For its Energy services business activity, Veolia focuses its efforts on high-energy-content operations, 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 and energy services for buildings or industrial customers. Energy services focus on building and upgrading facilities, on improving the thermal efficiency of buildings and optimizing

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 supply chain management, which are key to securing the future for such projects.

Strategic partnership for the development of biomass in Hungary

In 2014, a strategic energy efficiency partnership agreed in 2013 with the Hungarian government, launched a program to develop the competitiveness of the country's economy using the skills and know-how of international groups. This agreement recognizes Veolia's expertise in the areas of energy efficiency and biomass. It will foster the development of innovation, training and job creation. Veolia has been innovating and investing in Hungary since 1992, particularly in Pecs, a city of 160,000 inhabitants located in the south of the country, where biomass (in the form of straw and wood) has replaced gas in powering the heat network, representing a saving of 150,000 metric tons of CO₂ emissions.¹

Additionally, Veolia provides energy performance guarantees that can range all the way up to comprehensive management of energy demand to reduce the client's

energy consumption. The Swedish city of Hörby, for example, signed that country's first energy performance contract. This ten-year agreement includes a guarantee that the city will see savings of 10% in the amount of energy it uses to supply heat, electricity and water to 34 municipal buildings.

Energy Saving Centers: creating genuine centers of energy efficiency

Energy Saving Centers (ESCs) are innovative, potentially distributed, management centers, whose purpose is to optimize the energy consumption of one or more buildings. Using a sophisticated data-processing system, the ESCs accurately monitor and review the energy used in large multi-purpose buildings and compare this data with best practices in the sector and with international protocols. These ESCs have been rolled out in a dozen or so countries, including Ireland, Sweden and Dubai.

Our Research and Innovation teams concentrate on improving the energy efficiency of industrial facilities and combustion plants and on more efficient management of distribution networks. Our work also involves developing the biomass chain.

¹ www.sciencesetavenir.fr/nature-environnement/20140418.AFP5208/biomasse-la-ville-hongroise-de-pecs-120-000-habitants-se-chauffe-a-la-paille.html [webpage in French]

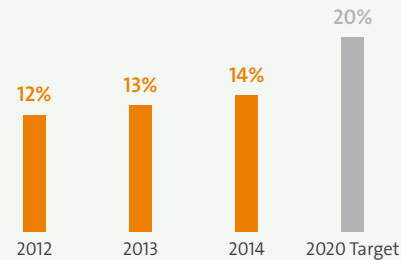
A promising research project on the performance of marine heat pumps

■ Between 2011 and 2014, Veolia headed an ambitious research project in France to develop heat pump technology using sea water, in partnership with the Principality of Monaco, as part of the 11th call for projects by the Single Inter ministerial Fund. The project helped to optimize the overall technical and environmental performance of sea water heat pumps. With an initial investment a little higher than traditional solutions, the technology developed for these sea water heat pumps significantly increases the energy efficiency of this energy generation system (with savings of 20 to 30%). This technology contributes to reducing greenhouse gas emissions (by 60% compared to gas) and enhances the security of energy supplies (as sea water is a non-intermittent and renewable thermal energy reservoir). Since the results of the experimentation project were conclusive, the aim is to expand the use of sea water heat pumps in high-density coastal areas with sea fronts, high water temperature, small tidal movements and favorable bathymetry.

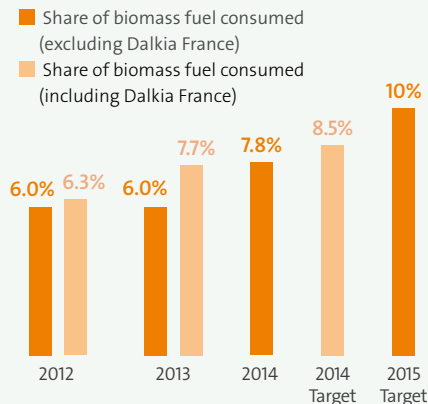
In 2012, Veolia set new consumption targets for renewable energy as part of the energy mix for its Energy services.

In 2014, the percentage of renewable energy in the energy mix within the European Union was 14%. The share of biomass consumed

Share of renewable energy in the energy mix (Energy activity - European Union)



Share of biomass fuel in total energy consumption (Dalkia)



worldwide was 7.8%. The cession of the Energy services business line in France, which accounted for 24% of energy consumption in

Biomass supply policy

■ The development of biomass energy entails managing the balance between carbon sequestering, energy needs and the needs of industry. To achieve this balance, Veolia 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. Across the majority of its area, Veolia uses only locally produced biomass. Among the results of this policy is the creation of supply chains that bring together foresters and local collection and haulage companies.

2013, and widespread use of biomass, meant we did not reach the target set for 2014. A new target has been set at 10% for 2015.

In its Water business, Veolia is developing expertise with the aim of achieving or approaching energy self-sufficiency, mainly for wastewater treatment. The thermal energy contained in wastewater is two to five times greater than the energy required to treat that wastewater.

The Group aims to minimize energy consumption at the facilities that it operates, by promoting best practices and good technological choices, developing diagnostic tools and conducting energy audits. The Veolink Care software for ongoing diagnostic assessment of energy helps the Group to

+ 2% of renewable energy in the energy mix between 2012 and 2014

control the energy consumption of its plants by allowing it to manage aspects of energy supply, distribution and consumption for all processes in real time. The electromechanical equipment renewal policy also targets improved energy consumption. An increasing number of wastewater treatment plants are now excellent examples of energy efficiency, such as the Braunschweig plant (with a water treatment capacity of 275,000 population equivalent), which produces more than 100% of the energy it needs to operate.

To assess the efforts made in relation to reducing energy consumption, in 2012, Veolia introduced a target of a 5% improvement in the energy efficiency of wastewater treatment plants (by 2014, on a 2011 like-for-like basis).

On this like-for-like basis, however, power consumption per unit of DBO₅ removed rose slightly (+1%) compared with the reference year (2011). The volume of wastewater treated increased by 6%, which led to greater electricity consumption for pumping purposes. Electricity consumption per treated cubic meter is of 10% since 2012, on a constant perimeter. This target, which related to 8% of the Group's consumption, was not extended in 2015.

At the same time, as part of its search for the best solution for treating wastewater sludge (see section 2.a.3 below), Veolia is investigating and evaluating options for waste-to-energy recovery (such as anaerobic digestion and incineration or co-incineration with energy recovery) and is seeking to optimize the energy efficiency of its treatment processes.

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 is also a partner in the CoDiGreen research program to test co-digestion with green waste.

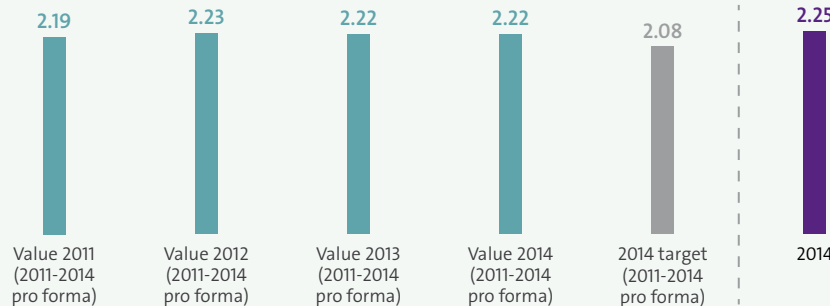
Ovilléo, 94% self-sufficient in energy

■ Ovilléo, the new wastewater plant for the city of Lille (France) which began operation in February 2013, has a capacity of 620,000 population equivalent. It cleans wastewater by guaranteeing that discharges comply with the new European standards, which now include nitrogen and phosphorus in addition to carbon compounds. It also treats rainwater, which was not the case previously.

At the same time, Ovilléo uses an innovative thermal hydrolysis process to reduce the amount of sludge produced and increase the production of biogas. The outcome: a low carbon footprint and coverage of 94% of thermal energy needs of the plant.

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

Energy efficiency of wastewater treatment plants
(Wh consumed/g of DBO₅ reduced)



Energy efficiency of waste water treatment plants: + 10% since 2012

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wind turbines, etc. It assesses the amount of recoverable energy by locating turbines at the outlets from wastewater treatment plants, as in the case of Brussels (Belgium).

Finally, it is continuing to investigate the use of heat pumps, in conjunction with the Energy services sector. The innovation in this instance involves redirecting part of a wastewater collection system's flow through a heat exchanger. The calories are then recovered by a heat pump that uses the energy either to heat or cool buildings depending on the season. This process, dubbed Energido, has been deployed at the Ginestous-Garonne plant in Toulouse, France, where it supplies heat to the buildings used for composting a portion of the sludge, representing savings of 650 MWh each year. The urban community of Arras has similarly chosen this process to heat the Arras aquatic center, known as the Aquarena.

In order to make wastewater treatment plants more energy self-sufficient, Veolia is focusing its research and innovation on the following areas:

- enhancing existing practices and equipment (e.g., adopting effective regulations for aeration);
- improving anaerobic sludge digestion (using a process for thermal hydrolysis such as Exelys™);
- developing and integrating new processes that are more energy-efficient (such as the

Anita™ Mox process, which is based on new bacteria and metabolic pathways that consume less oxygen);

- devising new approaches to treatment that can be used to optimize wastewater energy recovery and reduce the water content to be treated with aerobic biological treatment (e.g., advanced primary treatment associated with anaerobic digestion).

Energy optimization solutions

■ The publication *Take the Water to Energy Challenge* (www.veoliawater2energy.com/fr) sets out some of Veolia's energy optimization solutions and projects. In the Czech Republic, for example, Veolia won an award in the "Best Innovator 2012" competition organized by the consultancy firm A.T. Kearney for its Water2Energy project. The innovative approach 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 (DENA) and by the country's association of energy and water producers (BDEW).

In the Waste solutions business activity, the development of waste-to-energy recovery at treatment plants such as landfill sites, incinerators and anaerobic digestion plants

means that the use of external energy sources to power operations at such sites can be reduced or energy can be supplied to third parties. In addition, recycling or recovery of solid fuels also helps to reduce our customers' primary energy needs.

The operation of **incinerators** provides a significant opportunity for improvement (representing 58% of the energy consumption of the Waste solutions business activity).

In 2014, 95.2% of non-hazardous waste incinerators and 76% of hazardous waste incinerators were fitted with energy recovery systems.

The number of co-generation incinerators has been steadily rising in recent years, especially in France.

Improving the recovery of the energy produced by the combustion of waste means focusing in particular on installing recovery boilers at sites where there are none, changing the turbines and connecting domestic waste incineration units to heat networks, or increasing their thermal exchange capacity with the network.

One of the levers to improve incinerator profitability is to increase energy efficiency, through optimized management of empty furnaces and the optimization of maintenance stoppages.

In 2014, through its centers of excellence (see section 1.3 above), Veolia produced a standard on the incineration of domestic waste. Based on good operating practices, this standard aims to increase treatment capacity (availability of lines and loading rates), improve revenue from the sale of thermal and electrical energy, and reduce consumables such as smoke treatment reagents.

Moreover, since 2013 we have adopted a comprehensive approach for all hazardous waste incinerators wishing to reduce their fossil fuel consumption. These sites are monitored annually by the Center of Excellence for “hazardous waste” and a number of key performance indicators have been defined. Best practices are identified and adopted at all sites.

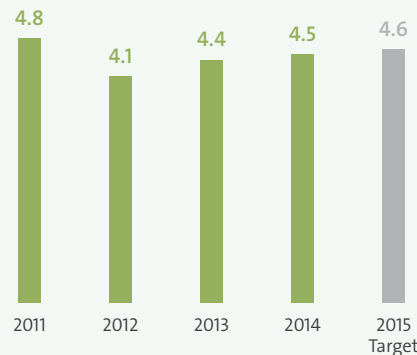
ISO 50001 certification for ten energy recovery units in France

- ETen waste-to-energy recovery units in France have obtained ISO 50001 certification.
- The SOBREC non-hazardous waste plant in Rennes was the first to pursue this path, with a major initiative to increase the quantity of energy supplied to the district heating network.
- In the realm of hazardous waste, Marseille-based SOLAMAT decided that certification offered a prime opportunity to expand its ISO 14001 system with regard to energy efficiency.

Veolia objective is to increase its production of renewable energy from waste by 7.5% between 2011 and 2014 while helping to reduce its customers’ reliance on primary energy, through recycling and the creation of solid recovered fuel from waste.

In 2012, the production of renewable energy fell following the sale of the Waste solutions business activities in the USA and Italy. This is the reason that we failed to meet the target for 2014, despite a steady increase in the figures since then (+9.8% between 2012 and 2014) due to improved performance by the incineration sector (optimization of heat recovery) and landfill (improved biogas recovery). Veolia extended its target for 2015 to achieve a 12% increase in the production of renewable energy from waste compared with 2012.

Production of renewable energy from waste (Waste activity - millions of MWh)



Finally, Veolia is carrying out research focused on optimizing the energy potential of landfills and the efficiency of our waste-to-energy units, and on recovering energy from bio resources.

Biofuels to conserve resources

- Two researched projects backed by Veolia are operational: the biodiesel production unit using waste food oil and the production of bio methane (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 and environmental record than first-generation fuels. <http://www.veolia.com/en/our-customers/solutions/waste-management>

The Group’s R&D is today focused on developing third-generation fuels, in particular from micro-algae.

+ 9,8%
of renewable energy produced from waste since 2012

Modes of waste recovery:
48% energy recovery (+ 4% since 2011)
20% material recovery (+ 5% since 2011)

2a.3 Reducing consumption of primary materials

Reducing consumption of materials at operating sites

The consumption of raw materials (excluding fuels) by Veolia's various business activities relates mainly to treatment reagents.

For the Water activity, predictive regulation of reagents (such as the Prédifloc™ process for coagulants) makes it possible to optimize dosage levels and results in an average reduction of 15% in the consumption of reagents. Furthermore, by ensuring that the size of storage tanks is suitable for the needs in question, it is possible to manage supply more effectively, have better-planned consumption and limit the number of trips made by lorries.

The Group has rationalized raw material consumption and efficiency of use at several levels of the organization. On the financial front, a cost reduction objective incorporating savings on raw material procurement was determined and rolled out to all areas of activity, requiring a reduction in the consumption of certain raw materials. This action is being taken in conjunction

with the Company's greenhouse gas reduction objectives.

Recovery of materials from waste and water

Veolia is wholly committed to recovery and contributes to reducing the consumption of primary raw materials by third parties by supplying them with secondary raw materials.

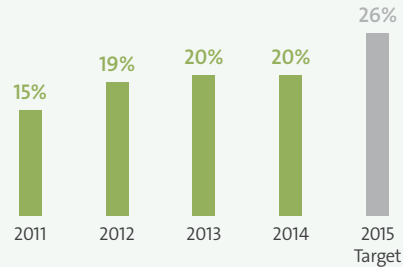
In 2014, the Group treated 46.4 million metric tons of waste, and recovered 20% in the form of materials. Veolia applies a hierarchy of waste management principle: avoid, reduce, reuse, recycle, treat, eliminate. Naturally, all waste recovery methods must be explored in order to find the best solution in the situation: waste that is not suitable for materials recovery can be treated with processes that enable energy to be recovered using the heat produced by incinerators fitted with energy recovery systems and the biogas emitted by the decomposition of landfilled waste.

In 2011, Veolia set itself a target of an overall materials recovery rate of 26% for all waste treated by its Waste solutions business activity by 2014. The roll-out of waste treatment contracts in association with materials recovery has not proceeded at the expected pace. A number of obstacles to the development of materials recovery systems still exist. Some countries are achieving recycling rates of over 75% while for others the figure is closer to 2%.

The Group is responsible for developing innovative and efficient waste management technologies and solutions that enable waste recovery (selective collection, materials, energy and organic recovery) and for making these technologies and solutions available to its industrial and municipal customers, who take the final decision to implement them.

	2011	2012	2013	2014
Waste treated (tonnage in millions of T)	654	513	521	464
Rate of materials recovery from treated waste (Waste management activities) (%)	15%	19%	20%	20%
Rate of energy recovery from treated waste (%)	44%	47%	53%	48%

**Material recovery rate
(Waste management activity)**



With that in mind, our research is focused on the following areas:

- improvements in waste sorting and recycling;
- the search for recycling solutions for complex waste derived from new technology, such as electronic equipment and plastics;
- organic and energy recovery of biodegradable waste;
- production of alternative fuels and combustible materials.

Veolia is also a partner of Climate KIC projects such as CL Comms - Closed Loop Communities¹ which assesses the sustainability conditions of short-loop recycling.

In July 2014, the CEO of Veolia handed the French Minister for the Economy the recommendations of the *Recycling and green materials*² working group of

parties involved in the waste and recycling network. The goal is to promote the emergence of competitive systems, which are also at the forefront of innovation in terms of recycling in France. The challenges involved are economic, environmental, and also social: thousands of permanent and non-relocatable jobs could be created thanks to the recycling industry. The conclusions recommended three types

of proposals: regulatory or legislative measures to promote recycling, specific steps for the creation of sorting and energy recovery centers, and targeted measures promoting recycling systems with a greater potential due to the large volume of waste (plastics and waste from the construction industry and public works) or their high added value (electronic waste and carbon fiber waste).

From treatment plant to bio-refinery

■ Veolia is constantly seeking new solutions and is making headway toward being able, by around 2025, to transform 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 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.

■ Significant research and development is also underway to expand the circular economy, notably through the recovery of metals, salts and organic compounds found in the discharge from mining and oil operations and the food processing industry.

Move2Chem, winner of the 2030 Worldwide Innovation Challenge

■ In April 2014, the *Move2Chem* project backed by Veolia in partnership with SAS Pivert and Sofiprotéol, was named as the winner of the French government's 2030 Global Innovation Challenge, for the plant proteins and plant chemistry strategic goal.

The *Move2Chem* project aims to develop a recovery system for the byproducts, effluent and waste from the food processing industry by converting them into chemical compounds, which are then used to create new materials and product (dyes, solvents, polymers, etc.). By creating a model in which biodegradable organic carbon is reused to produce materials, thereby preserving fossil fuels and reducing CO₂ emissions, the *Move2Chem* project is an integral part of the efforts towards a circular economy that are a priority for Veolia. The French Minister for the Economy appointed the CEO of Veolia as the leader of the *Recycling green materials* group for the new industrial France.

**Material recovery from waste:
+ 5% since 2011**

1) <http://www.climate-kic.org/projects/closed-loop-communities/>

2) <http://www.veolia.com/en/veolia-group/media/news/recommendations-working-group-recycling-green-materials>

252 sorting and recovery centers

Sorting and recycling of materials

Encouraging source-separated collection and sorting of the waste (wood, paper, cardboard, glass, metals, plastics, etc.) generated by industrial companies and households enables optimum recycling of waste so that it can be transformed into reusable materials. Veolia recovers waste materials in 252 sorting and recycling centers. These specialized centers sort the various components of complex waste such as electronic and electrical waste (WEEE) or fluorescent bulbs. Veolia works upstream in partnership with industrial customers and with the Group's research and innovation center to develop recycling systems. Recycled materials are sold or transferred to intermediaries or directly to industrial customers to be used.

The dismantling of large equipment at the end of its life (aircraft, ships and trains) also allows the recovery of large volumes of waste and the reuse of materials such as steel, copper and aluminum. In France, Veolia dismantles trains from the RER (rapid-transit train service between Paris and the suburbs) belonging to the RATP (Paris city transport authority), with 97% of the 16,000 metric tons treated being recovered (85% steel, 10% non-ferrous metals: copper, stainless steel, aluminum, etc. and 2% miscellaneous materials such as glass). The aim is to market these secondary raw materials to the steel industry and, for non-ferrous metals, to refiners; the other materials are sent to recovery systems.

In Great Britain, Veolia even recovers street dust as it contains rare metals

Regenerating waste motor oil

■ Veolia and Total Lubricants have combined their expertise to create a plant for regenerating waste motor oil. The Osilub recycling plant, located in France's Normandy region, produces regenerated base oil that can be sold directly. It can also be incorporated into Total's lubricant oil production to yield special high-end lubricants. The regeneration rate is as high as 75% – significantly better than with older technology still in use.

(particles of palladium, rhodium and platinum). By sweeping the streets of major cities, the Group recovers 165,000 metric tons of waste each year, representing 90% of the waste and dust in the streets, and with a value of £100,000.

Two related innovations to optimize the sorting of plastics

■ First, the automated sequential sorting system (TSA2) sorts out plastic packaging according to their type of material and color. Then, the tele-operated sorting system (TTO) further refines the TSA2 sorting: using a touch screen, the operator selects any waste to be removed from the sorting line. Removing all direct contact with waste not only eliminates the risk of injury to

operators almost entirely, but it also improves the efficiency of the sorting process. In 2014, the sorting of household packaging in the center in Amiens (France) improved by 6% thanks to this patented technology.

TSA2 and TTO are major innovations in the recycling sector that Veolia plans to roll out in France.

One hundred sites in operation

880,000 metric tons of compost produced

Biological recovery

The recovery of materials also includes biological treatment, i.e. the process of recovering organic waste. Veolia has developed expertise across the full range of processing technologies, in particular due to the hundreds of sites it operates worldwide. In 2014, Veolia treated 1.7 million tons of organic waste and recovered 880,000 metric tons of high quality compost.

The work carried out by Veolia over many years has resulted in the development of research programs and patented processes that improve the performance of biological treatments and facilitate the use of fertilizers in farming.

■ Biokap is a bio-cover composting system that improves the composting process, reduces greenhouse-gas emissions and treats odors.

■ Metha-data is a scalable database that provides access to the characteristics, composition and biochemical methane potential of all types of organic substrate. It is the largest database of its kind in the world.

■ Two partnerships between Veolia and the French National Institute for Agricultural Research (INRA) at Grignon have resulted in:

- the development of CarboPro™, a decision-making tool that establishes spreading models by calculating changes in carbon stocks in the soil over time based on quantitative and qualitative inputs of organic soil improvers; and also makes it easier to use soil improvers. In agriculture, the addition of organic waste products such as compost, sludge, digestate, manure, etc. helps increase carbon stocks in soils and thereby improves their fertility. This tool is available free of charge to all at: www.carbo-pro.fr.
- a research program, Qualiagro™, which characterizes the agronomic value of compost of urban origin and the impact on the environment, based on long-term trials carried out in fields and on laboratory work. The results obtained can be directly applied to the production of compost and result in recommendations for use.

■ Valobio™ is a one-year distance training course primarily intended for operators at Veolia’s biological treatment centers, to help them develop skills and provide them with an overall understanding of the processes, the market and potential outlets.

Encouraging responsible consumer behavior through incentivized waste pricing

■ Veolia manages 40 contracts in France (covering almost 1,100,000 people) and some 60 contracts in Germany using incentivized pricing for waste collection and treatment. The company 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 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 in 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 authority by lowering the as-

sociated collection cost and increasing revenue and for the environment by achieving waste reduction at 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 on the basis 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 rewarding good sorting programs complete the range of incentives based on positive action. Innovative experiments in this area include the Recycle Bank in the UK, the “GRIN” program in Singapore and the partnership with Cité Green in France.

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

2b. Reducing pollution

2b.1 Limiting the discharge of pollutants into water

Veolia makes constant efforts to improve its performance to reduce the impact of water discharges from its activities.

The main discharges from facilities operated by the Group relate to its water activity.

Veolia provides sanitation services to nearly 60 million people worldwide and collects 6.4 billion cubic meters of wastewater. 5.8 billion m³ are treated in the 3,338 urban wastewater treatment plants operated by the Group.

To ensure the efficient management of wastewater collection and treatment services, Veolia has developed a comprehensive approach to help municipalities, 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 in terms of both the operation of the facilities under its management and the development of new processes.

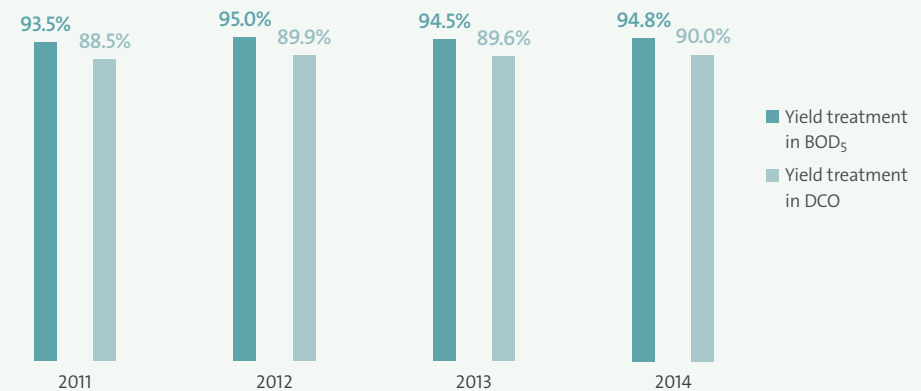
Abatement rates

The average rates of pollution abatement, expressed in BOD₅ and COD, for wastewater treatment plants operated by the Group are very good. In 2014, the pollution abatement rate, expressed in BOD₅, remained stable compared with 2013, at 94.8%. Efficiency expressed in COD

was 90%. Worldwide, they conform to the minimum thresholds¹ determined by French regulations² that Veolia has chosen as a benchmark for assessing its overall performance (minimum efficiency of 80% for BOD₅ and 75% for COD).

Furthermore, the Group classifies as sensitive those plants with wastewater treatment efficiency in BOD₅ of 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.

Wastewater treatment plant yield (capacity greater than 50,000 PE)



1) The defined minimum thresholds are those applicable to wastewater treatment stations receiving a gross load of organic pollution of more than 600 kg/d BOD₅ (in excess of 10,000 population equivalent).
 2) Decree of June 22, 2007 on the collection, transportation and treatment of wastewater in sanitation centers and the monitoring of their operation and efficiency.

Furthermore, in accordance with the European Water Framework Directive, systems were implemented, particularly in France, to monitor the flow of many micro pollutants considered dangerous to the environment, in order to assess the impact of wastewater treatment plant emissions on the ecological state of bodies of water.

In 2012, the Group implemented a new indicator specific to France¹ to monitor variations in the rate of significant micro pollutants 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 this indicator is to assess the efforts Veolia can make, when requested by municipal customers, to reduce the discharge of significant micro pollutants into the natural environment (seeking sources of pollutants in wastewater networks, controlling infeeds into networks and revising connection conditions, etc.).

Veolia's environmental analysis center has developed regulation analysis techniques and offers its customers a complete monitoring service (including sampling and analysis). It has also developed biological tools to

Bio-indicators for a rapid check of water quality

■ In cooperation with WatchFrog – a start-up supported by the French Scientific Research Center (CNRS) and the Paris Museum of Natural History – Veolia developed a tool to make a rapid check of water quality at the outlet from a wastewater treatment plant and especially to identify the presence of estrogen- and thyroid-type endocrine disruptors. This tool uses modified frog or fish larvae that become fluorescent when disrupted by such pollution. If the test is positive, the potential causes can be sought upstream in the wastewater network and treatment optimization operations or additional treatment stages can be implemented.

measure the effect of this type of discharge on target organisms.

When necessary, the Group works with its customers to define and implement solutions to reduce or eliminate the discharge of hazardous substances into the natural environment and manage the attendant risks. This may involve measures at source (connection of industrial concerns to the network and network policing, for

example) or treatment measures (optimizing treatment systems, additional treatment, etc.).

Sanitation system monitoring

Environmental protection also involves monitoring wastewater collection system inflows and maintaining good system water tightness. Various measures can be taken, such as combating the inflow and infiltration of clear water, the implementation of continuous diagnostics 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 measures also increase the hydraulic capacity of the collection system, which reaches its limits over time. In this way, they help protect the natural environment by limiting overflows in light rain or even dry weather conditions.

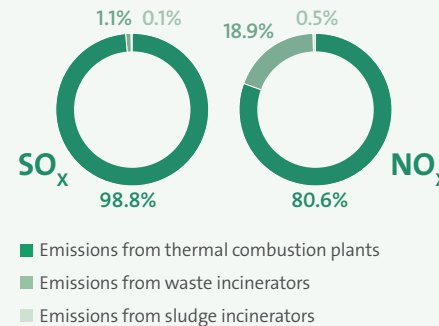
¹) In relation to the French circular of September 29, 2010 on monitoring the presence of micropollutants in water discharged into the natural environment by wastewater treatment stations.

2b.2 Limiting atmospheric pollution

As part of its commitment to fighting pollution, the Group is committed to reducing its emissions below the required regulatory levels by improving the treatment of air emissions and developing more effective technologies (such as the treatment of incineration smoke and low NO_x¹ or SO_x² for thermal energy plants). The Group is continuing in its efforts to reduce consumption and encourage the use of cleaner fuels (including low-sulfur fuel oil and coal, natural gas, LNG for combustion facilities and vehicles and hybrid electric or bi-modal vehicles).

The main atmospheric emissions managed by the Group (excluding GHGs) are those emitted by combustion facilities within the scope of its Energy services business and emissions from its waste and sludge incinerators.

Breakdown of SO_x and NO_x



Emissions from heating facilities

Energy services have created an indicator to evaluate the NO_x and SO_x emissions associated with energy production. This evaluation method was 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 23, 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.

Quality of atmospheric discharges from incinerators

To assess its overall performance worldwide, Veolia has adopted the strictest regulatory benchmark, that is, the European Union standards. In 2014, as in 2013, average concentrations of emissions worldwide fell below the emission level limits stipulated by the European Directive³.

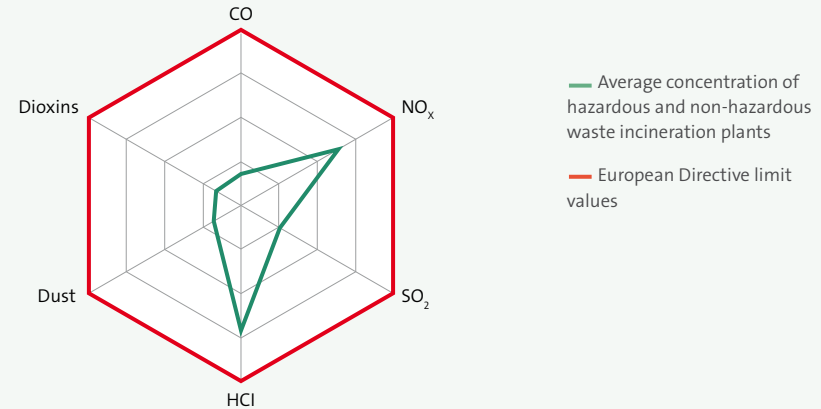
This Directive on industrial emissions (IED) and in particular, the section referring specifically to incineration, is particularly demanding, with extremely low emission limits compared to those applicable to thermal plants and imposes an obligation of ongoing measurement of many substances, such as CO, TOC, HCl, SO₂, NO_x, dust, etc. Incineration processes are required to measure these emissions throughout actual operating time (including start-up and shut-down phases, normal operation, malfunction, etc.). In addition, the plants operated by Veolia in France (65% of incinerators operated) continuously analyze samples of dioxins and furans over a month of operation, in addition to one-off measurements. To ensure optimum control, Veolia has set up a redundancy system for measuring instruments, and maintenance teams remain extremely vigilant to ensure complete availability of flue-gas treatment equipment, to maintain such emissions at extremely low levels.

1) Nitrogen oxide. 2) Sulfur oxide. 3) European Directive 2000/76/EC of December 4, 2000 enacted into French law by two orders of September 20, 2002. (Daily averages).

Additionally, the percentage of waste treated in incinerators with dioxin emissions of less than 0.1 ng/Nm³ is higher than the guide value of 95%, which Veolia has imposed on itself.

Our research concentrates on preventing the formation of these pollutants and their treatment.

Comparison of emissions from hazardous and non-hazardous waste incineration with the European Directive limit values



	CO mg/Nm ³	NO _x mg/Nm ³ ⁽¹⁾	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 in relation to European thresholds	9	128	12	7	2	0.02
Emission limit values of the European Directive ⁽²⁾	50	200	50	10	10	0.1

1) For NO_x, the standard depends on the flow: 200 mg/Nm³ for plants > 6 mt/h and 400 mg/Nm³ pour for plants < 6 mt/h.
 2) European Directive 2000/76/EC of December 4, 2000 enacted into French law by two orders of September 20, 2002. (Daily averages).

2b.3 Recovering residual waste and limiting the production of final waste

Residual waste is the final result of all recovery and treatment phases. Veolia is firmly committed to recovery in order to turn waste into a resource through the development of systems for materials recovery, waste-to-energy and organic recovery. The Group 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 possibilities for recovery but, failing which, ensures the waste is treated. The main types of waste produced by the Group are sludge created as a result of wastewater treatment, bottom ash and APCr¹ residues from incineration, sorting waste and soot, ash and bottom ash related to the combustion of wood and coal in facilities.

Residual waste	2012	2013	2014
Water			
Sludge from water treatment (kT dry matter)	1,136	1,007	998
■ Percentage of sludge used in agriculture	48%	50%	51%
■ Percentage of sludge recovered as energy	18%	9%	14%
Waste solutions			
Non-hazardous waste from the Waste solutions business activity (kT) of which:	2,432 ¹	3,745	3,127
■ Bottom ash from the incineration of non-hazardous waste	1,846	1,792	1,843
■ Rejections from the sorting activity (including sorting errors at source by waste producers)	NA [*]	979	6 94
Hazardous waste produced by Waste solutions business activity (kT) of which:	664	641	650
■ APCr ² from the incineration of non-hazardous waste	265	261	273
■ Fly ash ³ produced from the incineration of hazardous waste	58	56	49
■ Bottom ash from the incineration of hazardous waste	145	136	141
Percentage of bottom ash resulting from the incineration of recovered non-hazardous waste for which Veolia is contractually responsible	NA [*]	77%	80%
Energy services⁴			
Fuel oil soot from facilities with a thermal output exceeding 20 MW (kT)	NA [*]	NA [*]	0.19
Bottom ash and ash from facilities with a thermal output exceeding 20 MW (kT)	NA [*]	NA [*]	995
Quantity of recovered bottom ash and ash from facilities with a thermal output exceeding 20 MW	NA [*]	NA [*]	72%

NA*: Not available

The Group improved the reporting of residual waste from its Waste solutions business activity in 2013, which explains the increase in the tonnages recorded. The refuse generated by the sorting activity corresponds to sort-at-source errors by waste producers, and oversized recoverable waste that cannot be included in the sorting centers' processes. The way this refuse is then handled depends on the local household waste processing facilities.

Residues from incineration

Bottom ash is the solid, non-combustible waste from incineration. It represents around 20% of the tonnage for non-hazardous incinerated waste. Depending on its origin, its recovery may be governed by specific regulations. Depending on its composition and after a period of maturation, it may be recovered as road construction material.

1) Excluding refuse generated by sorting activities and other types of waste only included in the figures from 2013 onwards. - 2) Air Pollution Control residues (residues from the treatment of flue gas from household waste incineration). - 3) Residue from the treatment of flue gas from hazardous industrial waste incineration. - 4) The Group monitors more closely the production of waste from its Energy services.

80% of bottom ash* is recovered

Over 65% of wastewater treatment sludge is recovered

Veolia is contractually responsible for the management of 65% of the bottom ash produced by the non-hazardous waste incinerators operated by the Group, that is, around 1.2 million metric tons, of which 80% was recovered in 2014. Where bottom ash cannot be recovered, it is sent to landfill sites used for household and similar waste.

Residue from flue gas treatment is 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 2.6% for hazardous waste incineration plants.

Combustion residues from thermal energy facilities

For the first time, the Group’s reporting now includes measurements for the majority of waste (fly ash and bottom ash) produced by Energy services. This waste results from the combustion of wood, fuel and coal at its facilities. The Group is committed to improving combustion techniques and treating or recycling waste in accordance with local regulations.

The combustion of solid fuels such as coal, lignite and biomass produces ash that is largely made up of (non-combustible) mineral matter and a small amount of unburned carbon. The amount of ash produced depends mainly on the level of

mineral matter present in the fuel: this tends to be low for biomass but can be high in the case of certain types of coal.

The ash produced falls into two categories: “bottom ash” and “fly ash”. Fly ash is transported by combustion gases and is captured by dust removal equipment to ensure that only a tiny amount of dust is released into the atmosphere.

In Lodz and Poznan (Poland), fly ash from coal-burning boilers is recovered for use in cement manufacturing. In Hungary, the biomass power plant in Pecs produces ash that can be used as fertilizer thanks to its levels of potassium, calcium and phosphorus.

Wastewater sludge

Wastewater treatment generates sludge that concentrates the organic and mineral content from the infeed water. Population growth and improved wastewater system performance using increasingly sophisticated treatment methods have led to an increase in the quantity of sludge produced worldwide.

To meet its municipal and industrial customers’ needs to cope with an ever-increasing volume of sludge on a daily basis, Veolia’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, when the sludge quality and availability of suitable land permit, organic recovery (land application or composting) offers a potential outlet, as does waste-to-energy (anaerobic digestion, use as a replacement fuel and incineration with energy recovery). In 2014, at least 51% of sludge was recovered for use in agriculture and at least 14% was recovered for energy; 28% was treated at landfill sites or incinerated without any recovery of energy. The remaining 7% was recovered using other processes, treatment methods or types of non-consolidated recovery at Group level (to make the reporting procedure easier for smaller sites). Veolia ensures that the sludge is always compatible with the recovery method chosen by the client.

Group subsidiary SEDE Environnement uses a diverse range of complementary systems to ensure a permanent outlet for sludge in 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 current channels for sludge recovery are also the subject of investigation, together with the choice and sizing of dewatering techniques tied to

* From the incineration of non-hazardous waste for which Veolia is contractually responsible.

the different sludge treatment systems, and isolation for deferred treatment of the sludge fractions that are difficult to recover.

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 fractions of the organic matter. Veolia’s research and development teams have already developed—together with specialist companies and partners such as the 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 from sludge results in the Group implementing technology that is appropriate for each situation and each end-use chosen by the customer.

Compost and fertilizer

■ For more than 24 years, in the city of Baltimore, Maryland, United States, Veolia has been producing compost compliant with the very strict standards set by the state and health authorities. In Milwaukee, Veolia operates a facility that processes dry sludge into Milorganite (Milwaukee Organic Nitrogen), a high quality biosolids fertilizer.

■ In France, Veolia has been awarded Qualcert certification for the treatment sludge produced at its Roche-sur-Yon plant, which is used for land application. This certification covers upstream monitoring of the wastewater treatment plant infeed, checking the sludge composition and ensuring its safe production. The land application of recycled fertilizer materials from the plant is also certified, guaranteeing the system’s traceability, the correct dosage to match requirements and training for the personnel involved.

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 solid substance.

Construction site waste

SADE, a Group subsidiary specializing in the design, construction, renovation and maintenance of networks and infrastructure, is developing rubble recycling in a bid to contribute to the need to save natural resources.

SADE is involved in three types of rubble recycling in France:

- Crushing and screening, which enables various materials used on building sites to be reused;
- Using site rubble to manufacture self-compacting materials that are re-used directly on site, further to analysis;
- Rubble liming: 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.

2b.4 Limiting soil pollution and encouraging its preservation

At all the sites that it operates, Veolia is careful not to generate any chronic or accidental soil pollution by ensuring that materials are stored and applied under good conditions, that storm water and wastewater from the treatment processes are well managed, and that the methods used to combat any accidental spillages remain operational.

Waste landfills have the highest land footprint of all sites operated by the Group, and these sites employ the most advanced technology. Veolia has introduced minimum standards for the design and operation of these landfill sites. These include: carrying out geological soil studies; implementing a watertight system made up of a double barrier (active and/or passive, with the application of a geomembrane that has been tested and certified by an external service provider); introducing systems for collecting and treating leachates¹ and surface water on site or at external plants; and groundwater monitoring. For the entire operation and post-operation period (a minimum of 20 years), the monitoring system is based on parameters including the analysis of surface

water, underground water and wastewater. All Group sites conduct self-assessments in relation to these standards. If they are found not to meet the Group's standards, they must either: put forward an action plan showing how they intend to achieve compliance; demonstrate that equivalent measures are in place; or obtain special dispensation on the basis of additional monitoring measures.

Once used, the cells are covered as quickly as possible. These measures encourage the development of local ecosystems. The cells are monitored for environmental impacts before being returned to general use. When the entire site is redeveloped, monitoring is continued to ensure the species planted repopulate the area (post-operation phase). Veolia Recycling and Waste Solutions has agreed a partnership with the *Conservatoire Botanique National du Bassin Parisien* (CBNBP - Paris Basin National Botanical Conservatory) for the period 2013-2016. An experiment was carried out on cells of an installation with the aim of selecting, increasing and producing indigenous plants to replant redeveloped land with species that are of conservation interest and are suited to local environmental features and stresses. Initial results from this experiment, gathered in the spring of 2014, have already proved highly promising and should deliver genuine ecological added value to this sector, in which natural and semi-natural environments are very scarce.

Veolia is also committed to restoring and maintaining soil quality through the **remediation of contaminated soil** and organic recovery of waste (see Chapter 2a.3 below) and wastewater sludge (see Chapter 2b.3 below).

With regard to the organic recovery of bio-waste or sewage sludge, the compost produced is standardized and meets local regulations. It can even be sold. This is the case in the United Kingdom, with Pro-Grow, a high quality compost made from organic and green waste, certified by the Soil Association, which offers an alternative to chemical soil fertilizers. (www.pro-grow.com).

Veolia's Research and Innovation division, in collaboration with the French National Institute for Agricultural Research (INRA) at Grignon, created the Qualiagro™ program. The purpose of this program is to characterize the agricultural value of compost of urban origin and its impact on the environment, based on long-term trials carried out in the field and on laboratory research. It studies the effect of repeated application of three types of composts (biowaste, household and residual waste). The results obtained can be directly applied to the production of compost and result in recommendations for its use. They are publicly available at www6.inra.fr/qualigro.

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

AEROcontrol™, an innovative composting system

■ The controlled aeration of windrows (organic residues) greatly improves the fermentation and decomposition of organic matter and the quality of compost produced. AEROcontrol™ measures the temperature of the compost and adjusts the amount of air required to achieve optimal conditions for its biological breakdown. This automatic system can be controlled remotely.

2b.5 Reducing local pollution (odors, noise, and site integration)

The Group takes care to minimize any nuisance that may be caused by its activities at a local level. As such, identifying environmental impacts at local level is one of the Group's EMS requirements and enables local managers to identify specific issues relating to such pollution and to take appropriate measures.

Odors

The natural process of decay of organic matter may generate odorous molecules. As this process is present in many of its activities (such as biological wastewater treatment, composting, household waste collection and landfills), the fight against odor emissions is a constant concern for Veolia, which strives to limit, capture and treat such odors for all affected activities.

Veolia implements solutions directly and works with its customers to identify solutions where these relate to investments for which the customer is responsible. To this end, Veolia has developed technologies and works with partners to treat and control odors (for example, bio filtration treatments, scrubbing

and electronic measurement systems). It also implements physical-chemical and biological techniques that limit odor problems. In the event of a perceived nuisance, the Group implements consultation procedures with the local population. For example, the creation of a "nose jury" made up of local residents who have been trained in the identification of odors, or the introduction of a special telephone number, can be used to better assess the odor problem and take appropriate steps.

Patented ultra-compact odor treatment reactor

■ 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 has filed a patent for a technique that reduces the size of these facilities by a factor of three or even four.

OdoWatch®, a network of electronic noses

■ This technology permanently merges odor data with weather information to display an odor plume on the screen, superimposed on a map of the site and its surroundings. The system identifies the main sources of odors and is able to distinguish those originating from the site and those from other sources. Using weather forecast data, OdoWatch® assesses the impact of odors up to 24 hours in advance, allowing operators to take the necessary preventive measures. For more information on the odor treatment solutions offered by the Group, see the *Odor treatment* brochure at:

http://technomaps.veoliawatertechnologies.com/processes/lib/pdfs/productbrochures/key_technologies/9BE9A2zp17tCLPX384tGDC6.pdf [document in French]

At landfills, in addition to the optimal management of the operating area, biogas collection is a constant concern (see Chapter 3.4 below), which leads to a reduction in the associated odor emissions: a single operating area of limited size is open at any one time, temporary covers are installed and a degassing system is used whenever necessary. Additional measures, such as ensuring a minimum distance between the operating 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 can be used to reduce the impact.

When composting takes place at open sites, the operator can reduce emissions by closely monitoring and managing the fermentation parameters: a controlled aeration system and aeration cycle, AEROcontrol™ (see Chapter 2.b.4 above), and creation of windrows with a biological cover, Biokap (see box).

With regard to the collection of household waste, the trucks are washed at the start of every shift to reduce odors during their rounds. Moreover, in order to limit odors that may emanate from the bins made available by municipalities for householders to store their waste

Biokap : a highly effective odor reduction technology

■ The Biokap process supplements the controlled composting aeration system (see box on AEROcontrol™, Chapter 2b.4, above). It involves placing a biological cover (a layer of 25-60 cm of solely organic materials or in combination with inorganic materials) over the composting windrow. Not only does this biological cover improve the composting process (superior decomposition, shorter fermentation times, and constant temperature in the windrow), it also reduces greenhouse gas emissions and treats odors.

Anti-odor system

■ In Vannes, France, to manage the effluents emitted from the household waste treatment and recovery plant, Veolia has introduced an anti-odor system comprising recognized, effective technical and monitoring capabilities. More broadly, at many of its sites, Veolia has rolled out steps to quantify odors on site and visualize how they are dispersed, in collaboration with and for the benefit of residents.

between one collection and the next, Veolia offers washing and disinfection services. These services, carried out at the locations where the containers are used by trucks operating a water recycling system, are particularly suitable for warm climate regions and have already been rolled out in Singapore, the Middle East and in some cities in France.

In the area of wastewater treatment process research and innovation, the programs focus on characterizing and treating odors (ultra-compact process). For waste treatment, our research on odor emission management is focused on anaerobic digestion, composting and waste landfills.

Noise

The issue of noise has become a key concern for local elected representatives.

The main problems relating to noise primarily concern waste collection. Veolia is carrying out research and has developed some particularly innovative solutions, such as a pneumatic waste collection system that significantly reduces the volume of lorries in towns and cities (see the box below).

In response, Veolia and ADEME, the French Environment and Energy Management 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 the service provided, etc. Noises that can be distinguished from ambient noise are the most difficult to tolerate; noise associated with moving the collection bins and waste dropping into the collection truck, primarily. Studies on how to reduce noise, in particular in relation to collecting bulky items, have been conducted in France and the United Kingdom. They have led to the development, in collaboration with a supplier, of soundproof bins, which Veolia recommends to its public authority customers. Reducing the noise of waste

falling into the bins is difficult to improve for the time being; however, work on this will continue. These studies will also provide a basis for redefining collection routes to avoid unsociable hours for local residents.

Site integration

In addition to measures to conserve biodiversity, the integration into the surrounding landscape of the sites that the Group constructs or operates is also a major concern. All site construction projects systematically include this aspect, as evidenced by the following recent examples, in which the architectural approach complies with this requirement:

- The Marquette-lez-Lille wastewater treatment plant, in France, is integrated into its surrounding landscape and includes a seven-hectare park;
- The Port Leucate wastewater treatment plant in France uses green walls to ensure that the plant buildings blend in better with the surrounding pine forest;
- The Hénin-Beaumont wastewater treatment plant in 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;

Vacuum waste collection: silent, easy and available 24/7

- By avoiding the use of trucks in built-up areas, vacuum collection is one way of helping reduce noise pollution. For example, in Romainville in France, 6,000 residents have had access to this new service since 2011.
- The various household waste drop-off points are connected by 4.1 km of underground tunnels through which the waste is conveyed pneumatically to a collection terminal. This system has reduced the number of kilometers traveled by trucks

by a factor of three. This system also makes the urban environment cleaner, improves hygiene, frees up space by eliminating the need for bulky containers and bin storage areas, and improves collection conditions. Moreover, the service is available 24/7.

- Three other contracts are now operational in France, in the Issy-les-Moulineaux Fort and Port ecodistricts (2012 and 2013) and the Batignolles eco-district in Paris (2013).

■ The wastewater treatment plant at Guéthary, Saint Jean de Luz et Acotz, is perfectly integrated into the landscape. Extremely compact, it uses the most advanced technologies and delivers performance far superior to the imposed standards;

■ The compact processes offered by VWS for wastewater treatment plant projects (such as Biostyr®, SBR and Actiflo® for biological treatment and decantation) help to reduce the footprint on the ground and the size of buildings. This compactness changes the image of these plants and allows them to be established on sensitive sites without altering the landscape, sometimes even making them invisible. The space freed up in this way is showcased by the architects and landscape artists involved in designing these types of projects. They place greater emphasis on landscaping to help new facilities blend into their environment. For further information, see the brochure available at www.otv.fr/fr/developpement-durable/ecolia21/les-impacts-positifs-de-nos-solutions-techniques/#c3cecy4Z38 [website in French];

■ The project for a recycling and waste-to-energy facility in Leeds, UK, with remarkable design features that will blend harmoniously with their environment, in

particular through the use of a green wall, and careful landscaping and planting to enhance the surroundings.

Cabourg wastewater treatment plant rewarded

■ In 2014, the French public authority grouping of Estuaire de la Dives was awarded the Aquaplus Trophy for the wastewater treatment plant at Cabourg in recognition of its contribution to sustainable development, especially its landscape integration, which includes the management and monitoring of odors (both at the plant and over the network). The plant was built by OTV and is operated by Veolia.

2.b.6 Limit the impact of travel

Technical services

All Group business activities implement measures to reduce the impact of travel for technical service operations. For the Waste solutions business activity, this mainly involves optimizing household refuse **collection rounds**, as their fuel consumption accounts for 64% of the Group's consumption. To date, 70% of vehicles have been fitted with GPS devices linked to a statistical analysis of routes. Veolia now offers new concepts and new logistics solutions to adapt the nature of the collection to the features of the territory, such as "first kilometer" collection using small, clean vehicles better suited to a dense urban environment, with side loaders to make collection more efficient and improve operator safety in these dense urban areas, and is introducing waste drop-off containers in large collective housing schemes.

Environmentally friendly driving also helps to reduce consumption by around 7%. These driving techniques include the provision of driver training, on-board tools in vehicles that allow drivers to evaluate

their own driving, as well as back office tools to monitor consumption and offer further awareness-raising training to drivers, if necessary. This approach has been rolled out to around 15% of the fleet in France and 75% of the fleet in the UK. Ensuring that vehicles are fully serviced is the final element of the system.

The benefits from the actions implemented in waste collection are seen through a decrease in fuel consumption:

Change in fuel consumption by metric ton of waste collected:

2011	7.3 l/t
2012	6.6 l/t
2013	6.5 l/t
2014	5.7 l/t

Moreover, new collection methods, especially vacuum collection, are helping reduce the impact of collection vehicle travel in cities. This pneumatic system conveys the waste in underground networks (see the box in Chapter 2b.5 above, *Reducing local pollution*).

In December 2013, the **Water business activity** completed the roll-out of a program started at the end of 2011 to optimize travel by its operators in France

(accounting for 4% of the Group’s fuel consumption) as part of their management by dispatch and control centers. Now, more than 90% of the 7,500 service vehicles are fitted with geolocation devices, 70% of activity is scheduled in advance to optimize operators’ travel, and all activity is recorded for post-analysis of time spent and kilometers covered. This approach has enabled a 4% reduction in the vehicle fleet, and the number of kilometers traveled is falling, with a corresponding increase in the actual time available for operators to perform service activities. These actions have had a direct impact on reducing fuel consumption and greenhouse gas emissions.

Optimize business travel

Business travel is a real challenge for the Group. 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 (the figures for France are 29% of employees and 44% of managers - the socio-professional category who travel the most for business purposes).

Using a dedicated portal connected to internal management systems, the travel booking process is optimized to

ensure that travel conditions comply with the Group’s sustainable development commitments. Employees are trained and the system is configured to suggest less polluting alternatives, such as rail instead of air travel for journeys under three-and-a-half hours, or video-conferencing 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. CONTRIBUTE TO COMBATING CLIMATE CHANGE

In 2014, sites under the operational control of Veolia emitted 33.9 million metric tons of CO₂ equivalent, which equates to the emissions of 4.1 million inhabitants in the European Union¹. By taking charge of heat production and distribution activities as well as waste management and water treatment for its municipal and industrial customers, Veolia is accepting responsibility for a large proportion of the management of the associated emissions.

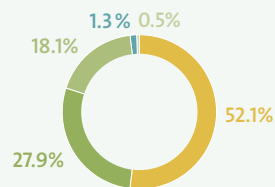
3.1 Emissions related to our activities

In 2014, direct emissions (Scope 1) from activities managed by the Group stood at 26.2 million metric tons of CO₂ (28.8 million metric tons CO₂ eq. in 2013)². Created by the industrial processes, facilities, equipment and vehicles that it manages, these emissions are broken down as follows :

- 52%: CO₂ emissions from Energy services;
- 28%: methane emissions contained in biogas (from the fermentation of waste in landfills) that are not captured by the collection systems installed;

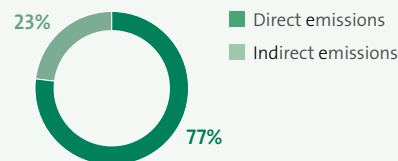
Breakdown of direct emissions by source of GHGs

- CO₂ emissions (Energy)
- CH₄ emissions (Waste)
- CO₂ emissions (Waste)
- CO₂ emissions (Water)
- N₂O emissions (Waste)



- 18%: CO₂ emissions from Waste solutions (particularly as a result of the incineration of fossil fuels contained in waste);
- 1%: CO₂ emissions from Water;
- 1%: N₂O emissions from waste combustion.

Breakdown of direct and indirect emissions



Indirect emissions (Scope 2) stood at 7.7 million metric tons of CO₂ equivalent (7.4 million tons in 2013); 58% of this amount is linked to electricity consumption and 42% to the purchase of heat.

The Group also assesses greenhouse gas emissions that fall under its control by calculating a part of Scope 3 (see below).

Taking greenhouse gas emission evaluation to the next level

Calculating direct and indirect emissions, and those for **Scope 3**, is a complex procedure. Veolia has worked with its peers to help develop methodologies in this area, as part of an approach involving MRV (Measurement, Reporting and Verification).

Through its Water business activity, the Group took part in the GHG Protocol experiment for assessing greenhouse gas emissions throughout the entire supply value chain (Scope 3), and has also been involved in Astee's (French Branch of the IWA) development of a new version of the greenhouse gas emission assessment guide for water and wastewater services. This guide, published in May 2013, can be downloaded from www.astee.org [website in French].

In order to gain a better understanding of its emissions under Scope 3, the Water business activity has taken steps to include items relating to chemical products in its environmental reporting and to include these in its GHG emission assessments. By applying the method recommended by Astee (French Scientific and Technical Association for Water and the Environment), the GHG reviews for France under Article 75

¹) CO₂ emissions are evaluated at 8.2 metric tons per inhabitant in the European Union (27 Member countries) Source: CDC Climate - Key figures for 2014 - ²) In the chapter «Managing environmental performance», the historical data were revised outside the Energy activities in France (accounting for 24% of the energy consumption of the activity in 2013), to account for the cession that occurred in 2014.

of the French Grenelle II Law have included several Scope 3 components for the Water business activity (chemical reagents, discharge of treated effluent into the natural environment, sludge transportation and treatment, etc.). The Water business activity has also developed a monitoring indicator for the inclusion of elements covered by Scope 3 for the entirety of its business, in order to raise operator awareness of these types of emissions. Some water service management contracts include greenhouse gas reduction targets.

Working alongside other waste sector players (Seché and Suez Environnement), **Veolia has contributed** to updating the GHG emission quantification protocol specific to waste treatment activities. This work led to the publication in October 2013 of version 5 of the environmental industries protocol (EpE) that has subsequently been approved by the World Resource Institute and recognized by the GHG Protocol (available from www.ghgprotocol.org). To improve the quantification of fugitive methane emissions, Veolia compared the existing simulators and conducted measurement campaigns to refine the way it calculates emissions at landfill sites. Veolia is also a partner of the Fume program¹ from Climate KIC relating to the measurement of diffuse methane emissions.

1) <http://www.climate-kic.org/projects/fume/>

Veolia has developed recognized expertise, resulting in the accreditation of CDM [Clean Development Mechanism] projects under the scope of the United Nations Framework Convention on Climate Change (UNFCCC). Eight projects in Latin America have placed over 2.25 million metric tons of carbon credits (CER) on the market since 2008.

For its Energy services, Veolia uses local regulations, when they exist, particularly in countries with markets or taxes. If this is not case, emissions can be valued using the Geskia™ tool developed by the Group.

The Group, fully assuming its responsibility in its area of influence, calculates its **Scope 3** emissions to identify the most relevant measures for reducing its emissions. As a matter of priority, Veolia is paying particular attention to the following tangible activities:

- Procurement of goods and services;
- Transportation of the chemicals required for its activities;
- Waste, particularly sludge from wastewater plants - as Veolia's waste management activities are dealt with under Scope 1 and 2;
- Business travel;
- Travel to and from work by its employees;
- Use of finished products: Raising awareness among its direct customers (municipalities and industry) for better management of energy, water and waste is the core focus of

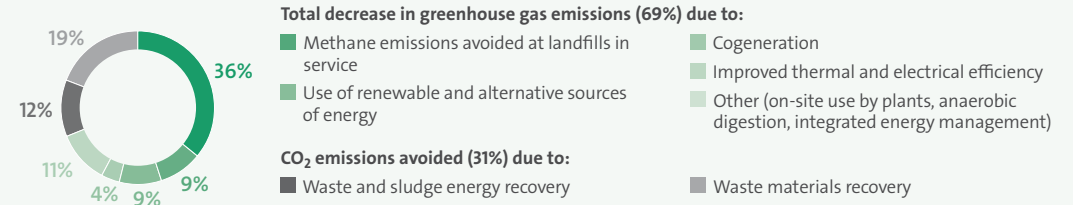
Veolia's services. Veolia also offers awareness campaigns for end users (see Chapters 2a.1 and 2a.3 above). In France, the Group has developed tools compatible with the school curriculum. Many sites have facilities for hosting the general public, such as associations and schools.

Information on Scope 3 is available in the response to the CDP 2015.

3.2 Contribute to reducing GHG emissions

As part of its objective of combating climate change, the Group contributes to the overall reduction in greenhouse gas emissions by reducing them at the facilities it manages (through energy efficiency measures, the use of renewable energies and the destruction of methane, using certain operating methods implemented by the Group) and by enabling third parties to prevent emissions as a result of its activities (such as energy and materials recovery).

Breakdown of the overall decrease in GHG emissions



The measures to reduce greenhouse gas emissions for each activity are as follows:

Energy services

Reduction of GHG emissions:

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

Water

Reduction of GHG emissions:

- through reusing some of the heat and electricity produced from re-

newable sources (biogas from sludge digestion, recovering potential water energy using hydraulic micro-turbines, heat pumps, etc.);

- through other measures which enable rationalization of energy consumption by the facilities.

GHG emissions prevented:

- through the sale of energy produced using renewable energy sources (biogas from sludge digestion, recovering the potential energy of water by using micro-turbines, heat pumps, etc.);

Waste solutions

Reduction of GHG emissions:

- through the collection and treatment of biogas from landfill sites;
- through the on-site consumption of electricity produced from waste incineration and biogas recovery;

- through the on-site consumption of heat produced from waste incineration and biogas recovery;¹
- through other actions to limit fuel and energy consumption (see the chapter on *Energy*).

GHG emissions prevented:

- through the sale of heat and electricity produced from the combustion of incinerated waste;
- through the sale of energy produced from 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.

¹) These reductions are not included in the indicator.

Centers of Excellence (CoE) approach

■ A number of measures conducted through centers of operational excellence which bring together global experts from Veolia (see Chapter 1 above), are having a genuine impact on reducing GHG emissions, such as, for example, the capture and recovery of methane from CoE landfill sites and the renewal of equipment taking into account the overall costs (CAPEX and OPEX, including energy consumption) of CoE asset management.

CO₂ capture and recovery

■ The Semedi Sedibex plant located in the industrial port area of Le Havre (France) and operated by Veolia through its Sarpi subsidiary, is one of the most important energy recovery facilities for industrial waste in Europe. As part of the Siroco project, the plant has been working on reducing its carbon footprint since 2011. The CO₂ content in smoke will be recovered directly from the chimneys, then concentrated and transferred in gaseous form through a CO₂ network to two nearby industrial sites. The sites use this CO₂ as a raw material for the production of additives for lubricants. This unique innovation will help to recycle CO₂ and avoid the liquefaction and transportation of CO₂, which are highly energy intensive. Furthermore, the supply of raw materials will be guaranteed in terms of volume and quality, i.e. 12,000 metric tons of CO₂ recovered per year (equivalent to the annual emissions of around 2,160 French people).

Offsetting residual emissions following action to reduce GHG

■ Veolia operates the facilities owned by Sedif (Syndicat des eaux d'Ile-de-France - water authority for the Paris region) and supports its customer with a comprehensive approach aimed at reducing and offsetting its emissions, by working on energy efficiency; this has helped to reduce power consumption, through the installation of a heat pump at the drinking water production plant of Méry-sur-Oise, through 100% renewable energy purchase contracts, the replacement of the service vehicle fleet, a reduction in reagent consumption, etc. Since 2012, CO₂ emissions that cannot be reduced at the operational level are offset voluntarily through agroforestry programs selected for their capacity to trap carbon. For 2014, voluntary offsetting corresponding to residual emissions from the 2013 carbon balance has been achieved through a partnership with the Up2green Reforestation not-for-profit organization, with the planting of 367,000 trees.

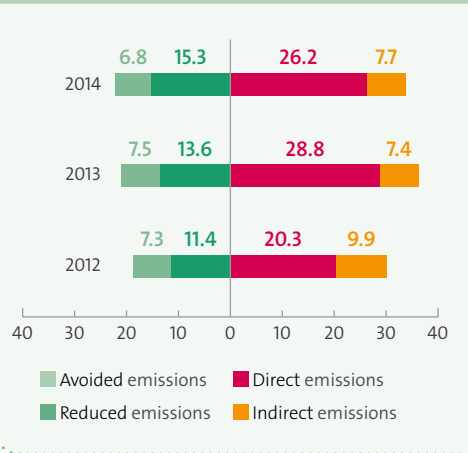
3.3 Emission balance, reduced emissions and prevented emissions

In 2014, direct and indirect emissions of greenhouse gases from business activities managed by the Group decreased by 6%, going down to 33.9 million metric tons of CO₂ equivalent.

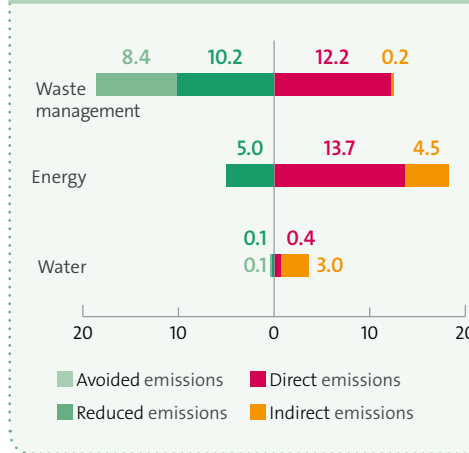
This can be attributed to the Group's efforts to diversify its energy mix towards solutions that produce fewer GHG emissions and to improve procedures for combating climate change.

In 2014, the Group recorded a very positive performance concerning renewable and alternative energy, electricity and thermal efficiency of its combustion plants and a significant improvement in capturing methane at its waste landfill sites. Veolia's contributions to reduced emissions and prevented emissions amounted to 15.3 and 6.8 million metric tons of CO₂ equivalent respectively.

GHG results for company activities
(millions of metric tons of CO₂ equivalent)



GHG results by activity in 2014
(millions of metric tons of CO₂ equivalent)



Tools to limit the impact of the services delivered to our customers

To address the concerns of its customers who wish to assess and reduce their carbon footprint, Veolia has designed appropriate internal tools for each business: GHG Tracker for all business activities related to waste management, Geskia for energy-related services, EC'Eau for water and sanitation services and CO tool for drinking water treatment and production plant construction sites.

VES CO₂ TOOL, the personal carbon footprint tool

Initially created for the Group's employees, this tool was then produced as an iPhone/iPad app and made available free of charge to consumers. Available on the App Store, in French, English and German, this application enables the individual to calculate emissions generated on a day-to-day basis by their movements and consumption methods, both at work and at home, and to compare the result with the average for their country's inhabitants. This app had been downloaded more than 9,000 times by the end of 2014.

40 metric tons of CO₂ equivalent cumulative emission reduction since 2012

22 metric tons of CO₂ equivalent cumulative emission prevention since 2012

Carbon intensity of revenue

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

In 2014, the carbon intensity of the Group's revenue fell to 1.4 million metric tons of CO₂ equivalent per billion euros of revenue (1.6 in 2013¹).

The Group's strategy is to develop energy waste management and water activities, allowing a reduction in GHG emissions (Scope 1) and the optimization of energy consumption of its clients (scope 2).

¹) This indicator is calculated following the rules defined by financial consolidation.

+ 5% improvement in direct carbon efficiency since 2011

3.4 Handling our main GHG issues

Carbon efficiency ratio

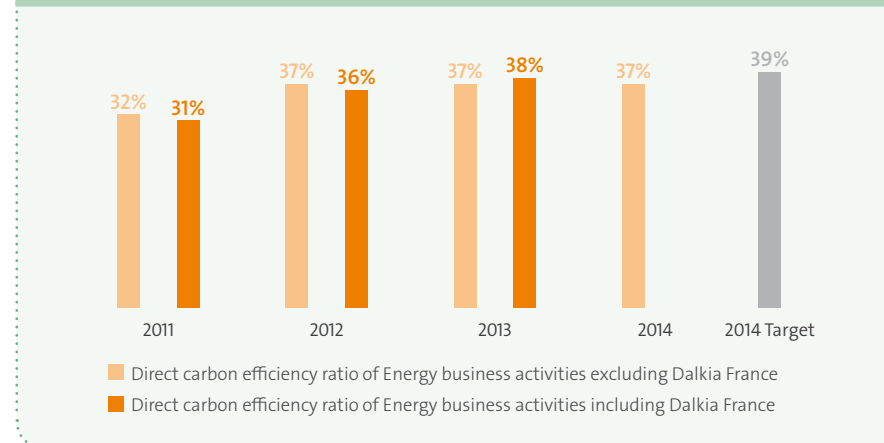
For a more accurate reflection of the Group's performance, a method was developed to apply across the four business activities. The method takes into account all the positive impacts from the overall decrease in GHG emissions. Fine-tuned every year, the method provides a carbon efficiency ratio that reflects the overall reduction in GHG emissions attributable to the Group's business and the total GHG emissions (direct and indirect) managed on behalf of its customers.

Emissions related to the Energy business activity account for 52% of direct emissions generated by the Group's activities. As part of the 2012-2014 plan, the Energy business activity has redefined the scope of the emissions that it monitors using this indicator, helping it to strengthen its management of CO₂ emissions. In 2013, the improvement was in line with the objective of 39% at the end of 2014, specifically as a result of business activities in France that

were disposed of in 2014. Outside France, the carbon efficiency ratio has improved by 5 percentage points since 2011 and now stands at 37%.

As part of its new commitments to sustainable development, Veolia has set itself the target, for the period 2015-2020, of accumulating 100 million metric tons of CO₂ equivalent in reduced emissions and 50 million metric tons of CO₂ equivalent in prevented emissions across all its business activities.

Direct carbon efficiency
(metric tons of CO₂ equivalent not emitted/metric tons of CO₂ equivalent emitted)



Carbon performance of combustion facilities

As part of the three-year plan for 2012-2014, the Group's Energy business activity has also set a target of improving the carbon performance of combustion facilities which equates to 15% between 2011 and 2014. In 2013, the improvement was 11% compared with 2011.

By increasing the share of the Group's activity in countries with a greater carbon energy mix,

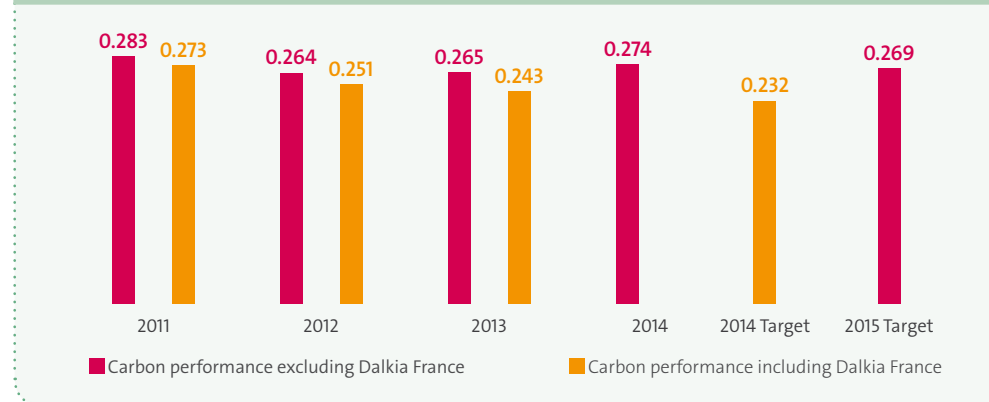
Methane capture and recovery

Waste decomposition in landfill sites and under anaerobic conditions, in general, generates biogas that is composed of between 40% and 60% methane. The quantity and composition of biogas generated depend on a wide range of factors, 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,

In 2014, diffuse methane emissions from landfills accounted for 28% of the Group's direct greenhouse gas emissions. Given this significant percentage, Veolia is motivated to keep improving:

- 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.

Carbon performance of combustion facilities
(Energy activity - metric tons of CO₂ emitted/thermal MWh produced)



To translate its commitment into action, Veolia set itself the target of achieving a methane capture rate of 66% in 2014 for its activities excluding Veolia Latin America; with a capture rate of 67%, the 2014 target was achieved.

As part of its new commitments to sustainable development, Veolia has set itself the target of a methane capture rate in landfill sites of over 60% across all countries by 2020. In 2014, this capture rate was 56%.

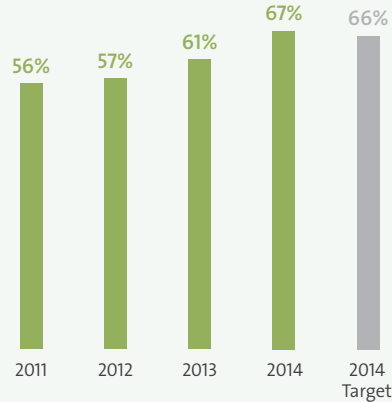
Carbon performance of combustion facilities: up 3% since 2011

the disposal of the Energy business activity in France in 2014 came at the expense of the carbon performance indicator for combustion facilities. The 2015 target was revised accordingly. Outside France, the improvement was 3% over 2011 and 19% since 2008.

biogas emissions cannot be measured directly but are estimated on the basis of theoretical models, which also take account of the high global warming potential of methane: 1 metric ton of methane corresponds to 25 metric tons of CO₂.

Methane capture rate: up 11% since 2011

Methane capture rate at landfills (sites in service (excluding Proactiva))



The rise in the methane capture rate between 2012 and 2014 reflects the Group’s policy of creating new extraction wells and enhancing the performance of existing facilities.

To improve the reliability of results, Veolia is continuing its research, especially with regard to determining fugitive methane emissions, and is committed to implementing action plans to improve methane capture and energy recovery at its landfill sites, particularly in relation to Climate-KIC with the FUME project.¹

1) www.climate-kic.org/projects/fume/

Methacontrol™: towards maximum optimization of biogas management

■ Under the Methacontrol™ brand, Veolia has developed a range of technologies to optimize still further the management of the biogas produced at its landfills. This enables it to reduce diffuse emissions and so improve the control of unpleasant smells and the impact of methane’s greenhouse gas effect on the climate.

This technology is also improving the yield of recovered biogas, which leads to additional energy production in the form of electricity or methane gas fed into urban gas networks or used as a fuel for waste collection vehicles. The Group is continuing to roll out these technological advances. At the end of 2014, nine out of the 77 landfills in service were equipped with this technology.

3.5 Adapting to the consequences of climate change

At Veolia business unit level, adaptation to climate change is an integral part of the analysis of environmental issues and risks performed locally, taking account of relevant regulatory changes, resource availability, identification of additional requirements/volumes and necessary process changes. Adapting to a potential change in the availability of resources, particularly water, could take the form of developing and reusing treated wastewater and optimizing the performance of the distribution network.

At Group level, adaptation to climate change is an integral part of the risk mapping process which considers resources, regulatory and market changes, purchases and business risk. In 2014, the definition of risks related to climate change was reviewed in order to improve the identification and assessment in the risk mapping process within Veolia’s strategic risks.

The risk mapping performed at country/ business activity level and for the Group as a whole is presented to the Executive Committee, meeting as the Risk Committee, in order to validate and monitor the effectiveness of action plans that contribute to the adaptation to climate change.

Introduction	Contents	Managing corporate responsibility	Managing environmental performance	Managing societal performance	Managing social performance	Appendix
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Veolia also provides solutions and supports its customers in reducing their vulnerability within their regions.

■ Veolia offers a service for supporting municipalities and developers in approaches to alleviating urban heat islands, from diagnostics to the deployment of solutions through urban renewal mechanisms that recover non-drinking water.¹

■ As part of its R&D on adapting to climate change, Veolia is a partner in several Climate-KIC projects, including Precos.² The challenge is to provide a reliable methodology for creating scenarios over 10 to 20 years covering changes in natural resources, particularly water resources, based on a number of factors. Three demonstrators in Europe have helped to shape the model and the results are robust. The La Crau (France) demonstrator has even been used as a basis for public authorities to define their water resource management plan.

■ In 2014, Veolia signed a second partnership with France Nature Environnement (FNE) to work on urban sprawl. Having set out the subjects for discussion and made a joint assessment of the impacts of urban sprawl on resources (*L'Étalement Urbain – Réflexions croisées: Eléments de définitions et termes du débat - Urban Sprawl – Exchanges: Subjects for definition and terms of discussion*)

in 2013, Veolia and FNE, with the Caisse des Dépôts (Deposit and Consignment Office), are undertaking to produce a guide referencing the best practices implemented by municipalities and real estate players to limit this harmful practice in terms of CO₂ emissions and biodiversity.

■ In 2014, Veolia was the co-founder of Efficacity³, an institute for energy transition in cities. Efficacity is the result of a research initiative set up in 2011 by 35 public and private partners who decided to combine their efforts to address national and European commitments for reducing energy consumption and greenhouse gas emissions by 20% by the year 2020 and to target urban energy efficiency.

Energy in New York... in a total blackout!

■ In October 2012, Hurricane Sandy showed New York's vulnerability to major hurricanes. However, whereas almost the whole of Manhattan was plunged into darkness, the majority of the Greenwich Village university campus escaped the blackout. The university had in fact drawn upon the expertise of SourceOne, a Veolia subsidiary, to rebuild its cogeneration plant in 2010; it therefore had an energy source that was independent of the network, efficient, reliable and highly carbon friendly.

Copenhagen, une ville qui résiste aux inondations

■ At the beginning of the 1990s, the city of Copenhagen wanted to make its port area suitable for bathing. It therefore invested in infrastructure to control and retain rainwater and wastewater. Following a violent storm in 2011, which caused major flooding, the city contemplated doubling its rainwater storage infrastructure. Veolia offered it an alternative solution by developing the STAR Utility Solution™ modeling tool. This tool enables rainfall to be forecast six to twelve hours before it occurs, by means of a weather radar system, and makes it possible to manage the network in real time (with the optimization of valves, pumps and spillways). As a consequence, the overflow of wastewater into the natural environment has been significantly reduced and flood-related damage minimized.⁴

1) www.2ei.com - 2) <http://www.climate-kic.org/projects/prediction-of-the-impact-of-climate-change-and-urban-sprawl-on-ecosystem-services/> - 3) <http://www.efficacity.com/les-programmes-de-r-d> [website in French] - 4) For further information: <http://www.climatesolutionsplatform.org/solution/copenhagen-a-city-resilient-to-flooding/>

3.6 The Group's role in the COP 21 international conference

In 2014, Veolia wanted to engage fully in the preparation for COP21, the 21st international conference of the United States Framework Convention on Climate Change (UNFCCC), which will take place in Paris at the end of 2015 and which brings together civil society, including businesses.

In September, Veolia's CEO took part in person in the UN Climate Summit in New York as part of a session on short-lived climate pollutants, such as methane. The Group took this opportunity to come out in favor of a robust and stable CO₂ price, by signing the World Bank Commitments¹ and Carbon Price Press Release².

In December, at COP20 in Lima, Peru, Veolia organized a conference, open to all, on the theme of "Energy, waste, water: joint construction of climate solutions with regions" to discuss these environmental issues with Peruvian and international representatives and institutional, UN, public and private sector organizations.

Veolia has also signed up to the positive agenda of solutions and wants to show the benefit of solutions related to the circular economy (recycling, reuse, etc.) on the reduction of greenhouse gas emissions.

In June, Veolia became involved as a founding member of the multiparty Solutions COP21 process, which has created a website bringing together solutions that benefit the climate: <http://www.climatesolutionsplatform.org/>. On the website, Veolia presents specific solutions for water, energy and waste management, produced in conjunction with municipalities and industrial companies.

1) <https://www.cdp.net/en-US/Pages/RTP/price-on-carbon.aspx> – 2) <http://www.climatecommuniques.com/Carbon-Price.aspx>

4. PROTECT AND RESTORE BIODIVERSITY

4.1 Issues and commitments

Biodiversity is depleting rapidly. There are many reasons for this: the deterioration and fragmentation of natural habitats, the overexploitation of natural resources, pollution, the introduction of invasive species, and climate change.

Interaction with our business activities, those of our customers and nature

Impacts of our activities

Veolia's core business helps in itself to protect biodiversity by reducing the effect of anthropogenic pollution that has a major impact on ecosystems. In fact, its Water and Waste solutions business activities collect and treat wastewater and waste, which limits the dissemination of urban and industrial pollution into the soil, bodies of water and the atmosphere. With regard to the Energy services business activity, the development of centralized urban heating networks continuously controlled and subject to strict regulations, helps to reduce the environmental impact compared to more polluting systems.

Nevertheless, the Group's activities cause negative residual environmental impacts, both direct and indirect, which can contribute to the loss of biodiversity. In particular, they are due to:

- the consumption of natural resources (see Chapter 2.1 below);
- residual pollution contained in operational discharges (see Chapter 2.2 below);
- greenhouse gas emissions (see Chapter 3 below);
- land occupancy of sites that we manage (destruction or inappropriate management of environments);
- barrier effects that sites can entail for environments (enclosure, etc.);
- the potential use of invasive exotic species in site development.

Dependency of our activities on ecosystem services

Veolia has conducted an analysis of the dependency of each of its business activities on ecosystem services:

- the production of drinking water is directly dependent on the smooth functioning of the water cycle: precipitation and the storage capacity of catchment areas ensure that the resource is available. Leveraging the benefit of ecosystems in regulating the quality of water (auto-treatment) helps to maintain high qual-

ity water resources used for drinking water production and therefore limit the amount of treatment needed to ensure that water is fit for consumption;

- sanitation activities depend on ecological factors: microbial activity and the ability of downstream aquatic environments to assimilate residual water content are critical to wastewater treatment;
- for energy, biomass operations require a sustainable supply of wood energy;
- waste storage, composting and soil remediation all rely on the structure and nature of the soil as well as biological processes to break down organic material.

Aquisafe Project: demonstration of the benefit of buffer zones

■ The Aquisafe Project, which was rolled out over several years and completed in 2014 within the Water business activity in France, is a concrete illustration of the dependency of our activities on services provided by nature. In 2009, the Ic drinking water supply plant operated by Veolia was temporarily closed due to high nitrate content (> 50 mg NO₃⁻/L). To recover the water quality and aquatic environments in the Ic catchment area and to be able to continue to use the local water resource in full compliance with regulations, the SMEGA (*Syndicat Mixte Environnemental du Goëlo et de l'Argoat* - joint environmental syndicate of Le Goëlo and l'Argoat) has joined forces with Veolia to develop knowledge about buffer zones in rural environments (artificial wetlands, reagent ditches, etc.) as part of a research and development project known as Aquisafe. The objectives of this project are to optimize the operation of buffer zones and to assess their potential contribution at catchment area level, to protect water quality. Tests conducted with the implementation of these buffer zones in catchment area pollution hotspots have shown that such zones would lead to a significant reduction in the pollutants present, particularly nitrates. This action was coupled with a campaign to make local farmers aware of the use of pesticides.

cf. http://www.smega.fr/index.php?option=com_content&view=article&id=496:le-projet-aquisafe&catid=184:aquisafe&Itemid=174

Commitment to biodiversity

In 2014, it was as an extension of the Aichi objectives adopted in Nagoya (new strategic plan for the Convention on biological biodiversity) and based on its interaction with nature that Veolia made its commitment to biodiversity, to which there are three parts:

- take better account of local biodiversity issues and design innovative solutions inspired by nature;
- implement environmental development and management initiatives on our sites and for our customers;
- raise awareness, involve more people both internally and externally and promote initiatives put in place in collaboration with local players.

This approach to biodiversity, supported by this commitment, is applied to all the Group's business activities and the international context. It is monitored by a biodiversity committee that brings together the management teams of various Group entities (businesses, research and innovation, sustainable development and operations), using a plan of actions and indicators that forms part of the Group's environmental plan. The Group's approach to biodiversity is managed at corporate level by the Sustainable Development Department, with a named

contact person. Since 2010, the approach has been supported by a network of biodiversity officers in France and in the main countries where Veolia operates. This network oversees the roll-out of the Group's biodiversity strategy by drafting action plans, sharing best practices and providing feedback on actions undertaken.

Furthermore, the aim of this approach is to be a part of the vision, goals and principles of governance of the National Biodiversity Strategy (SNB) launched in France in May 2011 and to which Veolia signed up at the outset. The Group is working on its voluntary engagement package in order to put its commitment to this approach into practice.

In-house expertise

To support the implementation of the biodiversity approach, as well as local partnerships that it has set up, the Group can draw upon in-house expertise within the businesses, its engineering departments and its research and innovation teams. These clusters of expertise are recognized both internally and externally, and contribute to the development of methodologies and tools for assessing and characterizing the ecological status of environments, assessing the impact of the Group's waste and developing innovative solutions based on nature.

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Biodiversity diagnostic assessment and monitoring: Veolia engineering department expertise

Since 2011, 2EI has been providing support to a number of sites operated by the Group in France, identified as having major biodiversity issues, in carrying out their diagnostic assessment and defining specific action plans. In 2014, as part of an ÉcoCité project with Nice Côte d'Azur, 2EI developed an automated biodiversity monitoring prototype (bat detection) enabling production of an ecological health indicator for an urban ecosystem. A demonstration system will be implemented in 2015, on the Plaine du Var, with around ten sensors being installed.

In 2014, Setude produced an ecological management plan for green spaces for around thirty Water business activity sites located in the west of France. This study helped with drawing up an initial situation report on green spaces for each site, assessing their "ecological potentiality" and their integration into the surrounding environment, particularly within the local green framework, and with putting forward management plans with the option of introducing ecopastures or simpler alternatives.

Seureca, Setude, DESL, EPAS and 2EI - Group engineering departments - provide consultancy, design, project management support, ecological engineering and other services. Their expertise is used to map ecological continuity, track standardized bio indicators (IBGN, IPR, IBD, etc.), draw up inventories of flora and fauna and plan activities to restore ecological continuity (e.g., fishways, works decommissioning, bypass channels, etc.), morphological restoration of rivers and wetlands (particularly as part of aquatic environment land contracts developed by the water agencies) and action plans for expanding urban biodiversity.

4.2 Taking better account of local biodiversity issues and designing innovative solutions inspired by nature

Support for scientific research and academia

The Group focuses on methodologies and tools for evaluating the services provided by ecosystems and on the development of environmental engineering solutions. Its efforts to support and generate scientific research have taken a variety of concrete forms:

Supporting a dedicated chair

Since 2009, Veolia has supported the Mathematical and Biodiversity Modeling (MBM) chair at France's École Polytechnique. The MBM chair aims to develop synergies between applied mathematics and ecology on the topic of biodiversity. Its activities are rooted in research and education, with the aim of bringing the results of the research to a broader audience. The chair is unique for its multidisciplinary approach to ecosystem modeling aimed at addressing key environmental challenges, such as ecological niches, adaptive evolution, colonization of

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space, analysis of community dynamics and the construction of biodiversity scenarios. This approach entails a need for relevant, rigorous and innovative mathematical tools. One objective in particular is to develop new probabilistic models for evolution that draw more effectively on interactions and variations in scale among various ecosystems – models that can be used to anticipate future developments. These problems are also being examined using statistical applications. The impact of spatial or temporal variability in the environment on the growth and survival of a population is another issue, as is the development of random models for species abundance and displacement. In 2014, the MMB chair produced 21 publications. The scientific results from this research are shared at an annual presentation. In 2014 this addressed changing and mixtures of scales. (see <http://www.cmap.polytechnique.fr/chaire-mmb/>) [website in French]

Supporting and participating in the work of multiparty associations and organizations

To enhance its understanding of the range of issues posed by biodiversity, Veolia lends support to numerous scientific theses and participates in task forces examining these topics. For example, the Group supports various studies by the IUCN French Committee, such as the description of the ecological services provided by major French

ecosystems, including several volumes that appeared in February 2014: urban ecosystems, marine and coastal ecosystems, and forest ecosystems, inland freshwater ecosystems and agroecosystems.

Research work conducted at Veolia for better assessment of the impact of its activities

New global approaches to characterizing the ecological status of an environment are now being developed. However, for the moment, the results obtained with these new tools are difficult to translate into operational management components. The Group is therefore developing its expertise in biological tools to assess risks and environmental impacts in aquatic, terrestrial and atmospheric environments. Over and above the regulations, traditional physical-chemical approaches that involve measuring the levels of pollutants in discharges are insufficient for assessing the ecological state of an environment. Current tools used to assess the state of biodiversity (knowledge tools) are mainly focused on so-called “outstanding” species and they, too, are insufficient.

Veolia’s Research and Innovation teams have also focused their work on environmental engineering to provide an ecosystem level approach for identifying

alternative techniques appropriate for reducing these impacts and developing skills in the area of environmental restoration (lagoons, grass verges, etc.).

Biological tools for assessing the performance of urban sanitation systems

One of the projects conducted in 2014 by Veolia’s research teams in partnership with IRSTEA (Institut national de Recherche en Sciences et Technologies pour l’Environnement et l’Agriculture (French National Research Institute of Science and Technology for Environment and Agriculture)) aims to develop a method for assessing the environmental performance of urban sanitation systems and their proper ecological integration into receiving systems that are often subject to multiple pressures. To that end, an array of selected biological tools has been implemented to assess their sensitivity and value in measuring the potential impact of a treatment plant adhering to discharge standards (N, P, DCO and MES). The tools deployed are mainly based on the measurement of individual responses (survival, growth, reproduction and feeding) that have a direct link with population dynamics. These tools have been developed on model organisms widely present in our freshwater ecosystems and covering several phyla (1 insect, 1 crustacean, 1 mollusc).

New sentinel bioindicators for waste treatment activities

In 2014, Veolia launched a study in France aimed at gaining a better understanding of the local environmental impacts associated with waste treatment systems. The Sarcelles incineration plant was identified as a pilot site to test the relevance of promising new sentinel bioindicators, which involve the use of bees in the assessment of air quality in relation to other plant indicators (lichens, mosses, grasses, etc.). The method consists in using a bee as a bio accumulator, given that its mobility allows it to sample the environment over an area of 3 km to 5 km i.e. around 28 km² to 80 km².

External scientific publications and events

The Veolia Institute has taken a variety of initiatives for sharing knowledge relating to the Group's activities. In 2014, it organized its 7th Environmental Perspective Conference in Washington (USA) on the issue of the management and restoration of large-scale ecosystems. This forum showcased experiments and concrete solutions designed to educate public and private sector policymakers about ways to meet the Aichi international environmental goal of restoring at least 15% of degraded ecosystems by the year 2020, as set forth in the Convention on Biological Diversity. The

event also provided an overview of current scientific knowledge and technical expertise with regard to the restoration of terrestrial and aquatic ecosystems. Several partners were on hand for the event, including the IUCN, the French Development Agency and the National Academies in the United States. The conference offered an opportunity to involve a wide segment of the public, including academia and the scientific world, businesses, NGOs, multilateral aid agencies and lenders, national and international bodies, and students.

In addition, Veolia joined forces with the IUCN French Committee to host a discussion on *Mer propre 2050* (Clean Sea 2050) at the 3rd International Marine Protected Areas Congress (IMPAC 3), held in October 2013.

Investigation of the economic approach to biodiversity and ecological services

In 2013, Veolia continued its investigation of the external benefits provided by water and sanitation services, to calculate the economic value of ecosystem services. The results highlight the company's environmental and social performance in addition to its financial performance. They also help decision-makers by encouraging investment or management methods that ensure shared value creation at a regional level.

Consistent with its support for the *Corporate Ecosystem Valuation* (CEV) guide produced by the World Business Council for Sustainable Development in 2010, Veolia contributed, in 2013, to case studies in the *Business Guide to Water Valuation*, including three specific examples (Crépieux-Charmy, Berlin and the Estuaire de la Dives public authority grouping).

Lastly, the Group continued to carry out case studies on identifying the relationship between its activities and ecosystems. A previous study (treatment and storage site for hazardous waste and recovery of polluted soil - Occitanis - in France) showed that taking account of biodiversity at the site did not result in any significant new costs in relation to the expected benefits, given that the majority of expenditure allocated to biodiversity management was intrinsically linked to the activities carried out on the site. This example, along with use of the CEV principle at the Crépieux-Charmy site, was cited in an Orée publication entitled *La gestion de la biodiversité par les acteurs: de la prise de conscience à l'action* (Biodiversity Management by Stakeholders: from Awareness to Action), published in late 2013.

4.3 Implementing ecological development and management initiatives on our sites and for our customers

The Group is mindful of its impacts on nature and is committed, in accordance with French law, to applying the principles of the Mitigation Hierarchy, the first step of which is to avoid damaging biodiversity, then reducing the impacts and finally offsetting them, using in particular the tools and mechanisms described below.

Considering biodiversity upstream of our projects

In many countries, some of the Group’s major activities are subject to environmental protection regulations: French ICPE (*Installations Classées pour la Protection de l’Environnement*, Facilities Classified for Environmental Protection) or its equivalent. This means that all business development first requires the preparation of an impact study comprising a highly detailed section on fauna and flora. The management of these impacts is therefore a constant concern for the operating staff of Veolia’s various businesses (waste processing, decontamination stations, combustion facilities, rolling stock depots, etc.).

Preserving natural resources and managing discharges

The control of impacts related to extractions from and discharges into the natural environment is governed by a strict regulatory framework. In addition to the regulations, Veolia’s approach to biodiversity uses an Environmental Management System (EMS) put in place by the Group, which aims to safeguard the environmental performance of its business activities. Continuous improvement of the performance of processes and technologies used also allows us to reduce the impacts on the natural environment (see the chapters above on Preserving resources and Fighting climate change).

Positive impact on fauna and flora in Niukouyo

Since 2006, Veolia has been helping one of its manufacturing customers in China, Sinopec Corp., to improve the system for treating its wastewater as well as increasing the capacity and efficiency of regeneration units for this water, which is discharged into the nearby Niukouyo biodiversity reservoir. In 2014, 60% of the water treated was recovered and reused on the site, thereby considerably reducing the impacts on the local environment. Monitoring conducted by the Niukouyo center showed that fauna and flora had benefited from efforts made to preserve the environment.

Tools for assessment and implementation

The Group is developing an approach centered on the ecological management and planning of spaces, which encourages the upkeep and return of biodiversity on sites and in areas where it operates.

In the first instance, it is based on the identification of sites for which action is a priority and for which an assessment and specific action plan should be undertaken. Several criteria have been taken into account to define the level of issues for sites:

- Ecological context. This is defined according to the presence of protected species or natural habitats on the site and the type of environment on which the site is located. It is also defined according to the presence of protected or listed natural areas that are officially recognized as being of ecological interest by local stakeholders, on or adjacent to the site. Since 2010, the Group has been using information extracted from the IBAT database (Integrated Biodiversity Assessment Tool developed by Birdlife International, Conservation International, the IUCN and the United Nations Environment Program) to carry out this work using geolocated site data.
- Ecological potentiality. This is defined according to the surface area of the site’s permeable zones (terrestrial or aquatic).

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To assess these priority sites known as “sites with major biodiversity issues”, a biodiversity assessment tool has been developed in partnership with a specialist firm of biodiversity consultants. The methodology incorporates the characteristics of the natural environment and the site’s development and management to draw up an action plan reflecting the local issues.

Veolia has subsequently made best practice guides available to its operations. For example, the guides on invasive species for the Waste solutions and Water business activities help operators to recognize these species so as to avoid contributing to their spread, by adopting best practices such as prohibiting their use in landscaping, quickly identifying areas where they have become established and implementing appropriate ways to combat them. Guides have also been drawn up to help sites plant species that are on their way to extinction, install an apiary and protect insects and migratory birds.

Lastly, sites have been provided with a charter promoting the differentiated management of green spaces so that they can include it in service contracts signed with companies responsible for the upkeep of green spaces.

The Group continues to develop the standard horticultural model on the sites that it manages in order to preserve existing natural assets and contribute to the development of ecosystems. In partnership with the IUCN French Committee, in 2012 it provided its French sites with a publication entitled, “Guide to ecological management of Veolia sites,” a guidebook of beneficial measures for ecosystems in the design and/or management of sites. New fact sheets are produced by the IUCN each year. In particular, the guide covers:

- the management of herbaceous environments and fauna;
- measures for maintaining green spaces;
- the development of roadways and buildings.

An example of horticultural management in Ludres

In 2014, as part of the implementation of off-setting measures related to an obligation for reforestation after forest clearance, a Waste solutions activity site located in Ludres (France) planted 400 forest seedlings, created a wild hedgerow from 260 local shrub species and dug out seven ponds, two of which are forest ponds.

In addition to these measures, an orchard consisting of 50 fruit trees of old local varieties was also created. A partnership agreement was also signed with a local association (*Les Croqueurs de pommes de Lorraine* - Lorraine apple crunchers) to create this orchard for education and conservation. The objective of this first agreement signed by an association with an industrial company is to encourage the adoption of the orchard by its staff through support, activities and the training of its employees in how to manage it.

In addition, a partnership has been created with a local farmer who now practices late mowing by alternate strips of cultivated meadowland over an area of more than 5 hectares.

Monitoring indicators

The Water and Waste solutions activities monitor the implementation of diagnostics and the development action plans associated with ecosystem management.

The Waste solutions activity set a target of rolling out an action plan at 75% of its sites with biodiversity issues by the end of 2014 (based on prior identification of such sites). In 2014, plans were implemented at 30% of sites with major biodiversity issues, although it was not possible for the initiative to proceed at the anticipated rate. Nevertheless,

biodiversity diagnostic assessments were conducted at a great many sites with the help of ecologists and the implementation of ecological management and/or development measures continues.

Reasserting its commitment to biodiversity, Veolia updated its targets in 2014 by setting the objective of conducting a diagnostic assessment with action plan roll-out at 100% of its sites with major biodiversity issues between now and 2020. This now applies to the Water business activity as well as to the Waste solutions activity.

	2014		
Business activity	Total number of sites having completed a diagnostic assessment and implemented an action plan	Percentage of sites with major issues that have carried out a diagnostic assessment and rolled out an action plan	Number of sites that have introduced ecological management and/or development
Waste solutions	83	30%	131
Water	18	12%	33

4.4 Raising awareness, involving more people and promoting initiatives introduced in collaboration with local players

Raising the awareness of our customers and decision-makers, the general public and site neighbors

Our awareness-raising activities extend to our stakeholders, through, for example, developments such as educational ponds, which have been incorporated into visitor site tours. In partnership with the local community, the Group also organizes sessions for the clean-up and restoration of natural environments, fauna observation, awareness-raising workshops on ecological gardening and beekeeping as well as educational trails. Veolia also encourages initiatives by its partners to educate the public on or raise their awareness of environmentally responsible behavior.

2,500 children made aware

Under public service delegation contracts fulfilled by Veolia for its Water business activity in the Paris region on behalf of SIAM, Val Maubuée and Bussy-Saint-Georges, a biodiversity educational activity

has been developed, in addition to the setting up of educational ponds, Eco pastures and beehives, thus enabling around 2,500 children living in these areas to be made aware of the subject every year.

A participatory approach to innovation

In 2013, a biodiversity initiative gained recognition from the *Trophées des initiatives sociales* (Social Initiative Awards), an internal program for recognizing Group best practices. Incineration plants in northern Normandy are promoting biological diversity on a daily basis through the

differentiated management of green spaces and provision for wildlife, by involving their employees and raising awareness of the sphere of influence of our sites. They were recognized in the *Solidarité et esprit d'équipe* (Solidarity and Team Spirit) category.

Cultivated biodiversity: Green spaces working for the environment

An event promoting Veolia's campus in Tarbes (France) took place on 5 June 2014 on the theme of "Cultivated biodiversity – Green spaces working for the environment and water quality". This event, also involving the local horticultural college, Adriana, was one of the *Journées biodiversité* (Biodiversity Days) that GNIS (*Groupement National Interprofessionnel des Semences et Plantes* - French National Inter-professional Group for Seeds and Seedlings) organizes regionally with its network

of partners every year. The objective of these days is to explore the wealth of cultivated biodiversity, through one or more plant species for example. A hectare of land on the campus had been set aside by the local agricultural college (Adriana) for carrying out experiments. Participants were able to appreciate the diversity of fodder plants and turf used in green spaces.

(see <http://www.gnis.fr/index/action/page/id/67/cat/2/ref/1323>) [Website in French].

Partnerships reflecting global as well as local issues

National partnerships enable Veolia to conduct its efforts as part of large-scale programs.

■ Veolia has been a partner of the **IUCN French Committee** (World Union for Conservation)¹ since 2008. This partnership aims to deepen the integration of biodiversity with the Group's policy and the management of its business activities. Veolia is also a member of the IUCN's "Business and Biodiversity" working group, which includes IUCN members and other private sector partners. This discussion forum aims to involve companies in biodiversity issues and Veolia has been contributing its insight and expectations since 2011. In this way, Veolia contributed to a study published in 2014 entitled *Le reporting biodiversité des entreprises et ses indicateurs* (Business Biodiversity Reports and Indicators). (see <http://www.uicn.fr/Reporting-et-indicateurs.html>) [website in French]

■ In Germany, Veolia has been working closely with the **Nature and Biodiversity Conservation Union** (*Nabu Bundesverband*), the largest German environmental association, since 2010. Nabu provides support by putting sites managed by Veolia in contact with Nabu's regional representatives. In 2014, eight sites were the subject of diagnostic assessments by Nabu with the implementation of action

programs, for which roll-out will run until 2015. One of these sites, a composting unit located in Essenheim, is the subject of a flagship project, for which several outstanding habitats were identified during diagnostic assessments. Nabu awarded the site its "swallows welcome" label and proffered advice on preserving the habitats that are present and the high biodiversity potential that they offer. Veolia has provided support to Nabu since 2010 in its huge restoration project for the River Havel, the only one of its kind in Europe. This project covers an area of 19,000 hectares, within which 620 hectares have been purchased and are currently undergoing restoration. It includes in particular the reconnection of ponds, the reintegration of 500 hectares of meadowland into the floodplain, the dismantling of 29 km of riverbank reinforcement and the planting of 89 hectares of alluvial forest, thereby enabling the riverbanks to be maintained and former flood control channels to be put back into service. This project will continue over the long-term.

■ In France, the coastal conservation agency, **Conservatoire du littoral, rivages de France** and Veolia, partners since 2009, have combined their expertise to enhance coastal wetlands (intermediate areas that provide an interface between land and sea, contribute to control of the large water cycle and in particular play a key role in alleviating climate change effects such as floods and coastal erosion) and raise awareness about their functions and how

they benefit society. At the end of 2013, this joint initiative enabled the preparation of a technical application guide on the functions and benefits provided by coastal wetlands. The objective of this guide is to:

- encourage all players in the region - whether public, private or from civil society - to take ownership of the ecosystem services provided;
- incorporate its principles into the drawing up of plans, programs, projects or policies.

The project also resulted in the production of an educational film.

(see <http://www.zones-humides.eaufrance.fr/actualites/generales/zones-humides-partenariat-veolia-conservatoire-littoral-et-rivages-de-fran>) [website in French]

At a more local level, Veolia is taking steps to become more involved in regional communities, by developing partnerships that will address environmental concerns more effectively.

■ In 2012, a partnership with the CBNBP (**Conservatoire Botanique National du Bassin Parisien** - Paris Basin National Botanical Conservatory), an organization affiliated to the French National Museum of Natural History, was agreed for the 2013-2016 period with Veolia for its Waste solutions business activity in France. An experiment was carried out on landfill cells with the aim of selecting,

¹) IUCN France has 55 members (ministries, public institutions and NGOs) as well as a network of around 250 experts. At global level, the IUCN is the world's largest nature conservation organization, with 1,000 member organizations and 10,000 experts, and has had United Nations observer status since 1999. www.uicn.fr [website in French]

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increasing and producing indigenous plant species that are of conservation interest and are suited to local environmental features and pressures for the replanting of reworked soil. Initial results from this experiment gathered in spring 2014 have already proved highly promising and should deliver genuine ecological added value to this sector in which natural and semi-natural environments are very scarce.

Participation in working groups, discussion and initiatives with our recognized stakeholders

The Group has also taken part in international studies, primarily through the work of the **WBCSD** (Ecosystem Services Review (ESR) and Corporate Ecosystem Valuation). In 2014, within the scope of the “Ecosystems and Landscape Management” working group overseen by the **WBCSD**, the Aquisafe Project (referred to in 4.1) was submitted as a case study to feed into a guide on green infrastructure. (see website address to be filled in)

Veolia also takes part in working groups of recognized bodies whose findings result in publications aimed at promoting the implementation of initiatives, such as, for example:

■ in December 2013, with the guide published by EPE (*Entreprises pour l'Environnement* - Business for the

Environment) entitled *Mesurer et piloter la biodiversité* (Measuring and managing biodiversity) on the preparation of biodiversity indicators. (see <http://www.epe-asso.org/en/measuring-and-managing-biodiversity-october-2014/>)

■ in November 2013, with the Orée application guide aimed at municipal customers entitled *Biodiversité et Économie, gestion par les acteurs, de la prise de conscience à l'action* (Biodiversity and Economy, Management by Stakeholders: from Awareness to Action. (see file:///D:/Users/geraldine.petit/Downloads/oree-management-of-biodiversity-by-stakeholders-book.pdf)

Biodiversity in good company

In March 2014, Veolia in Germany joined the “Biodiversity in good company” initiative and signed the business network leadership declaration. Veolia made this announcement at the time of the Unternehmen Biologische Vielfalt 2020 dialogue committee, to which the Federal Environment Ministry was invited. As part of “Biodiversity in good company”, pioneering businesses from various types of industry joined forces to commit to the protection and reasonable use of biodiversity, thereby making an important contribution to the implementation of the international Convention on Biological Diversity (CBD).

(see <http://www.business-and-biodiversity.de/en/>)

■ in 2014, with the study entitled *Le reporting biodiversité des entreprises et ses indicateurs* (Business biodiversity reports and indicators), published as part of the Entreprises et Biodiversité (Business and Biodiversity) working group of the IUCN French Committee. (see <http://www.uicn.fr/Reporting-et-indicateurs.html>) [website in French]]

Support for projects through the Veolia Foundation

One of the Foundation’s three key areas of intervention relates to the protection of the environment and biodiversity. Through its Foundation, Veolia supports major international programs that restore and protect outstanding ecosystems.

The Foundation also participates in many awareness-raising and communication initiatives aimed at the general public, in order to contribute to changing behavior towards greater respect for the environment. Since 2004, 314 projects affecting the environment and biodiversity have been supported by the Foundation, eight of these in 2014, including:

■ drafting of the IUCN red list of ecosystems in France, a tool created using an international methodology that assesses the state of ecosystem vulnerability. (see <http://fondation.veolia.com/en/actions/projects/14EB1477,uicn-france.htm>)

2) The UVED is one of seven digitally-themed universities supported by the French Ministry of Higher Education and Research.

■ a large-scale awareness-raising project on the subject of biodiversity, led by the UVED (*Université Virtuelle Environnement et Développement Durable* - Virtual University for the Environment and Sustainable Development)¹. It involves a Massive Open Online Course (MOOC), open to all and addressing a very broad cross-section of the French-speaking world. The leading specialists in the field contributed to preparing the platform (35 specialists, 70 videos), including the French Natural History Museum, with the involvement of Veolia's research center, one of whose representatives made a speech. (see <http://fondation.veolia.com/en/actions/projects/14EB1815,universite-virtuelle-environnement-developpement-durable.htm>)

■ The launch of the Tara expedition, a scientific mission raising awareness about plastic pollution and environmental issues in the Mediterranean, in conjunction with World Biodiversity Day 2014, the theme of which was islands and near-shore marine environments. (see <http://fondation.veolia.com/en/actions/projects/14EB1790,tara-expeditions.htm>)
 For further information on the Veolia Foundation, see its website and annual report at: <http://fondation.veolia.com/en/>

Recognition for our efforts through labeling or certification

Proper ecological management of Veolia sites can lead to certification based on specific local standards. For example, external quality labels have been awarded to the incinerator site in Dunkerque (the Biodiversity Progress label, issued by 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 Biodiversity Progress label providing recognition for biodiversity initiatives

■ In 2012, Veolia embarked on an innovative campaign in partnership with Dervenn and Bureau Veritas to create a biodiversity label. The Biodiversity Progress label is used to identify priority actions to be taken in order to create a true biodiversity policy, one that is adapted to each site and integrated into the EMS. Through this process of continuous improvement, Veolia can ensure recognition for completed initiatives and provide updates on initiatives underway. An independent labeling committee reviews each action plan to ensure it is appropriate before awarding the label. The energy recovery center in Dunkirk, France, was chosen as the pilot site for this project and played an instrumental role in the formal definition of the process. A specific action plan was adopted for the site, with measures aimed at organizing and disseminating a long-term commitment to biodiversity at the facility through practical actions onsite and in the surrounding area. These included differentiated site management and the installation of wildlife shelters, as well as steps to educate employees and stakeholders alike about biodiversity. In 2014, the site saw its efforts rewarded when it obtained the label.

(see <http://www.dervenn.com/wordpress/wp-content/uploads/2013/10/DP-Label-%20Biodiversity-%20Progress-mars2013.pdf>) [document in French]

¹) The UVED is one of seven digitally-themed universities supported by the French Ministry of Higher Education and Research.

Managing societal performance

Social cohesion and social equity in the communities we serve are both prerequisites and key success factors for our businesses and for providing the public services entrusted to us.

In today's globalized economy, where entire industries are moving across borders and oceans, local public services naturally run counter to this trend. Water, energy and waste management cannot be relocated. Veolia is deeply rooted and involved in the areas in which it works.

We work with all local players to improve the accessibility of all essential services, living and health conditions, employment and training, social integration, economic development and also the relationship between the spheres of industry and municipal authorities.

Our solutions contribute to improving the attractiveness and competitiveness of communities and the companies operating in them, increasing the vitality of the regions.

1. SOCIETAL POLICY AND MANAGEMENT

Policy, commitments and objectives

Societal responsibility is expressed and assessed through three Group commitments to sustainable regional development, accompanied by targets for 2020 (see Chapter 2, *Managing our corporate social responsibility*) (see opposite).

■ Commitment 4 - Build new relational models and create value with our stakeholders.

2020 target: Have entered into a major partnership based on shared value creation in each zone and each growth segment¹;

■ Commitment 5 - Contribute to the development and attractiveness of regions.

2020 target: Maintain the percentage of Veolia's expenditure reinvested locally above 80%;

■ Commitment 6 - Supply and maintain services crucial to human health and development.

2020 target: Contribute to the United Nations General Assembly sustainable development goals which will be defined in September 2015, just as we contributed to the Millennium goals.

Societal reporting

Veolia's societal reporting information comes from two sources:

- information taken from Group reports (environmental and operational, social, financial and relating to sustainable purchasing);
- information obtained on restricted areas from departments centralized at Group level.

The scope of societal reporting covers, in a general framework, all the activities over which Veolia Environnement has operational control worldwide.

There may, however, be specific information associated with reporting or with the geographical areas from which the data is obtained. In this case, the specific nature of the information is stated when the indicator is introduced.

The data collected covers the period from January 1 to December 31, 2014. The measurement and calculation procedures, together with the control and checking procedures, are detailed in the societal reporting protocol and in the sustainable purchases protocol, available at www.veolia.com.

Management and roll-out of commitments

The business units are the main players in the implementation of the Group's commitments, in cooperation with the functional departments. These commitments are rolled out through local managers as well as through the functional departments' country representatives.

The Group is also supported by:

- the **Veolia Institute**, a special think tank that provides forward-looking insights and

promotes innovative modes of interaction between the company and civil society (cf. Chapter 2.a.3 below);

- the **Veolia Foundation**, whose priority areas are (i) development assistance and humanitarian emergencies, (ii) social cohesion and employment support and (iii) environmental and biodiversity protection (cf. Veolia Foundation activity report²).

All of the Foundation's projects involve Group employees: some are patrons of projects that the Foundation supports in the scope of financial sponsorship; others, Veoliaforce network volunteers, contribute in the scope of skills sponsorship (representing 230 days in the field in 2014).

In 2014, the Veolia Foundation provided financial support totaling around €2.35 million for 44 new projects, with a five-year allocation of €10 million.

By extending Veolia Foundation's mandate for a new five-year term (2014-2018), the Group has confirmed its commitment to a policy of skills-based patronage and partnership.

1) P. 14 of the 2014 corporate brochure. - 2) www.fondation.veolia.com

2. BUILDING NEW RELATIONAL MODELS AND CREATING VALUE WITH OUR STAKEHOLDERS

Veolia interacts with all players in the field: public authorities, institutions, civil society, citizens/users of our services, industry and the business world, etc. Our solutions are located at the point where regulatory, social and environmental issues converge and aim to provide our customers with improved performance in these areas, for the benefit of the regions where they are deployed. On our

side they require inventiveness on a day-to-day basis in the joint construction of partnerships and initiatives that support value creation.

Through our commitment, we target the following key objectives:

- assist our partners and customers in the implementation of their sustainability policy, in particular through the development of new

contractual models that include economic, social and environmental performance;

- support entrepreneurship and innovation, by developing partnerships and community networks in order to encourage the joint construction of improved solutions;
- establish responsible relationships with our suppliers.

2a. Exchanging views and taking action with our external stakeholders

2a.1. Veolia's commitment and approach

Over the last few years, the ecosystem in which a business specializing in environmental services and access to essential goods operates has undergone fundamental change. The way that the Group fits into its environment, manages its employees, communicates and interacts with its stakeholders, determines its admissibility to produce and sell and influences its "license to operate".

While dialogue with our customers, both in the public sector and in industry, remains particularly important, not least in terms of

improving our service and responding to their new expectations, it is no longer our only focus.

Satisfying the needs of end consumers or users (our "indirect" customers) is essential, as without the support of the wider population for the level of service we offer at the price we ask, we do not have a legitimate or sustainable business.

The relationship with our external stakeholders was previously two-way, then triangular and has now become multipolar, with the introduction of players from civil society, NGOs, businesses, consumer associations, charities and universities. The arrival of these new players has pushed back the traditional boundaries

of Veolia's businesses and brought about a remodeling of the company's governance. The Group is committed to engaging in dialogue with not just some but all of its stakeholders.

As part of Veolia's transformation, the Chairman and Chief Executive Officer of Veolia Environnement has decided to provide the company with a "Critical Friends" committee in order to draw on the expertise and advice of independent stakeholders. This committee is made up of about a dozen high-level individuals, half of whom are French and the other half international, representing associations, institutions and academia, who are willing to contribute their expertise, vision and constructive criticisms to the new Veolia.

This committee is chaired by Jean-Michel Severino, former Director General of the French Development Agency and Vice-President of the World Bank; he now heads a fund management and technical support business for SMEs in Africa.

Since June 2013, Veolia’s “Critical Friends” have met four times for site visits (to help them get to know Veolia’s businesses and to understand the issues it faces) and for discussions with the Group’s Chairman/ CEO and members of the Executive Committee. The quality of the discussions and proposals put forward prompted us to clarify certain actions. In order to incorporate such positive dialogue into the company’s strategy, it was decided that the chair of the committee should provide an annual report of its proposals and positions to Veolia’s governance bodies.

Veolia produced two reference documents in order to promote an active policy of dialogue with stakeholders in all regions in which it operates:

- A stakeholder mapping (covering political institutions, financial institutions, professional associations, local community groupings, development and charitable NGOs, foundations and universities). For each of these, we have defined objectives, the partnerships we should like to build and points of entry into the company. Since its

creation in 2013, a committee of stakeholders has been tasked with building on this and making it a reality.

- A methodological guide to dialogue with stakeholders, aimed at operational managers (countries and operational entities) to enable them to implement this policy and, in particular, to make the link between specific local circumstances and the guidelines established by the teams at head office. Deployment of the guide is accompanied by feedback, sharing and dissemination of best practices and the pitfalls encountered.

2a.2. Dialogue with local stakeholders within the contractual framework

The Group’s stakeholders come from multiple backgrounds:

- public authorities and elected officials are not only our main contractors and institutional customers but are also the elected representatives of the people in the communities we serve;
- furthermore, constituents are consumers of the services we provide and often live near the facilities we operate;
- industrial and institutional customers are also economic actors in the regions where Veolia operates.

The relationships between these stakeholders are complex and the Group takes specific steps to ensure the best possible transparent dialogue with each of them.

The Group’s companies promote ongoing dialogue with all stakeholders in the context of our contracts with local communities. Management of key services requires the support of consumers and the various stakeholders with regard to the services provided and the cost of these services.

Discussions are therefore a prerequisite for efficiency and legitimacy.

In addition to dialogue, it is also about building new partnership models and profit-based contracts (economic, social and environmental) for Veolia and its partners with these local stakeholders.

Dialogue with local stakeholders involves, in particular:

- implementing a local management structure to respond to the information and service requests of all inhabitants, which respects their diversity and covers the entire region;
- providing regular information to local stakeholders concerned and/or affected by access to services and changes thereto;
- conducting customer satisfaction surveys to assess service progress and the benefits enjoyed by users and also to better understand their reasons for dissatisfaction and their expectations;
- setting up external communications to promote new solutions to municipal customers (innovation booklet, dedicated website, innovation meetings, research and innovation overview and participation in events targeting the sustainable city);
- taking into account the informal sector.

Local public authorities

Our public-private partnership model for providing public services ensures an ongoing dialogue with public 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 interactions with stakeholders.

Dialogue with elected representatives and local civil servants is an ongoing process, not only to ensure strict compliance with the terms of the contract but also to adjust the agreement as required to meet to the authority's changing needs. They communicate their requirements or complaints using procedures they themselves specify contractually and our ability to respond to these requests is one way in which our performance is measured. The service provider's obligations to communicate information transparently (quarterly reports, performance indicators, etc.) are also specified contractually.

Veolia is also able to provide national and local authorities with specialized expertise in specific areas and assist them in planning a strategy for their environmental solutions. In doing so, Veolia develops new relational models for creating value with these public authorities.

■ The work conducted with the city of Monteria (Colombia) is an illustration of this (cf. Chapter 3.2 below).

■ In New York, Veolia participates as a city partner, having conducted an overall audit of the city's public water and sanitation services, with a view to improving performance, reducing operating costs and protecting local jobs. The Group contributes its expertise to monitor areas of improvement identified in its audit report. It shares with its customer the risks related to implementing its recommendations and profits earned. Veolia's remuneration is calculated directly on performance savings made.

■ In Sweden, the National Property Board, a government body responsible for real estate, signed a 3-year contract with Veolia in 2011 to reduce by 5% per year the energy consumption of mansions and stately homes, thereby reducing the energy bills of public authorities.

■ By the same token, the Greater Lyon water production and distribution contract (for 8 years starting in February 2015) aims to reduce users' bills.

■ In regions where we are established, contracts with local authorities often include clauses relating to educating and raising awareness amongst the public: guided tours

built into the design of facilities, campaigns aimed at schools and community groups on sorting and reducing waste, saving water, etc. (see examples of contracts in the United Kingdom - Merseyside and Halton, Nottinghamshire, Haringey, West Berkshire Council, etc., which can be viewed at veolia.co.uk)

Industrial customers and the tertiary sector

Veolia supports its industrial customers in developing their business activities in ways that reflect the company’s environmental and social responsibility.

This is a cooperative approach that focuses on:

- the consistency of Veolia’s commitments with the CSR policy applied by its industrial customers;
- the creation of new “win-win” partnership models;
- the provision of our know-how and tools (e.g. environmental footprint tool) for optimal management of the natural resource, respect for biodiversity and the promotion of a circular economy.

Contracts signed in 2014 with Tangshan Iron & Steel, IBM, Shell, DEMB and, previously, with Total (Osilub) and Arcelor Mittal are a clear illustration of the Group’s approach to partnership with its industrial customers.

■ In China, where Veolia was selected by Tangshan Iron & Steel, its mandate goes beyond the provision of traditional water supply services. It involves supporting TIS in its expansion: optimization of water management processes in the mining sector, hence reduced environmental impact and increased energy performance.

■ In November 2014, the alliance with IBM (to integrate powerful and intuitive digital technologies into urban services opens up new prospects for the intelligent city (cf. Chapter 3.1 below).

■ In Canada, Shell Alberta chose Veolia for recycling water from oil production in Carmon Creek. Steam will be injected into the underground tank to facilitate the production of heavy oil, then the water extracted with the oil will be treated and reused to generate steam. This method helps to optimize the quantity of water recycled in the process (around 99%).

■ In the Netherlands, the DEMB (formerly Sara Lee) coffee-roasting plant wanted to reduce expenditure related to the production of huge quantities of steam, which it needs on a daily basis for the production of soluble coffee and coffee liqueurs. To support growth of the site’s production capacity whilst reducing its carbon footprint, Veolia developed a drying and combustion system

that is unique in the world, with a biomass boiler fed by ground coffee residue extracted from the factory process. This residue is burnt to produce steam. This therefore represents savings made on the purchase of natural gas and a reduction in the environmental footprint, with 14,000 metric tons of CO₂ emissions prevented per year.

■ In April 2013, Veolia and Total opened Osilub, a plant for converting used oils into high-end lubricants. The conversion process, developed by Veolia in conjunction with the Regional Center for Innovation and Technology Transfer in Toulouse and with support from ADEME, the French Energy Management Agency, produces a regenerated base oil, Vacuum Gas Oil (VGO), which undergoes a finishing treatment in the nearby Total oil refinery. This example of industrial synergy is also part of a circular economy process for saving resources..

As proof of what we are creating with our industrial customers, **the Preferred Quality Supplier prize** was awarded to Veolia by Intel Corporation in April 2014 for helping it to achieve and also exceed its environmental targets (waste management).

There are also win-win contract examples in the tertiary sector:

- the 10-year energy performance contract signed with AG Insurance in Brussels

(Belgium) provides for energy savings to be split between Veolia and its client on a 50/50 basis;

- in one of the business centre buildings in Sydney (CBC, Australia), Veolia’s remuneration is linked to improvements in terms of energy efficiency.

Consumers/users and impact on local communities

Veolia offers consumer relations management services for its municipal customers. When this responsibility is contractually delegated to it, the Group deploys its expertise in setting up consumer relations centers and adapts it to local circumstances, as illustrated in the following examples.

- In its contract with Sedif in Île-de-France (Greater Paris region), Veolia’s task is to manage consumer relations for water services, which translates into the creation of:
 - a customer service charter (quality, lead time and response time commitments);
 - the customer service center, which in 2011 became a Clario brand customer service (simplification and clarification of services, proximity, new commitments, etc.);
 - the public service water quality Observatory (surveys conducted 3 times a year on a sample of more than 4,000 users);
 - the unit for assisting customers in difficulty (supportive water program).

- The *Club Consommateurs* (Consumers’ Club), set up in Marseille in 1998, involves management at the highest level. The CEO of Eaux de Marseille now sits in on every meeting and, based on the issues on the agenda, the directors in charge of relevant projects 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 civil society representatives who act as intermediaries with a view to promoting dialogue, in which participants are also at liberty to address subjects of their own choice.

- In Colombia and Ecuador, Veolia has set up dedicated departments to handle relations with consumers and stakeholders, particularly in disadvantaged neighborhoods. These “community management” departments are part of the local subsidiaries’ sales departments, which provide them with appropriate human resources and equipment. They work cross-functionally with all departments and play a pivotal role that consists in informing and listening to local residents whenever a new project is to be launched (connection operation, project launch, new billing model, sanitation system extension, etc.), identifying issues and providing feedback so that sales departments can adapt their 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. Veolia considers this approach to be of strategic importance, since it helps strengthen its foothold in local communities.

- The purpose of the customer satisfaction surveys, which Veolia regularly conducts as part of its normal activity, is to assess service improvement and the benefits enjoyed by users and also to better understand their reasons for dissatisfaction and their expectations. We make commitments to our customers at a local level in numerous operational situations. When our services are sufficiently mature to warrant the implementation of a quality management system we carefully monitor these commitments as part of our process of continuous improvement.

The Group also develops mediation actions (e.g. Pimms and VoisinMalin in France, services dedicated to relations with consumers and stakeholders, particularly in disadvantaged neighborhoods, in Latin America – cf. Access VII Chapter 4.1.3 below) and social support partnerships for disadvantaged groups (cf. Chapter 3.4 below).

Lastly, the Group works on initiatives to foster dialogue with local communities and residents in a region: targeted information and awareness actions, neighborhood

meetings, meetings with local officials and associations, tours of facilities and open house days to keep the general public informed.

■ The Alrededor de Iberoamérica program is an educational program that has been running for several years in schools in Latin American towns and cities served by Veolia. In partnership with the OEI (Organización de estados iberoamericanos - Organization of Latin American states), this awareness campaign reaches almost 30,000 children between 8 and 11 years of age in state schools in eight countries (drawings, board games, teaching materials, writing competitions, etc.). The 2015 campaign will be on the theme of the circular economy (previous campaign themes related to subjects including the Millennium development goals, sustainable cities, the environment and sustainable development).

The informal sector

The informal sector, or informal economy, may impact Veolia’s business activities in a variety of ways. Sometimes in competition (e.g. in recycling) and sometimes complementary, the informal sector can be a crucial factor in the economics of Veolia’s contracts. As shown in the two examples below, it is therefore essential that the

informal sector – and the stakeholders involved – are taken into account.

■ At the Presidente CET landfill site in Cali, Colombia, a social integration initiative for rag collectors has been set up in partnership with local bodies. Following implementation of an action plan to provide official recognition for such activities, 100 rag collectors have set up two recycling cooperatives. They have been given relevant training and obtained access to medical services. The company provided all the funding for the project, covering training and setting up the cooperatives, among other things.

Other local stakeholders are also involved the areas of healthcare, nutrition and education. Following a consolidation phase (2008-2012), the cooperatives are now operating independently and the company is making preparations to subcontract some services (e.g. the upkeep of parks and gardens).

■ In the Philippines, in the informal sector of waste electric and electronic equipment recycling in the metropolitan region of Manila, the Veolia Foundation supports the 4-year program launched in 2012 by the NGO Doctors of the World (Médecins du Monde - MDM) to improve the working conditions and health of people working in this sector. This involves providing both

financial support and skills, by offering the services of volunteers from a Veolia company that specializes in WEEE recycling to train recyclers on the dangers of toxic products and work with them to find solutions to minimize health risks and adjust recycling practices.

2a.3. Dialogue with civil society stakeholders and academics

Veolia Institute: looking to the future

The Veolia Institute is a not-for-profit association created by Veolia to build a forward-looking vision of emerging challenges at the crossroads of environmental and social issues. Since 2001, it has been engaged through an ongoing dialogue with scientific and academic environments and key development players such as NGOs that lead their field in the areas concerned. The organization is designed to contribute to long-term insight into universal issues whilst providing a platform for independent debate.

For all its activities, the Veolia Institute draws on a multidisciplinary network of international partners, including members of its Foresight Committee,¹ which comprises seven members, recognized personalities from the international academic and institutional world.

This committee enables it to remain at the forefront in looking outside to guide its work whilst staying closely in touch with reality through its exposure to Veolia's day-to-day operations. This dual capability represents both the originality and power of the Veolia Institute.

The major forward-looking focus in 2014 was on the links between ecosystems, economics and society with a flagship event: the Institute's 7th Environmental Foresight Conference on May 29-30 in Washington DC on how to restore ecosystems. This event was held under the patronage of the American Academy of Sciences, in conjunction with the Water Science and Technology Board for American research, the French Development Agency and the International Union for the Conservation of Nature, in association with the Prince Albert II of Monaco Foundation, the United Nations Convention to Combat Desertification, the World Resources Institute, Conservation International and the Mission for relationships with civil society of the French Embassy in the United States.

This discussion forum brought together scientific experts, representatives from the public and private sectors, NGOs, lenders and international organizations to share ideas on the state of the art in terms of knowledge and specific case studies and to encourage the sharing of solutions to combat the deterioration of ecosystems (forests, rivers, mangrove swamps, oceans, wetlands and arid zones) and to restore their functionality.

Through innovative partnerships set up for the occasion, the Institute assembled the best skills and the most up-to-date and

legitimate networks for the project to create a high-level international forum, with:

- an engaging subject and appropriate timing ahead of the United Nations' biodiversity Conference of the Parties (COP) and the preparation of sustainable development objectives post 2015;
- a quality program, bringing together 52 of the best-known international experts, coming from 15 different countries;
- an iconic location in the Academy of Sciences, a symbol of scientific excellence in the United States.

Its success was apparent, since almost 700 people registered and 400 people attended the two days of the conference. The aim of the Institute's conferences is to drive public debate, act as a catalyst for innovative thinking, mobilize the most advanced expert views and facilitate dialogue between key players. The Institute also played to the full its role in shedding light on topics associated with environmental and social foresight.

The Institute has also contributed to studies on the adaptation of cities to climate-related natural disasters, as part of the European research project RAMSES - Science for cities in transition.² In 2014 its contribution involved in particular the definition of indicators for the resilience of urban infrastructure with a review of literature and discussion workshops

1) The 7 permanent members are as follows: Esther Duflo, Harvey Fineberg, Pierre-Marc Johnson, Philippe Kourilsky, Rajendra K. Pachauri, Mampela Ramphele and Amartya Sen. - 2) Alongside 12 partners, including the Potsdam Institute for Climate Research (PIK), the London School of Economics and Political Science, the World Health Organization, the European ICLEI Secretariat and other organizations from Germany, Great Britain, Belgium, French, Italy and Spain.

with RAMSES partner cities. It is worth mentioning that through the Institute, Veolia Group is the only business representative to act alongside academic and institutional partners.

Since 2007, the Institute has also been working towards its aim of capitalizing on and sharing experience and knowledge, through the development of two original, electronic, scientific journal projects, S.A.P.I.EN.S and FACTS Reports; the first of these is dedicated to scientific interdisciplinary themes in the environmental field and the second to development actions on the ground, led primarily by NGOs. No other business, to our knowledge, has forward-looking publications tools like S.A.P.I.EN.S and FACTS Reports. At the same time, these provide an opportunity to:

- gather objective knowledge and get to grips with innovative ideas;
- identify new challenges and emerging needs;
- create and maintain networks of experts;
- identify the most reliable knowledge based on a multidisciplinary approach and innovative practices and share them with NGOs.

In addition to ad hoc submissions of articles, the deployment of journals involves themed or geographical partnerships with an immediate impact, both in terms of

diversifying the readership and increasing geographical coverage, with in 2014: ■ a special S.A.P.I.EN.S edition on large-scale restoration prepared and published for the Institute's conference in Washington, in conjunction with joint event organization partners. It is an opportunity to draw up a state-of-the-art report on ecosystem restoration, ecological improvements achieved and associated socio-economic development opportunities. It is also a tool for identifying practical case study examples, developing technologies and emerging players.

■ Three special editions of FACTS Reports, with the first on "Haiti: Local innovations, the keys to sustainable and inclusive development", a contribution to the Mémoire development project supported by the France Foundation after the 2010 earthquake; the second on last mile distribution, a determining factor in making goods and services available and, beyond that, for the economic and social inclusion of the most deprived groups of people; the third, in partnership with Civicus, the World Alliance for Citizen Participation, on local democratic innovations.

These collaborations help to unite a scientific community around a particular topic, provide content and visibility and, ultimately, increase the impact with an ever-larger and more international readership.

The year 2014 saw very good improvement and new records for viewing the S.A.P.I.EN.S

and FACTS websites, with pages viewed totaling 500,000 and 625,000 respectively. Such innovative editorial partnerships reflect Veolia's commitment to promoting the public interest by involving both the relevant scientific communities, and leading players on the ground and NGO networks. In 2012, the Veolia Institute received official accreditation from the UN General Assembly and joined the UNDESA civil society network. It is also recognized by the European Commission as a research organization, an essential prerequisite for participation in the 7th Framework Program (FP7). These advances have promoted recognition of the Veolia Institute as a platform for knowledge sharing and networking on priority issues. Thanks to Veolia's commitment and through its journals, studies and conferences, the Veolia Institute collects and builds on reliable scientific knowledge and field-proven practices to make these assets freely available to all stakeholders in the public and private sectors who are involved in discussions on sustainable development.

For further information: www.institut.veolia.org

Partnership examples

The examples below illustrate partnerships based on the creation of shared value between Veolia and the **academic world**

(e.g. Antropia and ESSEC's Institute for Innovation and Social Entrepreneurship) and **civil society** (e.g., the Enterprise and Poverty think tank, a partnership with Ashoka - social business).

■ Partnership with ESSEC's Institute for Innovation and Social Entrepreneurship (IIES)

Created in 2005 by ESSEC's chair in Social Entrepreneurship, the IIES is the leading institute for social entrepreneurship launched by a management school in France. The aim of its research-action programs is to support the emergence and development of sustainable social enterprises with a significant social impact. As a forum for innovative ideas, it helps compare actions on the ground with theoretical concepts.

Since 2013, through its cooperation with Veolia, the IIES has been working on evaluating the **Grameen Veolia Water** project, the result of a partnership with Grameen Healthcare Service (a subsidiary of Grameen Bank). This is the first social business operation for Veolia, its objective being to provide drinking water to poor rural populations in areas of Bangladesh where underground water naturally contains large amounts of arsenic (cf. Chapter 4.1.3, Access V, below).

The evaluation tool it developed combines several indicators in the financial, environmental, social and health fields. This work is reflected mainly by the creation and implementation of performance monitoring indicators on key issues, to which quantified objectives were added in 2014. These indicators are extremely useful for the business being evaluated. They enable better monitoring of the project for its administrators and have been developed into decision-making tools for managers. The chair in Social Entrepreneurship has created an educational case study based on the Grameen Veolia Water experience. This has been submitted to students working under the ESSEC chair in Social Entrepreneurship and Global MBA programs since 2012. In the social entrepreneurship sector, a new partnership has been established with IIES-ESSEC and in particular with its **Antropia incubator** for the development of social entrepreneur incubation processes in association with Veolia's businesses at regional level.

This collaboration, based on pooling Antropia's know-how in respect of social and solidarity economics on the one hand and Veolia's regional coverage on the other, should help social entrepreneurs make their business perform better and be more efficient and sustainable.

■ Participation in the Enterprise and Poverty action tank

Created in 2010 at the initiative of the chair in Social Business, Enterprise and Poverty at the HEC business school in Paris as a testing ground for social experimentation, the Enterprise and Poverty action tank now brings together enterprises, associations and the academic world around a common aim: to contribute to the reduction of poverty and exclusion in France. Its purpose is to help businesses develop economically sustainable projects that have an impact on reducing poverty and exclusion in France and have the potential to be deployed on a large scale. The action tank is co-chaired by Martin Hirsch, CEO of Assistance Publique - Hôpitaux de Paris (the Paris public hospital system) and Emmanuel Faber, CEO of Danone SA. Veolia joined the action tank in early 2014 and is playing an active role in the working group on refurbishing run-down condominiums.

■ Social business and Grameen Bank

Grameen Veolia Water is the result of a partnership between Veolia and a subsidiary of Grameen Bank. This project and the innovative economic model (cf. Chapter 4.1.3 below) that it implements (social business) have caught the attention of prestigious universities such as ESSEC

(cf. below: Institute for Innovation and Social Entrepreneurship (IIES).

■ Ashoka incubator

Signed in 2014, the partnership between Veolia and Ashoka (the leading global network of social entrepreneurs, with 3,000 members in 80 countries) aims to find mechanisms to help develop social entrepreneurship at regional level. During “Ashoka Change makers’ Week 2014”, Veolia made the public commitment to create incubators in France and abroad.

2a.4. Dialogue with development institutions

As a partner to international organizations, Veolia continues to cooperate with the main UN agencies, bilateral organizations and international donor agencies, to put into practice the commitments made when it joined the Global Compact in June 2003, to contribute to the achievement of the Millennium Development Goals and to contribute to the definition of international agendas for development.

■ In 2014, the Group achieved “Advanced” level differentiation for its Communication on Progress as part of its adherence to the UN Global Compact. By working with local Global Compact networks, the Group contributes to the dissemination of its principles, particularly in France, where it leads the “Advanced” best practice exchange forum. Veolia takes its commitment further than the 10 principles of the Global Compact by participating actively in the themed working group, CEO Water Mandate.

■ Since 2013, Veolia has been directly involved with the consultation of major groups initiated by the UN in preparation for the next Conference of Parties on climate

change (COP 21 in Paris in 2015). Veolia also took part in the UN Climate Summit in September 2014 in New York and in COP 20 in Lima (Peru) in December 2014. (cf. “Managing our environmental responsibility”, Chapter 3, above).

■ A partner of the R20,¹ which brings several regions of the world together around a common objective to combat climate change, Veolia took part in the World Summit of Regions for Climate on October 10 and 11, 2014.

■ Veolia is an active member of the World Urban Campaign led by UN-Habitat, the United Nations agency that promotes sustainable urban planning. In 2014 this led to the Group taking an active part in the World Urban Forum of Medellin (Colombia, April 2014) on “Urban Equity in Development – Cities for Life” and in the preparations for the United Nations Habitat III Conference to take place in Istanbul in 2016. Veolia is focusing in particular on the role of basic services in strategic urban planning in the scope of preparations for the Habitat III conference. Veolia is also a partner of the United Cities and Local Governments (UCLG) entrepreneurial partnership program, highlighting the importance of its businesses and business model.

■ In parallel, Veolia has sought to participate in various operational partnerships with

¹ R20 (regions of climate action), a non-governmental organization founded in 2010 by Arnold Schwarzenegger, with the support of the United Nations, is a coalition of sub-national governments, private companies, international organizations, NGOs and academic and financial institutions. According to the R20 Charter, the NGO aims to anticipate the 2° increase in global temperatures between now and 2020 by reducing greenhouse gas emissions by 75%.

international organizations, either on infrastructure projects in difficult environments or in pilot projects that seek to provide access to basic services for all. This commitment has, for example, taken the form of joint investment with AFD Group subsidiary Proparco and the World Bank's International Finance Corporation (IFC) in companies in Africa, the Maghreb and India, where the development of infrastructure and access to water, sanitation and electricity are of crucial importance.

■ By investing alongside economic development players, Veolia is stepping up its own voluntary commitment in emerging countries whilst securing its assets and clearly building social objectives into its contracts. The Group is also involved with the World Bank in trials where skills and dialogue have helped win contracts. In India (Demo zone of Karnataka) Veolia proved that it was possible and affordable to supply water continuously through an appropriate pipe renovation program. In addition to the technical and operational solutions and employees' skills, it is the strict but innovative public-private contractual model (control of financial risks), participation and community dialogue (social mediation cell to cooperate with local stakeholders or the State) and communicating with and raising the awareness of local people that have allowed Veolia to meet expectations and extend the contract twice. This "laboratory" has also paved the way for

other contracts in India (e.g. contract with the city of Nangloi, 1 million inhabitants). The case of Morocco (OBA pilot project) should be remembered, too.

2a.5. Participation in multi-actor platforms

By getting involved in multiplayer networks and platforms, at both a local and international level, the Group seeks to identify synergies with its ecosystem (the private, public or community sector or the world of research). These synergies help create messages and even common actions for regional development and promotion.

For the new Veolia, it is now a question not only of talking but also of co-creating projects between players.

■ **Vivapolis** is an umbrella label that seeks to bring together French organizations – in both the public and private sectors – that are committed to promoting a shared aim of sustainable urban development at an international level. The government aims to use the Vivapolis label to bring together French businesses and local elected representatives to conquer urban development markets that are growing strongly in emerging countries. The approach is developed on a joint basis and supported by the French public authorities and by private sector trade federations. It was launched in Nantes in September 2013 to coincide with Ecocity, the 10th World Summit

on sustainable cities, in which Veolia took part. A website, vivapolis.fr (and vivapolis.com), has been set up under UbiFrance. This sets out a database of French businesses (including Veolia), their positioning, references and examples of their achievements. Veolia participated in the creation of the label through various industry working groups and is an active contributor.

■ **France nature environnement (FNE)** and Veolia have been in discussions since 2009 on urban sprawl, a large-scale phenomenon that affects all key players (municipal authorities, residents, farmers, businesses, not-for-profit organizations, etc.). Their findings are summarized in the publication *Étalement Urbain – Réflexions croisées – Éléments de définition et termes du débat* (Urban Sprawl – Exchanges – Subjects for definition and terms of discussion), published jointly by FNE and Veolia in 2013. It analyzes the causes and consequences of the phenomenon, whilst seeking to clarify the often vague terms associated with urban sprawl and noting the issues and controversies it raises. Comparing theoretical ideas with the realities on the ground experienced by the two partners provides an additional perspective on the research and work already carried out in this area.

■ Veolia is a founder member of the **French Alliance for Cities and Territorial Development (PFVT)**, which is sponsored by

two government ministries (the Ministry of Foreign Affairs and the Ministry of the Economy) and backed by the French Development Agency (AFD). The platform brings together French key players in urban development to increase the international influence of their areas of expertise through studies, publications and events, in which the Group plays an active role. The PFVT is an important means of recognition for Veolia as a key player in international urban cooperation. To this end, Veolia has become a member of the French Institute for Municipal Cooperation (ICIC), which was set up by Cités Unies France (CUF) and attended its forum in Paris in July 2014.

■ Veolia has also positioned itself as a key player in shaping the future of the Greater Paris region through its 2010 initiative to set up a think tank, the Mission Métropole du Grand Paris, to contribute to public debate through publications, organizing conferences and its research into future services. This project involves numerous decision-makers (some 40 organizations) 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 - whilst promoting economic growth, creating jobs and improving quality of life for local people. Mission Métropole is also a key driver in building Veolia's capabilities in areas such

as **innovation and training** (through its campus training facility in Jouy-le-Moutier). Some 15,000 Group employees work in the Greater Paris region every day to provide local solutions for environmental services.

■ Veolia is an active member of the **French Water Partnership (PFE)**, a French forum on the governance and management of water resources. Along with key public sector and community players in international cooperation in the water industry, the Group contributes to forward-looking discussions to promote French innovations and know-how in this area. The PFE is part of a collective approach that contributes to putting water on the international agenda.

■ As a founder member and chair of the **Pôle de compétitivité eau de Montpellier** (Montpellier water competitiveness cluster), Veolia has played an active role in the development of a multi-industry, global network. The cluster was set up in response to a French government initiative and consists of a network of research centers and training organizations and companies, working in a partnership-based approach on innovative projects carried out in a specific growth market, namely water. The water cluster currently includes more than 130 companies, whose projects are designed to address one of the four following strategic areas: (1) identification and mobilization of water

resources; (2) collective management of water resources and usage; (3) reuse of water from all sources; and (4) institutional and social initiatives. The France Water Team network, which is linked to the 4 regional clusters in Midi-Pyrénées, Languedoc-Roussillon and PACA, has in total nearly 300 members, businesses and research organizations. Over the course of the last three years, the water cluster has examined more than 120 collaborative projects with an industrial or scientific focus and has accredited around 60 of them, half of which have received over €30 million in public subsidies. It has also been closely involved in the creation and running of the International Water Exhibition, Hydrogaïa, a major event on an international scale (5th event in 2015). Veolia’s research department (Veri) is the main RD&I strength in the cluster. VERI features as either a sponsor or an active partner with SME/VSEs in almost a third of the projects accredited, half of which have an industrial focus. The water cluster also develops synergies as a partner with other regional clusters: SWELIA, WSM and the club of eco-enterprises and Ea-Eco-Entreprises within the France Water Team network; it also coordinates with the 2 other water clusters, DREAMS and HYDREOS.

■ Veolia is also a traditional partner of two other marine **competitiveness clusters, Mer Bretagne and Mer Méditerranée**, which have operated on a global scale since their

creation in 2005. These “twin” clusters, whose performance and excellence have been recognized for 8 years, complement each other in their representation and actions dedicated to urban shorelines on the Channel/Atlantic coast and along the Mediterranean. With over 350 members each, the two marine clusters are now implementing their third roadmap for 2013-2018 with the French government and the regions and pursuing their ambition of sustainable development of the maritime and coastal economy, primarily through excellence in innovation, and responding to issues in marine development, such as managing the land-sea boundary, the finite nature of resources and trade globalization.

As a key player in the governance of the clusters and as their Vice-President, Veolia is resolutely involved in the development of two of their six areas of strategic action, namely “Environment & Coastal Development” and “Ports & Infrastructure”, and contributes to leading the network of key players in coastal territories and co-developing the ecological engineering and environmental services sectors in a coastal environment.

■ Lastly, the **Conservatoire du littoral, Rivages de France** and Veolia have been partners since 2005 and have pooled their expertise in the last 3 years to promote

coastal wetlands, their functions and the services they provide to society. Coastal wetlands are intermediate areas at the crossroads between land and sea, which contribute to regulating the water cycle and, in particular, play a key role in mitigating the effects of climate change such as floods, rising water levels and coastal erosion.

Through this partnership, Veolia pursues its commitment to regional development and promotion, particularly in coastal areas, which need to reconcile economic and tourist appeal with resource conservation and environmental risk management.

2a.6. Dialogue with international, European and national authorities

Veolia contributes to discussions, consultations and projects on changes in environmental services management initiated by European and French public authorities, professional associations, think tanks and NGOs.

These initiatives are implemented in connection with its adherence to the *Global Compact*, international, European and national regulations, codes of conduct from different institutions, and also within the general framework of the Group's ethics program (with reference to *the Ethics Guide*, *the Manager's Code of Conduct* and *the Code of conduct for Group employees who are involved in representing the Group's interests*).

The Public Affairs Department, which reports to the General Counsel, has coordinated representation of the Group's interests in dealings with French and EU authorities since 2010. In the context of the Group's new organization, it has had public affairs advisers in all the geographical areas where it operates since 2013.

The main thrust of the Public Affairs Department's activities is decided, where necessary, by the Executive Committee. Its work is outlined in a half-yearly report to the Group's Board of Directors.

Strengthening the Group's commitments in representing its interests in dealings with the public authorities

In the interests of transparency, although these approaches are not mandatory, Veolia has been listed on the register of interest representatives of the European Commission and the European Parliament since 2009. In France, it has been listed **on the register of interest representatives** of the National Assembly since 2010 and of the Senate since 2011.

The Group is also a member of the ARPP, the French professional association of parties responsible for relations with public authorities. This French association, which has drawn up an Ethics Charter that its members must respect or be excluded from the association, is also chaired by Veolia's director of institutional relations responsible for relations with Parliament.

Through these listings and these participations, the Group has formally committed to respecting the codes of conduct applied by these various institutions.

The Group's **Ethics Guide**, updated in 2013, specifies that in its relationship with the public authorities, "Veolia contributes transparently to the development of regulations and public policies on topics related to its activities." Among the rules of conduct applicable to every employee in their work, it reiterates the need for compliance with legislation and regulations, combating corruption of public and private sector officials and preventing situations of conflicts of interest. Examples of situations requiring particular attention are described to illustrate the last of these points and employees are advised to talk to their line manager in case of doubt. The Ethics Guide also stipulates the rules applicable to invitations and gifts received or offered, which should only be on an exceptional basis, symbolic, non-pecuniary and of low value. The Group's internal control mechanisms are used to apply these rules.

The **Management Code of Conduct** also calls on managers to take ownership of their role and behavior as responsible managers, to be ready to listen to their stakeholders and customers, to familiarize themselves "regularly with internal procedures and applicable regulations" and to react "quickly, visibly and appropriately in the event of failure to comply with the rules."

In addition to these mechanisms, in May 2014, following several coordination meetings of public affairs representatives, the Public Affairs Department completed the **Code of Conduct for employees representing the Group's interests in dealings** with legislative, executive and regulatory public authorities at a national and local level, European Union institutions and international organizations. This document has been distributed to relevant employees and can be accessed on the Group's intranet site.

Lastly, a Public Affairs Department representative participated in the European congress on ethics and governance and in the seminar on integrity in lobbying, organized in March 2014 by the OECD in Paris.

Veolia's contribution to the work of public authorities

The Group contributes to providing information to public authorities and to numerous other stakeholders on the impact and consequences of regulations and public policies associated with its activities.

In 2014, Veolia's contribution related to the circular economy as well as to its core business areas of water, waste management and energy. The main positioning elements were picked up in a document entitled

"12 recommendations for the circular economy",¹ published in November and aimed at European institutional representatives.

The Group endeavors to publish contributions that it submits to the authorities on the websites of organizations that invite it to do so (as in the case of the European Commission). Some contributions are made in the form of a hearing.

■ During 2014, the Group's expertise was requested in particular at the French National Assembly. The Group's Chairman/CEO was called upon to present the business' proposals for the emergence of new recycling systems in the region as part of the **Recycling and Green Materials plan**; the Deputy CEO responsible for Human Resources expressed the Group's observations on the financing of **apprenticeships**.

■ The Group was also interviewed by two French government parliamentary commissioners, one responsible for a study on the **dismantling of heavy equipment** and the other for a study on the **paper industry**. The Group was also consulted by the delegated ministry responsible for development for a study on the impact of applying to household waste management the allocation, up to a maximum of 1%, of **"waste" license tax** revenue to cooperative

actions, as already exists in the water and sanitation sector.

■ **Climate and Energy Package:** the Group took part in the public consultation (Green Paper) last July, as part of the review of European climate and energy policy between now and 2030. It took a stance² in support of a carbon price signal that would incentivize investment in energy efficiency and renewable energies and in favor of a stringent energy efficiency target. In addition, the Group seized this opportunity to emphasize the necessity of the European Union taking account of renewable energies with a positive cost-efficiency ratio (biomass, geothermal energy and energy recovery technologies) and establishing a policy specifically for heating.

The Chairman and Chief Executive Officer published³ an article on the role of heating and energy efficiency networks within the context of discussions on energy security in the European Files review, published on the European Commission's website.

■ **Smart Cities:** the Group has participated in working groups (the EU's Smart Cities & Communities and its French mirror group, the Institute of Delegated Management's Smart City group) aimed at identifying initiatives and putting forward voluntary, regulatory and standards-related measures

1) A document published in 5 languages on the Schuman Foundation website (the most visible French think tank in Brussels): <http://www.robert-schuman.eu/en/european-issues/0331-circular-economy-and-resource-efficiency-a-driver-of-economic-growth-in-europe> - 2) <http://ec.europa.eu/energy/en/consultations/consultation-progress-towards-2020-energy-efficiency-objective-and-2030-energy> - 3) <http://www.europeanfiles.eu/?portfolio=december-2014>

in favor of “smart cities”, which are based on optimal management of flows and resources.

■ **Resource efficiency:** Veolia contributed to the multiplayer European Resource Efficiency Platform (EREPI), which has produced a series of short and medium-term European public policy recommendations to improve the use of resources (including materials, energy, water and soil) in the European Union.

■ **The 2014 Environmental Conference** attracted particularly close scrutiny as part of the research carried out by professional organizations and discussions led by the French authorities looking ahead to legislative reform in 2015.

In France, Veolia also contributed to research conducted by FNADE, including:

- the draft energy transition law, adopted by the Council of Ministers in July 2014 and examined at the first reading by the National Assembly during the last quarter;
- the draft report of the ecology taxation committee relating to waste;
- the drawing up of the 2014-2020 waste plan by the National Waste Commission.

■ **Water:** the Group continues to contribute to European research on drawing up environmental standards associated with implementing the Water Framework

Directive as well as with potential EU legislation on water recycling.

■ **Contribution to the research work of the international center of excellence on United Nations Public-Private Partnerships:** the aim of this center of expertise, set up within the scope of the United Nations Economic Commission for Europe (UNECE), is to identify best practices, define international standards for Public-Private Partnerships (PPP) and help governments to adopt such standards. The private sector has been contributing since 2013 to the work of this center of expertise on PPPs via the Business Advisory Board, of which Veolia is a member. The Group primarily provides its international expertise on PPP-related subjects in the water sector, as was the case at the international conference on PPPs in water and sanitation, which took place in Geneva on October 21 and 22, 2014.

■ **Contribution to the research work of the OECD on water governance:** the Group plays an active part in the OECD initiative, which aims to develop principles of good governance that enable member countries to achieve their large water cycle service and management objectives more quickly.

■ **Adoption of European directives on public contracts and concessions:** the Group presented its observations on the conditions for

the award of concession contracts and their performance and on the exclusion of the water sector from the concessions directive. In France, the Group had the opportunity to outline its observations on the concessions directive at meetings with French parliamentarians, notably within the scope of the work of the UNSPIC and the IGD.

The Group contributed in general to discussions led by foundations (such as the Institute for Delegated Management) and trade organizations (such as AFEP, Aquafed, FNADE, FP2E, E3PO and UNSPIC).

Financing of projects by European funds

The Public Affairs Department also identifies and supports, where necessary, financing opportunities through European funds and Group projects.

1) http://ec.europa.eu/environment/resource_efficiency/documents/erep_manifesto_and_policy_recommendations_31-03-2014.pdf

2b. Managing sustainable procurement

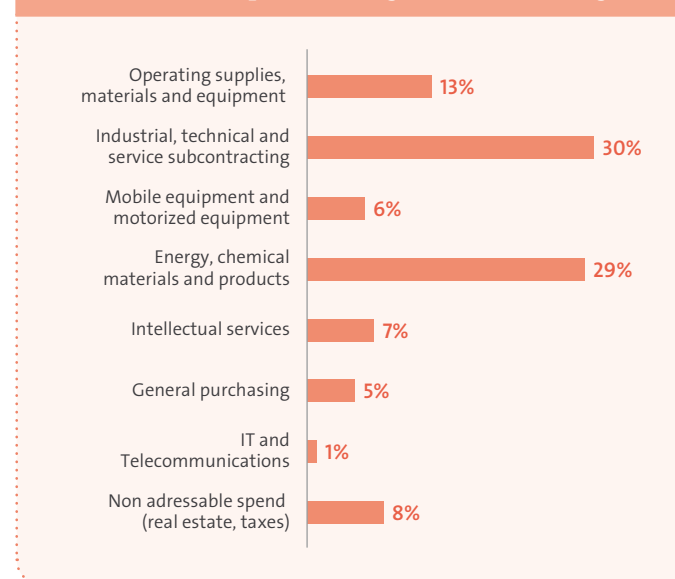
2b.1. Our procurement profile

In 2014, the total amount of external expenditure stood at €10.2 billion (excluding Dalkia France and Transdev)¹. Procurement expenditure is classified by categories defined according to the nature of the requirement as well as the structure of supplier markets. Veolia's purchases are highly varied and are mainly structured according to the following procurement areas:

- **Industrial, technical and service subcontracting:** industrial and service subcontracting relates to the maintenance, servicing and work on our equipment and facilities carried out by small local players (SMEs, intermediate size companies, etc.);
- **Chemical energy, materials and products:** this family of purchases mainly includes electricity, natural gas, fuel and other combustibles as well as chemical products. These purchases are supplied locally by national players or subsidiaries of international suppliers;

- **Industrial equipment and hardware and mobile machinery:** industrial equipment and hardware, and mobile machinery, are the core business systems used to support our major customers. It represents a significant part of our energy consumption and, as such, is subject to full life-cycle evaluation cost justification. It is supplied by the subsidiaries of international suppliers.

Breakdown of expenditure by field and activity



¹ And excluding Pro Activa, EMEA, Hungary, Romania Energy, SEM, Bartin, VEI (Excl. International entities), Nishihara/JE (Japan), SIDEM (VWT), Spain (2013 data) and JV

2b.2. Sustainable procurement policy

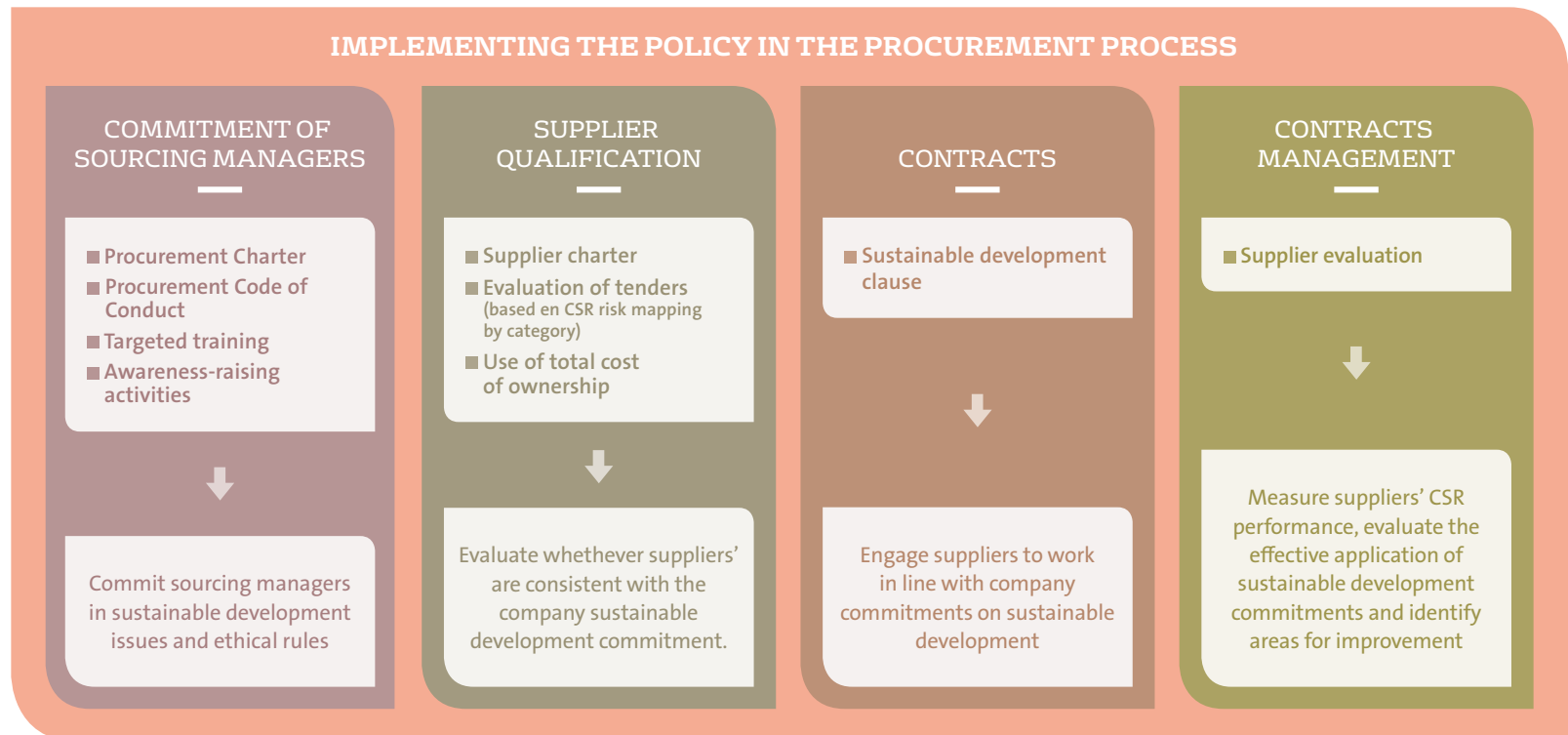
Under Veolia’s sustainable procurement policy, its social and environmental commitments are incorporated into procurement processes and its management of supplier relations. This policy contributes to improving the Group’s economic performance, anticipating risks and

working with suppliers on responsible actions that support innovation and create value.

Veolia’s sustainable procurement policy is based on the following principles:

- incorporating sustainable development in the call for tenders process;
- engaging our suppliers and evaluating their CSR performance;
- contributing to the development of the local economy.

IMPLEMENTING THE POLICY IN THE PROCUREMENT PROCESS



2b.3. Incorporating sustainable development in the invitation to tender process

Adopting a risk management approach

Suppliers receive a copy of the Veolia Suppliers Charter when an invitation to tender is issued. The Suppliers' Charter, which is updated annually to better reflect Veolia's commitments, particularly with regard to corporate social responsibility, provides guidance on matters such as the purchasing process, the Group's commitments and what it expects from its suppliers. It is made available to all sourcing managers and is sent to suppliers when the invitation to tender is issued.

Working with Veolia's Risk Management Department in 2012, all aspects of CSR risks were mapped by procurement category to cover every aspect of the procurement process. The mapping is based on generic social, ethical and environmental CSR criteria and procurement issues specific to the Group, such as expenditure, impact on energy consumption and business line strategy. It is used at an operational level to help manage supplier relationships.

Sourcing managers can therefore identify suppliers in categories most at risk and take the necessary steps to manage these risks, from the invitation to tender stage onwards.

In 2014, the Group's Global Procurement Department launched its new e-sourcing platform for managing procurement projects. By organizing and optimizing the various stages of an invitation to tender, it centralizes information aimed at all stakeholders involved in the process. The CSR risk map for each procurement category, developed in 2012, now integrated directly into the e-sourcing module, is used to automatically identify high-risk procurement families and in so doing automate evaluation of the CSR performance of the suppliers concerned, ahead of the invitation to tender. This tool structures and harmonizes the integration of responsibility criteria into the supplier qualification process.

Thinking in total cost terms to combine economic performance and environmental responsibility

For Veolia, taking total cost into consideration is part of responsible procurement 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 its life cycle. This helps target innovation drivers and areas for improvement.

Consideration of the total cost of industrial equipment

In 2014, the Global Procurement Department conducted an international invitation to tender based on total cost of ownership (TCO) approaches for the purchase of pumps. This strategic equipment used to circulate water through drinking water and wastewater treatment plants is an essential business system operated on behalf of industrial and municipal customers and representing a significant cost center.

In order to be able to fulfill its customers' requests as best as possible on the technical, energy and economic front, the Global Procurement Department, in close collaboration with the Technical and Performance Department, has selected pump suppliers based on various TCO targets, thus enabling the commercial offerings to be adjusted and meeting the needs of Veolia's municipal and industrial construction and operating activities.

Besides the gross procurement savings generated by this invitation to tender, the selection process will make a major contribution to the energy saving plan of the Group and its customers, since the energy consumption of the pumps accounts for nearly 70% on average of the total consumption of a Water business site.

Daily monitoring and management of energy consumption at major sites

In 2013, the Energy Procurement Department rolled out a remote reading solution for 4,500 sites operated by the Group in France¹ to monitor and manage electrical energy consumption. The daily remote reading data are accessible via a dedicated Internet portal and concern almost 75% of the total electricity expenditure incurred by Veolia in France. This innovative solution enables trends in consumption to be anticipated, excesses to be detected so the contract can be adjusted with the energy supplier and the necessary invitations to tender to be launched in order to profit from market prices and the disappearance of regulated pricing.

2b.4. Engaging our suppliers and evaluating their CSR performance

Sourcing managers inform suppliers of the Group's views and commitments on CSR and monitor the management of associated risks throughout the process, from supplier selection to monitoring the ongoing relationship with them.

Engaging our suppliers

The inclusion of sustainable development requirements in listing contracts with suppliers is being phased in through the addition of a special clause. In 2004, the Group's Global Procurement Department introduced a standard clause. It is updated regularly and is available to sourcing managers on the company's procurement intranet site. This commits the supplier to compliance with the Universal Declaration of Human Rights and the UN Convention, as well as to the protection of the environment, namely:

- compliance with ethical regulations and employment law, particularly compliance with all the applicable mandatory regulations with regard to labor law: illegal labor, child labor, forced labor, etc.;

- compliance with the health and safety policy objectives in force;
- compliance with regulations concerning the protection of the environment and the implementation of the necessary actions to reduce their environmental impact;
- the supplier's commitment to ensuring that their own suppliers and subcontractors comply with the same obligations;
- in the pursuit of transparency, providing Veolia with the commitment policy of the supplier.

The Group introduced the sustainable development clause to ensure compliance with and in anticipation of regulatory changes in certain markets, while formalizing its commitments and involving suppliers in its approach to sustainable development. Since 2010, Veolia has monitored the inclusion of sustainable development requirements in contracts through its contract management tool, with a view to measuring maturity. Thus, at the end of 2014, this commitment applied once again to about half of current contracts in the Group's contract database, since 46% of them (excluding contracts managed by Veolia Transdev and Dalkia France sourcing managers) have been reported by sourcing managers as including formal sustainable development requirements.

¹ Including the central entities, Eau France (Water France), Veolia Recyclage et Valorisation des déchets (Veolia Recycling and Waste Solutions), S.A.R.P, SARPI, SEDE and Veolia Water Technologies

Evaluating our suppliers' CSR performance

Source managers use a CSR risk mapping by procurement category to identify suppliers in the categories most at risk and take the necessary steps to manage these risks, by conducting a CSR evaluation of active suppliers or through invitations to tender for example.

In this case, performance is initially analyzed through a documentation audit handled by an independent consultant, covering 22 criteria in areas including Environmental, Social, Ethical and Supplier Relations. Since 2010, the Global Procurement Department has evaluated the CSR performance of nearly 450 suppliers serving one or more of the Group's businesses using this system. The 2014 campaign comprised 155 evaluations (new or updated) in six strategic procurement countries (Germany, Australia, United Kingdom, China, Japan, USA and France).

As a result, 219 suppliers (excluding contracts managed by sourcing managers at Veolia Transdev and Dalkia France) have been assessed on their CSR performance over the past three years.

In response to feedback from customers and by way of examples, some of the Group's business units have also been audited at a corporate or country level.

Based on these CSR evaluations, targeted measures defined in action plans or during on-site audits can be undertaken to improve performance in conjunction with suppliers. In 2011, the Group approved a specialized service provider to conduct these audits, which are aligned 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 parallel with this system, some business units have been conducting on-site audits of their strategic suppliers for several years, using a methodology tailored to their specific requirements.

2b.5. Contributing to the development of the local economy

Encouraging use of the sheltered and supported employment sector

In France, as part of our partnership with the Water activities of the GESAT network (a not-for-profit organization established in 1982 with the aim of promoting the sheltered and supported employment sector and supporting economic actors in their relationship with the sector) and in cooperation with the disability mission of the Water business activity in France, in 2013 the Group's Global Procurement Department embarked on a plan to encourage use of the sheltered and supported employment sector, in particular in certain target purchasing categories (maintenance of parks and gardens, laundry, waste collection and waste treatment, management and administration, printing/publishing, logistics/transportation, catering services and industrial subcontracting). A new half-day training program was developed to raise awareness and encourage purchasing commissioners to support the employment of disabled people. Its aim is to set out a methodological framework to create win-win partnerships with service

providers in the sector. The training session may, if possible, include a visit to a center to illustrate the services on offer in tangible terms. In addition, the procurement function provides purchasing agents and purchasing commissioners with a directory listing useful information, such as lists of suppliers by region and the types of service they offer. For the fiscal year 2014, the procurement expenditure (excluding tax) recorded for the sheltered and supported employment sector was €6 million for France.¹

Working with an ESAT in 2014

This year, the Global Procurement Department enlisted an *établissement et service d'aide par le travail* (an establishment supporting people with disabilities through employment - ESAT) for the supply of meal trays and catering services for the company headquarters in Île-de-France.

The ESAT enlisted seeks to help young adults who have undertaken schooling but have suffered from psychosis, to succeed in their rehabilitation and socio-professional reintegration.

Working with SMEs and MMEs².

Through the signing of the inter-company relations charter³ in 2010, Veolia became one of the first companies to engage with the credit mediation service in France, for more balanced relations between major contractors and SMEs.

In 2012, the Group joined the SME Pact, a French not-for-profit organization combining key accounts, trade organizations and competitiveness clusters, with the aim of supporting the development of innovative SMEs by supporting and strengthening their relationships with major companies. Its membership of the organization strengthens the Group's commitments to small and medium-sized enterprises in three key areas of challenge: providing information to SMEs, supporting them in their development, and supporting innovation and partnerships. The aim of this approach is to contribute to the emergence and growth of dynamic, robust partnerships to drive innovation and competitiveness.

For the fiscal year 2014, the proportion of procurement expenditure incurred with SMEs in France⁴ accounts for 74% of total procurement expenditure⁵.

Barometer suppliers 2014: Veolia ranked second out of 35

In 2014, Veolia participated in the SME Pact barometer supplier survey to assess the quality of its relationships with a panel of strategic SMEs encompassing the following four areas: innovation, contractual relationships, partner relationships and leverage. In posting a score of 66/100, the second best score of the 2014 campaign, Veolia confirmed the validity of the Group's commitments and its motivation to support its relationships with innovative SMEs.

1) Including the Corporate and Veolia Eau France (Veolia Water France) entities, and excluding SEM, SADE, Veolia Recyclage et Valorisation des déchets (Veolia Recycling and Waste Solutions), S.A.R.P, SARPI, SEDE and Veolia Water Technologies. - 2) MMEs: Mid-Market Enterprises - 3) This has since become the responsible supplier relations charter (www.relations-fournisseur-responsables.fr) - 4) The France sphere of operation includes the Corporate and Veolia Eau France (Veolia Water France) entities and excludes SEM/VEDIF and the Rhin-Rhône region of Veolia Recyclage and Valorisation des déchets (Veolia Recycling and Waste Solutions) - 5) Total procurement expenditure comprises the expenditure of all suppliers in the sphere of operation concerned, including, in addition to French private companies, foreign companies, public bodies and associations

3. CONTRIBUTING TO THE DEVELOPMENT AND ATTRACTIVENESS OF THE AREAS IN WHICH WE OPERATE

3.1 Smart solutions

Based on digital technology, *smart* solutions seek to improve the information provided to citizens and their comfort, and to optimize the environmental and economic performance of the services delivered by Veolia.

Operating in the heart of regions, Veolia has naturally become a manager of urban flows: energy flows in their various forms, drinking water and wastewater flows, liquid and solid waste flows, and of the information associated with these flows. In fact, Veolia has now positioned itself as a natural stakeholder in solutions for the *smart city* and the sustainable city of tomorrow.

■ The company *m2ocity* established by Veolia and Orange in 2011, is equipped with the expertise needed to become the leading remote metering operator supporting the sustainable development of cities.

■ En November 2014, Veolia and IBM announced the creation of a partnership. The partnership involves the development of powerful and intuitive digital technologies in urban services in order to optimize water, energy and waste management services in cities (waste reduction, enhanced cost control). At the end of 2014, two *smart water* platforms were launched in France (Lyon) and in England (Tidworth); the roll-out of digital solutions for energy and waste management is expected from 2015.

3.2 Resilience of the areas of which we operate

Veolia is committed to contributing to the resilience of the areas in which we operate, particularly on the theme of combating climate change. Action is being undertaken, both locally and internationally, – on Veolia sites – or as part of our collaboration with municipal authorities (see Chapter 3, *Managing our environmental performance*, above).

As an international player, as of 2014, Veolia sought to engage fully in the preparation for COP21, the 21st international conference of the United Nations Framework Convention on Climate Change (UNFCCC) taking place in Paris in December 2015 (see *Managing our environmental performance*, chapter 3, above).

Local initiatives are reflected in collaboration with municipal authorities in the areas in which we operate. Consequently, Veolia Latin America is a partner of the city of Montería, in Colombia, and has been supporting it for several years in its initiatives to combat climate change. In 2010, Montería was the first Colombian city to calculate its carbon footprint

on the basis of the know-how of its private-sector partner, Veolia Latin America, and then to set a goal of reducing greenhouse gases and to propose a master plan, the 2019 Montería Green City Climate Plan, which consolidates fifteen or so planned activities. In March 2014, Montería joined five other finalists in Vancouver, out of the 163 cities that took part in the Earth Hour City Challenge competition organized by the WWF, and also won the award for the most sustainable city in Colombia.

Veolia has entered into dialogue with associations of elected representatives at a national level. In France, this includes the *Association des maires des grandes villes de France* (the association of mayors of major cities in France), the *Association des communautés de France* (the association of communities in France) and the *Association nationale des élus du littoral* (the national association of coastal elected representatives) and, internationally, United Cities and Local Governments and ICLEI (Local Governments for Sustainability) in order to take part in discussions on the ecological transition of cities and managing scarce resources. Veolia's stance is one of promoting moderation (combating waste), rational use (avoiding unnecessary consumption), efficient consumption and identifying alternative resources (reusing wastewater and the circular economy) in response to the urban challenge of providing greater well-being and more services while putting less strain on natural resources.

3.3 Veolia, a key actor in employment and employability

Locally, through its management approach and its HR and purchasing policies, Veolia is a key contributor to employment and employability in the areas in which it operates, helping people gain the necessary qualifications as well as promoting equal opportunities and social protection for both its own employees and those of partner organizations and companies (suppliers, associations, etc.). Veolia positions (many involving "green jobs") are by definition the type of jobs that cannot be relocated. A wide range of these positions are also open to people who do not have extensive qualifications. By the end of 2014, the Energy business had created more than 1,500 jobs throughout the world¹ via the biomass segment. Of the Group's current workforce of 179,508 employees, 80% have followed at least one training course. The company also welcomed 4,616 interns and 2,007 students on work-study programs in 2014.

Veolia's training policy (see *Managing our social performance*, Chapter 4.b, below) reflects its desire to help job seekers find work and acquire the necessary skills through its businesses via its regional campus network,

with strong reliance on local partners. By signing the Companies and Neighborhoods Charter² alongside the French Ministry for the City in June 2013, Veolia has committed to supporting equal opportunities, local development and solidarity and has reiterated its willingness to contribute to the economic and social development of neighborhoods.

Broken down into a specific agreement for each company, the Charter is a mechanism by which the companies undertake to promote, for the inhabitants of working-class neighborhoods, access to employment or business creation, but also to contribute to the economic, social and cultural development of the priority neighborhoods under the city's policy, in various domains such as education, careers advice, mediation, population services, support for entrepreneurship and integration activities. Monitoring the progress of the commitments undertaken by Veolia and the signatories of the Charter is conducted at the national level. Among these are the Group's activities in the municipality where its future corporate headquarters are to be established, Aubervilliers, an area situated just outside Paris and symbolic of the neighborhoods targeted by city policy.

¹) Excluding in France, sold in 2014 - ²) see <http://www.ville.gouv.fr/?40-entreprises-s-engagent-pour-l> [webpage in French]

3.4 Veolia, creator of employment and social solidarity

Actions taken by the Group

Group companies are developing initiatives aimed at fostering employability, support for transition to work, and social solidarity more generally, through:

- a) the priority given to work-study programs in external recruitment as the Group's preferred path to excellence, particularly in the context of apprenticeships and training contracts;
- b) the many partnerships established in France between the network of regional Veolia campus sites and professionals involved in training, guidance and employment, such as the Epide "second-chance" schools and the *Conseil National des Missions Locales* (French National Council of Local Missions), creating pathways to the qualifications that will prepare young people who are the most alienated from the workplace for our business;
- c) the hiring of people with disabilities. In France, the agreements Veolia has signed in the Waste business activity include:
 - the Workplace Integration Charter for Disabled People (2009);

- two agreements with AGEFIPH (2009-2011/2011-2013);
- an agreement with trade union and labor representatives on integrating disabled people into the workplace and helping them to remain in employment (2011-2014). Furthermore, the entity will train all operational unit managers, operations managers, human resources and Quality, Safety, Environment officers in maintaining its employees in employment, whether disabled or not.

And in the Water business activity:

- a third disability agreement, in 2013, with DIRECCTE (French labor department), management and all the trade unions for the years 2013-2016 (previous agreements were signed in 2006 and 2010). The main components of the agreement are the maintenance in employment of employees with disabilities, the recruitment and training of disabled people, subcontracting work to the sheltered employment sector and information and awareness-raising communications.
- d) support for social reintegration programs: providing employment opportunities through Veolia's contractual operations or through activities set up in partnership with employment bodies (recycling/reuse, office-paper sorting for small businesses, etc.). In France, Veolia's Waste solutions business signed partnerships with not-for-profit organizations ELISE (a disability-

friendly company where over 80% of the workforce are people with disabilities, who are responsible for collecting paper from businesses) and ENVIE (the aim of this partnership being to create employment links between the ENVIE network and the Group). In the United Kingdom, the Restart program supports the long-term unemployed, the homeless and ex-offenders. If, after a probationary period, the applicants have demonstrated their motivation and skills, they are offered an eight-week contract, which can become a permanent contract if they meet their objectives. In 2012, 32 of the 60 people who began a probationary period secured a short-term contract and 20 were recruited into a permanent position.

e) solidarity initiatives for a specific local context:

- In Australia, for example, driven by the same desire to make a sustainable and public-spirited commitment in the areas where it is established, Veolia began a long-term partnership with Barnardos Australia (child welfare) in 2013 and continued its partnerships with the Aboriginal and Torres Strait Islander peoples
- In France, Veolia, which manages street cleaning and waste collection in Lille, has created some twenty posts for urban cleanliness facilitators, offered to young people from challenging neighborhoods with a strong desire to integrate. Each mediator records any anti-social behavior (fly-tipping

for example) and raises the awareness of the population, particularly regarding compliance with waste collection days

■ In the United Kingdom, Veolia is conducting activities with local solidarity-oriented companies or partners involved in local projects through its national program, Go Further Together. This either translates into direct funding for causes that align with the company's values (the Veolia Environmental Trust, a charitable fund, has provided funding of almost £7 million in 2014 for 226 community and environmental projects) or offers Veolia staff the possibility of devoting some of their working hours to community projects (1,240 volunteers and approximately 5,000 hours in 2014).

Veolia Foundation initiatives¹

Support for employment and strengthening social ties is one of the Veolia Foundation's three priority areas (see chapter 1.4 above). In particular, it supports initiatives and structures that encourage the return to work of people outside mainstream society (e.g., work sites, not-for-profit organizations and companies that foster professional integration through economic activity, training, social assistance, inclusive entrepreneurship and microcredit, etc.). The people who benefit from these projects are mainly young people experiencing major difficulties, along with the long-term unemployed and those on social welfare.

Over 350 projects had been supported in the area by the end of 2014. A survey of Veolia Foundation integration into the workplace initiatives between 2004 and 2009 revealed that the organizations supported had welcomed 7,000 people into employment each year.

■ Through its multi-year partnerships, the Veolia Foundation supports integration into the workplace projects, based on a variety of approaches, with the Ares group¹the *La Petite Reine association*², the *Sport dans la Ville* (Sport in the City) association³ and *Secours Catholique*⁴, as well as projects to assist in the creation of micro-business such the *Créajeunes* project launched with ADIE,⁵ a training and coaching program for people under 30 who are excluded from the job market and the traditional banking system and want to establish their own business.

■ In 2014, supporting the launch of the *Lulu dans ma rue* project, the Veolia Foundation took action to improve social ties in large cities (small businesses and services within a neighborhood, with a network of partner companies) in Paris and then elsewhere in France.

■ In Germany, the training center for joiners in Hamm (North Rhine-Westphalia), supported by the Foundation in 2014, helps young people with difficulties – psychological problems or ex-drug users – while also offering them therapeutic support.

■ Since 2005, the Veolia Foundation has supported the French association *Unis-Cité*, which offers young people aged between 18 and 25 who are undertaking their voluntary civic service the opportunity to work on projects related to the fight against exclusion, the restoration of social ties and the protection of the environment. The *Médiaterre* program aims to assist low-income families in controlling their water and energy consumption and reducing their waste consumption thanks to the adoption of eco-actions. In 2013/2014, the Foundation took this program to Toulouse and the Nord-Pas de Calais region, all the while supporting the engineering and national coordination of the project.

■ Following a study funded by the Foundation, the 'Integration through Employment' program was established on the Center-East campus in partnership with local stakeholders in the Greater Lyon area. The program strives to ensure that **10% of its staff for upcoming promotions come from disadvantaged groups** (with work-based training in Veolia businesses). This program comprises a process and stages required to **secure work-study training pathways for people with few qualifications and who are marginalized in the job market**, to best ensure their transition back into work.

1) See the Veolia Foundation annual report at www.fondation.veolia.com - 2) <http://fondation.veolia.com/fr/actions/projets-soutenus/125E1603,ares.htm> [webpage in French] - 3) <http://fondation.veolia.com/fr/actions/projets-soutenus/91P1224,petitereine.htm> [webpage in French] - 4) <http://fondation.veolia.com/fr/actions/projets-soutenus/135E1747,sport-dans-ville.htm> [webpage in French] - 5) <http://www.secours-catholique.org/actualite/insertion-partenariat-secours-catholique-veolia,11113.html> [webpage in French] - 6) <http://fondation.veolia.com/fr/actions/projets-soutenus/10IP1312,adie.htm> [webpage in French]

3.5 Re-injecting expenditure into the economy

The majority of expenditure is made in the areas in which the Group operates. These are the expenses incurred with company employees (wages in particular), suppliers and external service providers, local and national tax authorities, banks, etc. Consequently, the expenditure invested by Veolia in regional economies is particularly high (see the table below for the eight countries that account for almost 65% of the Group's revenue).

the percentage of Veolia's spending reinvested locally in 2014

France	91.7%
UK/Irlande	90.7%
Germany	96.9%
United-States	92.5%
Australia	91.3%
Poland	95.7%
Czech republic	94.1%

Veolia is a good corporate citizen and plays an active role in the regions it serves. In France, Veolia entered into various partnership agreements in 2014, the majority of which were sports-related or in the cultural field, but also comprising events such as forums, conferences or seminars, on the dissemination of technological information for example.

3.6 Creating social value

Veolia provides solutions that create social value: access to essential resources, work-place integration, local employment and solidarity. The challenge from hereon in is to increase the social value that we create, both directly (as an employer and taxpayer in particular) and indirectly. Measuring this added value is not always simple so it was decided that the innovative methodology of Social Return on Investment (SROI) would be developed.

SROI - Southwark case study (United Kingdom)

In 2014, Veolia used the SROI approach to assess the value of the services provided and the work conducted with the community in the London Borough of Southwark. The first study of its kind, the SROI study on Southwark constitutes a major advance in our knowledge of the value we provide.

The results showed that for every £1 spent by Veolia within the scope of this contract, we are producing £2.09 of social value. If we take into account the community projects, our contribution is all the more significant (£28.05 of social value for every £1 we spend in this neighborhood).

4. SUPPLY AND MAINTAIN SERVICES ESSENTIAL TO HUMAN HEALTH AND DEVELOPMENT

Alongside its contracting authorities or partners and its industrial customers, Veolia is committed to ensuring ongoing access to essential services: water, waste management and energy.

With a desire to be proactive in every region where it operates, the Group has developed a set of solutions appropriate for the local

context, ensuring access for all to quality services (Access expertise). Veolia is particularly in favor of policies targeting the most disadvantaged populations and/or areas. To achieve this, the Company is collaborating with local authorities to develop new ways of ensuring access and payment for people experiencing difficulties or excluded from the system.

Through contracts with local communities, the Group provides drinking water to 96 million inhabitants, wastewater treatment services to nearly 60 million inhabitants, waste collection services to 42.8 million inhabitants, and supplies heating to nearly 6.4 million people worldwide.

4.1 Contributing to the development of access to services

4.1.1 Our commitment

The Veolia commitment reflects its desire to contribute to the collective effort to meet international goals with regard to access to essential services. Within the context of the current debate on the new Sustainable Development Goals (SDGs)¹, Veolia recalls the inseparable link between social issues (poverty) and environmental issues, and positions itself in favor of integrating a specific commitment to the urban challenge and having an SDG on water and sanitation.

In developing or emerging countries, Veolia is committed to working closely with and on behalf of its contracting authorities as a key player in meeting the Millennium Development Goals (MDGs), one of which aims to “halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation”².

At the World Urban Forum in Medellín, Colombia, in 2014, Veolia supported the launch of the UN Habitat partnership on green cities. At this event, Veolia highlighted the importance of integrating access to urban sanitation (collection, treatment and reuse of wastewater) and to solid

waste management services, services just as essential as access to water.

Although there are now clear and internationally recognized commitments with respect to access to water, the same cannot be said for energy and waste management. In both areas, Veolia is careful to observe best practices and is pioneering new models that address concerns such as alleviating energy poverty and implementing price incentives on waste.

¹) The new SDGs will be adopted at the General Assembly of the United Nations in September 2015 - ²) Millennium Declaration of September 8, 2000 (UN); see <http://www.un.org/millenniumgoals/>

4.1.2 Our contribution

The Group contributes to programs for disadvantaged populations for whom, depending on the businesses and situations, accessing the service is problematic for **financial** reasons (high initial connection costs, cost of work required for connection, difficulties in paying the subscription), **administrative, linguistic or physical** reasons (remoteness, elderly persons, etc.). Consequently, various mechanisms have been put in place: subsidized connection programs, social pricing, flexible payment agreements, social support funds, etc.

When the deadline is reached for the achievement of the MDGs (end of 2015), it is anticipated that the Group will have connected 5 million people to drinking water networks and 2.5 million people to wastewater services in **developing and emerging countries**, particularly through its subsidized connection programs in Africa and in Latin America. In Colombia,

for example, in the city of Montería, which has had a contract with the Group since 2000, drinking water coverage has increased from 58% to 99.8% in 10 years and sanitation service coverage has increased from 27% to 56%.

Years of working with local public authorities have proven that Veolia is a reliable, effective and creative partner that can help them develop and implement ambitious policies to effectively achieve the MDGs. To achieve this, the Group works alongside numerous municipalities in emerging countries under contracts with specific goals, and incentives to promote continuing access to basic services.

In **developed countries**, the company is also mindful of maintaining access to services for the poorest populations, as well as for people in situations of financial uncertainty and the homeless (see Chapter 4.1.3, Access expertise, below).

In France, its solidarity program *Eau pour tous* (Water for All) enables each public authority to open up local community initiatives to all service users. It is designed to complement social or fair pricing and combines three categories of assistance:

- **Emergency solutions** to maintain access to water services by offering financial assistance appropriate to the individual situation such as payment schedules, debt clearance and water vouchers;
- **Support services** to help people manage their consumption and budget in the long-term;
- **Prevention solutions** to issue a notification in the event of unusual excess consumption.

4.1.3 Our expertise: ACCES

The Group has developed a community development methodology, *Acces* (Access), applica-

ble to all of its businesses, combining technical, financial and legal innovations and specialized communication and marketing techniques. It breaks down into ten sections across three fields: technical engineering, financial and institutional engineering, and community development and customer relations.

TECHNICAL ENGINEERING

- I. Use existing water resources and infrastructure to serve more people
- II. Propose new methods of providing regulated and secure collective services (if individual connections are not yet possible)

FINANCIAL AND INSTITUTIONAL ENGINEERING

- III. Implement socially acceptable pricing policies
- IV. Increase subsidized individual connections
- V. Develop new models through research and social innovation
- VI. Seek out innovative financing, solicit donors

SOCIETAL ENGINEERING AND CUSTOMER RELATIONS

- VII. Develop accessible customer services that meet specific local needs, as well as mediation activities
- VIII. Promote more efficient water use to optimize service benefits
- IX. Assess the impact of measures taken on quality of life
- X. Implement the principle of co-development

Technical engineering

ACCES I

Use existing water resources and infrastructure to serve more people

Our primary objective consists of using existing infrastructure as efficiently as possible. This includes infrastructure such as water production and wastewater treatment plants, water distribution and sanitation networks and storage tanks. In particular, there are specific plans to reduce water loss caused by leaks from water distribution networks to improve output. 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 to conduct a project in the state of Karnataka to prove the feasibility of providing a pilot test area comprising four municipalities 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%.

On the same principle of reducing leaks and renovating the network (therefore potentially saving water resources), Veolia obtained other contracts in the state of Karnataka (Bangalore and Bijapur in 2012 – Ilkal in 2013).

■ In Tetouan, Morocco, Veolia succeeded in reducing water withdrawal by as much as 18% while delivering 18% more water between 2002 (when the contract began) and 2009 (when the threshold of 80% network efficiency was achieved). This made it possible to serve 59% more customers while preserving water resources.

ACCES II

Propose new methods of providing regulated and secure collective services

When individual access to drinking water is impossible (in urban slums, illegal or non-viable areas), communal standpipes provide an alternative solution that Veolia 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 consumption of free water by contractors and other groups for which the water is not intended, as well as long queues and the resale of water at prohibitively high prices, Veolia enables municipal authorities

to control the amount of water distributed by the communal standpipes while continuing to make it affordable for the poorest populations.

For this purpose, Veolia has developed a pre-paid communal standpipe 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 grant a pre-paid fixed price to a population requiring access to inexpensive water. This gives the most disadvantaged households access to drinking water at an affordable rate, or even free of charge.

More detailed information on this subject is available in an article published in the Institut Veolia magazine, FACTS, which can be found on the website <http://factsreports.revues.org/743>

Financial and institutional engineering

ACCES III

Implement socially acceptable pricing policies

Only public authorities are able to set prices for public services. Veolia never sets rates itself. The principle that “water pays for water” observed in OECD countries is unrealistic for many emerging countries. The investment required is too costly to pass on to service

users alone. In these countries, the notion of “total cost recovery” from the customer must be replaced with that of “acceptable cost recovery”. For each contract, Veolia can be proactive and take a stance in support of targeted policies to improve access to services for populations and/or the most disadvantaged neighborhoods. It can also enter into contracts that fall under the established policy of the governments and municipal authorities that support these aims. There are various processes in existence.

a. Tiered pricing according to usage and the type of user (or cross-subsidies): this provides a solution that promotes social equity for the populations, political acceptance of the project and a return on investment for the operator.

■ In Guayaquil (Ecuador), a mass campaign to connect the poorest neighborhoods situated on the outskirts of the city to drinking water and sanitation services is facilitated by a mechanism that takes a higher contribution from major consumers (in the industrial and commercial sector, among others) to the benefit of low-income populations.

b. Social pricing: a subsidy is awarded that enables the rate charged to be lowered, either on a case-by-case basis for low-income users, or for an entire neighborhood; **debt forgiveness** is another proposed solution.

■ In 2010, Veolia established social pricing in **Guayaquil (Ecuador)** (US \$0.10 per m³ instead of US \$0.55), capped at 30m³ (this ceiling contributes to rationalizing water consumption), targeting low-income users and in accordance with the conditions set by the Ecuadorian authorities. This represents a subsidy of 82% of the rate, benefitting 12,000 users.

Another initiative introduced by the company in 2010 was a massive debt forgiveness program in relation to drinking water services for approximately 5,000 users living in extreme poverty, along with flexible payment options aimed at people in difficulties. Eligibility is determined by the local government. Nearly 40,000 subscribers benefit from flexible payment options.

■ For essential services in **Colombia** (domestic usage – water – waste – energy), the law categorizes the city neighborhoods into six socioeconomic categories, each of them associated with a different rate band (number one being the most disadvantaged and number six the most well-off), with band four serving as a benchmark. Pricing is therefore established as follows:

- Band 1: pays 30% of the benchmark rate
- Band 2: pays 60% of the benchmark rate
- Band 3: pays 85% of the benchmark rate
- Band 4: pays 100% of the benchmark rate
- Band 5: pays 150% of the benchmark rate
- Band 6: pays 160% of the benchmark rate

Industries and commercial businesses pay 130% and 150% of the benchmark rate respectively. Given that the books must ultimately balance for the fiscal year, transfers of national and local funds may complement the subsidies. This system enables a certain equity with regard to access to services.

■ In 2014, Veolia France devoted €2.7m to solidarity activities, an increase of 5.7% compared with 2013. This commitment on the part of Veolia can be seen through the implementation of its Water for All programs, one of the components of which provides for emergency solutions to maintain access to water services. Such solutions include payment schedules, water vouchers (nearly €1 million paid out in 2014) and the *Fonds Solidarité Logement* (Housing solidarity fund – FSL) (19,562 FSL cases accepted, corresponding to debt forgiveness of €1.2 million).

■ Veolia launched its *Eau solidaire* (Water Solidarity) program in the Greater Paris region, **Île-de-France**, in 2011¹. 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 income from water sales in the area covered by SEDIF² (i.e. more than €2 million annually) is paid into an emergency, assistance and prevention fund that serves to assist the most disadvantaged

households so that they can benefit from a lower cost of service.

■ In **China**, the city of Changzhou has been applying a comparable social policy since 2007 by providing Veolia, every six months, with a list of “low-income individuals” eligible for subsidized services. Veolia then ensures that these people are properly connected to the public water supply. In 2014, the number of beneficiaries was down due to improved living standards (more than 7,200 households on average in 2014; 8,000 to 10,000 households previously). Annual subsidy amounts change in line with adjustments in water pricing.

c. Progressive pricing:

■ At the time of renewing its contract for the operation of public water services, the **communauté d’agglomération de Perpignan** (Perpignan inter-municipal partnership), in France, also made solidarity a priority. Local authorities in Perpignan, Bompas, Canohès and Le Soler have chosen to introduce a graduated pricing system where 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.

■ In **Morocco**, at the request of the authorities, the Group has implemented a pricing structure that enables water and

1) <http://www.veolia.com/fr/groupe/medias/communiqués-de-presse/veolia-eau-deploie-son-programme-de-solidarite-eau-pour-tous-en-france> - 2) SEDIF = the Greater Paris water authority

electricity consumed below a specified threshold to be purchased for less than the price Veolia charges the national producers. 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.

d. Prepayment: some households in emerging countries are not accustomed to planning their spending in the medium term (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 sometimes 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.

■ The Group'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 a prepayment basis by

the end of 2011. Veolia also began offering this payment method in northern Morocco in 2011.

e. Stabilizing the price of the service

■ In **Varna (Bulgaria)**, this formula helps in fighting the genuine risk of fuel poverty due to a continued rise in energy costs. The inhabitants benefit in the long-term from a stable energy price, a commitment made by Veolia thanks to savings brought about by the optimization of plants. Consequently, the inhabitants have fewer issues with paying their bills (the proportion of unpaid bills has reduced by half). Furthermore, they benefit from advice on obtaining subsidies for the renovation of buildings (insulation, fairer distribution of energy in shared living spaces, etc.).

ACCESS IV

Increase subsidized individual connections

Reducing the cost of service for consumers is insufficient if **the majority households are not connected to a public network**.

Yet the cost of connection to public services is often dissuasively high for many families. To establish connections to individual homes in emerging countries, Veolia has developed subsidized connection programs with innovative financing arrangements designed in partnership with contracting

authorities. These programs may comprise, for example, **credit facilities tailored** to the individual, local cross-subsidies and pioneering financing solutions in partnership with **national and international development organizations**. The Group has also developed services intended specifically for low-income customers and introduced measures in all of these areas to expand subsidized connections and monitor their progress.

■ The work carried out in Morocco is a good example of the Group's commitment to providing access to services and the approach it takes. The delegated management contracts that Veolia signed with the Moroccan cities of Rabat, Tangier and Tetouan in 2002 had the ultimate objective of serving 100% of households. This goal had 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 and its contracting authorities discovered that the financial burden for households under the contracts was too demanding. They therefore signed a specific agreement to undertake **an NIHD connection program**. This made it possible to set up a suitable pricing structure for 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 industry and real estate momentum in these regions. 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 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 people’s incomes.

ACCESS V

Developing new models for research and social innovation

The Group has fostered the emergence of innovation for years. A willingness that was recently highlighted by the establishment of the *InnoVe* team, attached to the Innovation and Markets Department, whose role is to initiate new small-scale projects and to draw learnings from these experimental initiatives that are directly applicable to the rest of the Group’s business activities. For example:

- the establishment of incubators;
- the social business experiment on access to water that Veolia conducted in Bangladesh, in

partnership with the economist Mohammed Yunus, winner of the Nobel Peace Prize in 2006;

- the direct dialogue models that Veolia is developing with consumers in France to reduce energy consumption;
- the innovation introduced into our contracts, particularly those where the location itself requires us to rethink our habitual operating methods; new forms of contract, cross-subsidies, etc.

Many contracts include, for example, the management of shanty towns fused to the traditional municipal networks and also the management of run-down condominiums requiring plumbing works in order to limit the losses.

Experience of social business

The partnership with Grameen Healthcare Service, a subsidiary of Grameen Bank, is Veolia’s first social business project. Instigated in 2008, its objective is to provide drinking water to poor rural populations in areas of Bangladesh where groundwater naturally contains large amounts of arsenic. Six years after its creation, the Grameen-Veolia Water joint venture continues to expand its network of communal standpipes and individual water connections in the rural villages of Goalhari and Padua. The partnership with Grameen is an opportunity to apply the social business principles established by its founder, Mohammad

Yunus, to the provision of drinking water. This involves adapting market economy mechanisms to the poorest populations to provide sustainable solutions rather than excluding them by offering charity or short-term subsidies. In accordance with the principles of social business, the profits generated by the sale of drinking water are all reinvested to develop the project and the business. Since its launch, the project has had to be adapted to take into account the specific sociocultural situation of the local area. Beliefs, rituals and religious symbols associated with water, have in fact hampered the social acceptability of the water distribution service put in place. In 2010, the project began to stall. After studying the blockages encountered and establishing adapted action plans, Grameen-Veolia Water saw consumption increase once again. In order to achieve the anticipated economic equilibrium more quickly, Grameen-Veolia Water decided, in 2011, to use its plant in Goalhari to produce large “demijohn” bottles of water for urban customers. The money earned from this finances the development of the rural area project, according to the principle of urban-rural solidarity. In June 2014, the company was selling over 700 demijohns of drinking water a day in urban areas and supplying a drinking water network made up of 75 outlets in rural areas.

ACCES VI**Seek out innovative financing, solicit donors**

Veolia's business activities require significant infrastructure investment. Thus, electricity business activities are twice as capital intensive as telephony. Water activities are twelve times as capital intensive. This explains the patent lack of infrastructure development that has accumulated in numerous countries in the South. In Africa, more people own a cell phone than are connected to a drinking water network. The limits of traditional methods of funding have been highlighted so as to enable this lack of development to be surmounted, particularly with regard to sanitation.

The establishment of innovative financing tools is absolutely key to generating access to services. As a result, the Group supports the general trend by multilateral donors to provide performance-based development assistance¹. The idea comprises the gradual disbursement of a grant as measurable and verifiable objectives are achieved on the ground, as determined by an independent audit. Since investments are initially financed by the public- or private-sector operator, the gradual disbursement of funds provides an incentive to quickly achieve program objectives in compliance with

specifications. This approach provides an alternative to traditional public aid and, in particular, makes it possible to engage the private sector in financing service-access projects.

A year before the project was completed in Morocco, Veolia's subsidiary Amendis Tangier had established enough connections 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 proactive and effective policy introduced by Veolia to expand the provision of water and sanitation services.

Veolia is also seeking to multiply its partnerships with private investors (infrastructure funds, private equity) under which the funding efforts and operational risks would be distributed in an optimal configuration (AssetCo/Opco scheme). This is the case for the contract with the city of Rialto (USA) where Veolia is a partner of Table Rock Capital (TRC) for the funding of a program to improve water treatment and sanitation systems.

Furthermore, considering that the delayed development of infrastructure in the South requires the mobilization of alliances with the greatest possible number of stakeholders, particularly from the private

sector, Veolia is forming alliances with global and local companies, traditionally far-removed from issues relating to essential service, but which are presently showing an interest in contributing to access to basic services for populations that constitute their clientele.

Societal engineering and customer relations**ACCES VII****Develop accessible customer services that meet specific local needs, as well as mediation activities**

Veolia is a company whose activity serves the areas in which it operates and their inhabitants. Whether it is working in Niger, Romania or India, the company must provide all users with accessible resources and services that are tailored to comply with the specific characteristics of their living environment as well as the social, cultural and economic context.

To adapt its services to the needs of local populations and the areas in which it operates, the Group must continually find new ways of delivering efficient local services. This means that Veolia must meet the expectations of its customers and propose traditional or innovative and physical or conceptual solutions to its users, in order that

1) see Global Partnership on Output-based Aid (GPOBA), <http://www.gpoba.org/>

they can access services (e.g. Latin America), be informed and manage their consumption (customer meetings, websites, mobile applications, etc.). For populations that are physically and economically removed from services, Veolia provides solutions tailored to the local context by making contact with these users. The Group works with them on the development and maintenance of public services (mobile offices, “water friends” and the social well-being team in India, etc.). Veolia also conducts mediation, a differentiating component of its strategy. The Group partners with stakeholders in the area, from the business world or civil society and who are as close as possible to local populations, in order to identify any missed signals, anticipate any potential hindrances in access to services, raise awareness and inform and support users in their initiatives (PIMMS, VoisinMalin, Unis-Cité, etc.).

■ In **Latin America**, Veolia set up dedicated community management departments to meet the contractual requirements of the authorities in providing water and sanitation services to people in disadvantaged neighborhoods, who sometimes represent almost half of the local population. The choice of access method depends on the nature of the neighborhood. For example, tanker trucks and communal standpipes are used in informal peri-urban areas, while individual connections are installed in neighborhoods

undergoing development. Almost all of these several hundred thousand people who live in the areas served by Veolia have the minimum recommended access to safe drinking water at a socially acceptable price.

■ In Nagpur in **India**, as may be expected with any major social change, the arrival in 2007 of a private-sector operator and the implementation of a project with the goal of providing water 24 hours a day, 7 days a week, as well as pricing in proportion to consumption, raised many fears and concerns about billing for the service, people’s ability to pay and the operator’s precise intentions, etc. Building on the enthusiastic support of the first people to benefit from a connection to the public water system, some of whom volunteered to promote the new service, Veolia established a social well-being team to approach the most vulnerable consumers. This team, dedicated solely to relationships with slum areas, supports each major stage of the works to lay drinking water pipes. These water ambassadors (water friends), who provide the link between the operator and the inhabitants of the slums, have been given the task of explaining the project to future users, providing them with useful information on issues such as the respective responsibilities of the public and private sectors, everyday benefits and the information resources at their disposal, as well as responding to questions and concerns in their own words. Water

Friends was instrumental in the success of the Nagpur Demo Zone project.

Informal housing 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 trips back and forth between government agencies to request a connection, obtain information or pay bills. As a result, some families give up on getting connected to the water service altogether. Veolia developed the concept of a **mobile sales office** to resolve this problem. This consists of a bus equipped with all normal office facilities and a communications system that gives real-time access to the customer management system. These mobile sales offices travel around neighborhoods and go to meet with customers, who are informed in advance about the bus routes and schedules planned with the public authorities to coincide with local events and gatherings, such as markets. These mobile offices can also provide a “one-stop shop” that is shared with government agencies in order to make the administration procedures easier for customers. Initially launched in Morocco, mobile offices are now being used in rural areas of France.

Other subjects, such as social **mediation**, are also at the heart of the Group’s action.

■ In the **Greater Paris area, Île-de France**, Veolia has been working in partnership with the **VoisinMalin association** since 2012. VoisinMalin provides neighborly services to companies, institutions and municipalities by recruiting and training local people to foster stronger ties with their service users through an approach that involves educational door-to-door visits, interpreting and assistance in using services, etc. The result is a network of well-informed neighbors who provide a new point of contact for marginalized residents facing economic, cultural or language difficulties. This creates value for both local services and neighborhood residents.

VoisinMalin helps Veolia to improve the services it provides to the public and to increase satisfaction among end users. Through this partnership, VoisinMalin focuses on helping people control consumption while preventing unpaid bills and putting people in touch with social services.

■ In **France**, Veolia is also a founding member of the National **PIMMS Union¹ (UNPIMMS)**, which brings together and runs the network of local PIMMS in partnership with the French government, municipal authorities and regional players.² The PIMMS concept consists of facilitating access to public services for people in a given area and preventing difficulties. PIMMS mediation staff offer users support, explanations

(about topics such as day-to-day processes, billing arrangements and access to internet services) and advice (on areas such as managing a family budget and controlling energy consumption).

■ In **Tangier** (Morocco), when the National Initiative for Human Development (NIHD) Connections program was launched, an NIHD Committee was set up. The committee, created by Veolia and its contracting authority, meets every two weeks and is composed of all program partners, including the city's prefecture and urban planning and development agencies. Its job is to arbitrate borderline cases (where household qualification must be closely examined), discuss any obstacles or problems encountered and to resolve them. This committee is one of the reasons why this very ambitious and extremely important project has made such good progress.

ACCES VIII

Promote more efficient water use to optimize service benefits

■ In **Niger**, where half of consumers get their water from communal standpipes, 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, expressed the desire to make sure that consumers are better informed about this problem. This is a vital issue in a country where water-borne illnesses are the leading cause of disease and death. 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. The program was first implemented within the subsidiary then presented to external stakeholders, such as private-sector managers of communal standpipes, who were given training by the NGO Rail Niger, allowing them become ambassadors/trainers on the links between water, hygiene and health.

Awareness-raising activities on the environment, eco-actions and good service practices (water, sanitation, waste management, energy) are deployed within the scope of our contracts, community projects or Veolia Foundation projects: *Alrededor de Iberoamérica* (see chapter 2a.2, above), *Unis-Cités*, *VoisinMalin*, PIMMS, the 2014 clean-up campaign in China, Japan and Korea for World Environment Day, etc.

ACCES IX

Assess the impact of actions undertaken on quality of life

Veolia has developed its own tools to measure the environmental and social impact of its activities. Furthermore, experiments have

1) PIMMS = Point Information Médiation Multiservices (multiservice mediation information point) - 2) In June 2011, Veolia and UNPIMMS signed a three-year partnership agreement.

been conducted to measure external factors with regard to health, such as in the case of the intervention of the Veolia Foundation in Uvira in the Democratic Republic of Congo (assessment of the impact of the population's access to drinking water on the incidence of cholera cases, conducted by the London School of Hygiene and Tropical Medicine).

Veolia participated in a research program, with the Abdul Latif Jameel Poverty Action Lab (J-PAL), an MIT economics research laboratory headed by Esther Duflo, to assess the impact on human development of subsidizing the connection of water supply and sanitation service lines to households in the city of Tangier. In addition to funding for this research and development project, Veolia also provided operational support. This research found that the service 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).

ACCES X

Implement the principle of co-construction

In order to overcome the access difficulties of a portion of the population, the form of the service proposed is not necessarily the same as for traditional customers. It requires subtle comprehension of the individual situations of people living in poverty and the definition of associated services cannot be arrived at immediately. Firstly mediation is required from the associations that work in the area and co-construction work is required with these organizations.

Moreover, if the company wishes to develop sustainably, it has a role to play in the establishment of social ties and the inclusion of all in the community. The principle of co-construction contributes to this and Veolia is committed, in the areas in which it is present, to implementing this principle (see chapter 2a.3 above, collaboration with social entrepreneurship Ashoka and Antropia, associations for inclusion, works by Veolia Foundation).

4.2 Supplying quality services: the example of drinking water

Veolia provides drinking water services to 96 million people worldwide. In an ongoing effort to control the quality of the water produced and distributed, the Group has established a water quality control policy in order to comply with standards and anticipate any developments. As a result, a complete range of technological solutions has been put in place, the aim of which is to guarantee water quality and protect the consumer from health risks. This approach is based on four principles:

- anticipating;
- monitoring;
- proposing solutions;
- informing.

All of these actions fall within the scope of a quality assurance system, formalized in particular by the ISO 9000 standards, which many Veolia entities (in France and abroad) have incorporated into their operations. In 2014, 74% of the revenue from the Water business activity was covered by a ISO 9001 certified quality management system.

Anticipating

Veolia carries out scientific monitoring of emerging parameters and is working,

in particular, on new micropollutants such as endocrine disruptors and pharmaceutical product residues. It is also conducting extensive work to improve the analytical methods for detecting these micropollutants and assess their effects on health.

Should its customers desire it, Veolia is able to establish methods to analyze and prevent health risks, as advocated by the World Health Organization, through the Water Safety Plans, or other similar approaches such as the HACCP or ISO 22000. These methods enable all areas in the water production and distribution chain presenting risks to water quality to be identified and analyzed, and the necessary measures to be implemented.

Monitoring

Water analysis is a major tool to support a health control policy. It enables pollutants to be detected and the necessary intervention to eliminate them. Veolia is performing more frequent and complex analyses within shorter timescales, according to standardized methods and using cutting-edge equipment and qualified personnel.

The bacteriological and physicochemical compliance rate indicators enable the quality of the distributed water to be evaluated.

	2012	2013	2014
Bacteriological compliance rate	99.7%	99.6%	99.5%
Physical-chemical compliance rate	99.6%	99.6%	99.6%

Veolia also carefully monitors the compliance of its largest distribution networks throughout the world with regard to specific parameters enabling the evaluation of any deterioration in water quality at the time of distribution (such as salting, corrosion, permeation, intrusion, etc.). In an ongoing effort to control the quality of the water it distributes, the Group has designed a new generation of multi-parameter communicating sensors known as KAPTA sensors, rolling them out around the world. These go beyond conventional health inspections based on ad hoc analyses and offer a solution for the continuous monitoring of drinking water quality.

Proposing solutions

Veolia advises local communities on operational improvements and on the investments required for controlling water quality. Covering the whole supply chain, the range of solutions proposed by Veolia focuses on the treatments to be put in place to meet the increasingly demanding standard for maintaining network water quality, safeguarding the production and distribution of drinking water, etc. The solutions proposed also concern the protection of the resource, since this is the raw material from which drinking water is produced (see *Managing our environmental performance*, chapter 2.a.1, above).

Informing

The organization established on Veolia’s operating sites, enables optimal responsiveness in the event of an incident or crisis:

- qualified personnel are on call seven days a week, 24 hours a day, in order to manage emergencies;
- a fleet of mobile units can be mobilized for a rapid response;
- a telephone service is available to respond to consumer concerns;
- bottled water is distributed in the event of prolonged suspension of water supply from the public water system;
- a telephone warning system is able to warn all consumers of potential restrictions on consumption and points where bottled water will be available.

Suitable methods are put into action commensurate with the severity and length of the crisis and the population affected.

Protection against nuclear, radiological, biological and chemical threats

In September 2013, for the Francophone Games in Nice, Veolia fitted its water distribution networks with the operational system developed by the RAID (French Research, Assistance, Intervention and Deterrence service) and the DCI-IT (France’s Inter-ministerial central detachment for technical response, under the authority of the French Minister for the Interior, specialized in combating RNBC – Radiological, Nuclear, Biological and Chemical – threats). Utilizing a single type of technology, the KAPTA sensors located at strategic points continuously measure the water quality and help protect the population. If any abnormal contamination is identified, the RAID and DCIIT central command center orders action to be taken to protect citizens’ safety.

4.3 Development assistance and humanitarian emergency

Solidarity is expressed primarily through the services that the Group provides, and which contribute to the public interest. Combating insecurity by ensuring access to essential services for people without a water supply, sanitation or energy services is one of the ways that Veolia is actively committed.

Solidarity is also expressed through the service contracts Veolia enters into with municipal authorities in France that form part of decentralized cooperation projects (international solidarity).

■ For example, since 2013 Veolia has worked alongside the Urban Community of Marseille in a wide-ranging partnership to support international cooperation at a financial, technical, methodological and human level. Its aim is to reduce the proportion of the population without access to drinking water and sanitation. Among other things, the project involves: (1) financial support and governance for an international solidarity fund for water and sanitation projects supported by international solidarity organizations (ISO)¹ or local authorities; (2) funding and program management assistance for decentralized cooperation initiatives supported by the urban community; (3) emergency and/or

reconstruction initiatives aimed at people who have been victims of natural disasters or conflicts. The priority geographical areas defined under the terms of the partnership are western North Africa, French-speaking sub-Saharan Africa and the Middle East.

Finally, the Veolia Foundation is another conduit for solidarity.

International solidarity and humanitarian emergency activity by the Veolia Foundation

The Veolia Foundation (see Chapter 1 above) contributes to extending access to essential services through its international solidarity activities (humanitarian emergencies and development assistance), which is one of its three priority intervention areas, and has established numerous partnerships. It provides financial support and the skills of the Group's employees (through the Veoliaforce network).

The Foundation acts in partnership with the United Nations (Unicef, UNHCR) and international bodies (Red Cross, ACF, MDM, Solidarité Internationale, Oxfam, etc.) or in support of national governments. Examples of its work include interventions:

- at the request of the Red Cross in the Republic of the Congo (on access to water),
- at the request of the Red Cross and Action Contre La Faim in Haiti,
- at the request of the UNHCR in Ethiopia,
- at the request of Solidarité Internationale in Benin.

■ In August 2014, the foundation signed a partnership agreement with the French government to strengthen the effectiveness of the response to emergency humanitarian situations. For example, in Iraqi Kurdistan, France transported 20 metric tons of humanitarian aid equipment for storing and distributing drinking water, 12.5 metric tons of which were provided by the Veolia Foundation and managed in situ by the French Red Cross (meaning that 50,000 people received drinking water).

■ The Foundation continues to support the Ministry of Health in the Democratic Republic of the Congo by implementing the national cholera elimination program it launched in 2007 and is working on a project to refurbish water-supply infrastructure in the city of Uvira in the Great Lakes region (one of the eight areas in the country identified as a source of cholera). The Foundation also runs and provides a secretariat for the GAAC². A partner of the Foundation in the Demo-

¹ ISO= Organizations such as the French Red Cross, Enfants du monde (EDM), Unicef France, CCFD-Terre solidaire, etc. - ² Global Alliance Against Cholera (GAAC): an international alliance to combat cholera, formed in 2010, by the Veolia Foundation (a consortium of private and public-sector players who together provide funding and essential skills for targeted actions to eliminate cholera in the long-term).

cratic Republic of Congo, the NGO Médecins sans frontières, tested the mobile drinking water production equipment developed by the Foundation's teams under humanitarian emergency conditions (in South Sudanese refugee camps on the northern border of Uganda, in 2014), with the support of Group R&D. The light and portable Aquaforce 500 could be an invaluable asset for MSF, providing hospitals and mobile clinics set up in the field in crisis areas with drinking water.

■ In 2014, MSF also contacted the Foundation for research/innovation support for problems connected with its activities in the field, in the areas of emergency energy, waste, sanitation and drinking water. The installation of photovoltaic panels to safeguard an independent electricity supply for its mission in Moissala, in Chad (base and mission camp for the prevention and management of malaria, in particular in children under the age of five for whom malaria is the primary cause of death in the district), is a first step. In the priority area of energy, it is a question of considering how MSF missions can be optimized (with a view to making savings and reducing projects' energy footprints) and the possibility of using renewable energies, in particular solar energies, in local installations with a view to making them independent.

■ In Kenya, as part of the Education Above All program, the Foundation is working on

sanitation for education facilities and on raising young people's awareness of hygiene, in Kakuma (currently the largest refugee camp in Africa, created in 1992). The program, which has numerous partners and was launched by the UNHCR, sets education for child refugees as one of its priorities. Among other things, the Foundation is developing an innovative and inexpensive latrines and wastewater treatment system that is easy to maintain in conditions that are specific to refugee camps, whilst still providing a good quality service.

■ The Veolia Foundation is also involved in the overall action plan to combat Ebola in Guinea. In the south east of Guinea, in Macenta, one of the main hotspots of the Ebola epidemic that started in January 2014, the French Red Cross has opened a treatment center and asked the Veolia Foundation to size and install a complex water distribution system, an essential component of the logistics center.

■ In India, the Foundation supports the NGO Sulabh International, providing access to essential services to underprivileged populations (public toilet complexes in the suburb of Nangloi, to the west of New Delhi. Built in public spaces and open 24 hours a day, they also provide washing facilities against payment of a small usage fee which funds the upkeep of the premises).

■ Finally, the MODEAB project implemented in Bangangté in Cameroon (sustainable water and sanitation management) and supported by the Veolia Foundation since 2007, received the United Nations prize for public services, in the category "Improving the provision of services to populations". This project, for which the Veolia Foundation has provided both financial and skill-based support since 2007, has led to improvements in access to water and sanitation for a significant portion of the community's 150,000 residents.

■ Other examples are:

- aid to Mali, which was devastated by the conflict there in 2012-2013, and to displaced populations, through projects sponsored by the Malian government (including renovation and drilling work to provide a water supply and support for reconstruction);
- the involvement of Veoliaforce at the end of 2013, working alongside the NGO Solidarité, in supplying water to thousands of people in Tacloban in the Philippines, the first city on the east coast destroyed by Typhoon Haiyan (Typhoon Yolanda);
- aid to Sierra Leone and the areas of its capital, Freetown, which were affected by a cholera epidemic, by introducing an on-line chlorination system in the water distribution network.

Managing social performance

Veolia's principal responsibility is to ensure the well-being and fulfilment of its 179,000 employees. Our human resources are the foundation of a culture that informs our every action and that is based on responsibility, solidarity, respect, innovation and customer focus.

Our overall performance depends on our ability to attract and retain talented staff. Which is why Veolia, more than ever before, is putting every effort into being an employer of choice for workers in any country.

Our commitment is evident in our prioritization of health and safety, the emphasis on employee development, our manager's actions and commitment to social responsibility and our respect for and dialogue with our internal stakeholders.

1. HR POLICY AND MANAGEMENT

Veolia's employees continue to play a pivotal role in the success of the company, as they always have. Their efficiency and the quality of services they provide are a competitive advantage.

Policy and commitments

In 2014, Veolia chose to emphasize its commitments for the benefit of the company's women and men, along three major axes of the HR policy (see *Managing corporate responsibility*, Chapter 2, above):

- Commitment n°7: Guarantee a healthy and safe working environment
- Commitment n°8: Encourage the professional development and commitment of each employee
- Commitment n°9: Guarantee respect for diversity and human and fundamental social rights within the company

Dashboard and objectives

In line with these commitments, the Group wanted to define a target for each of the horizon 2020 social commitments to complete the existing dashboard.

This dashboard is used to monitor changes in progress indicators at every level. It is shared annually with the representatives of the French and European Works Councils, with the various monitoring committees in particular. It is also discussed at length by the working group at the European Works Council level with a view to developing a CSR dashboard. The information is available to all stakeholders on the Group's website.

	2012	2013	2014	Level of assurance 2014		Group Target/Objective 2020
				limited	reasonable	
Turnover rate	11.2%	11.0%	10.6%			
Unlimited-term contract rate	92.6%	92.6%	91.2%	✓		
Commitment n°7: Guarantee a healthy and safe working environment						
Workplace accident frequency	14.5	12.6	11.7		✓	≤ 6.5
Workplace severity accident	0.56	0.52	0.51		✓	
Rate of absenteeism	3.8%	3.9%	3.8%		✓	
Commitment n°8: Encourage the professional development and commitment of each employee						
Percentage of employees attending at least one training session	73.3%	76.2%	80.0%	✓		≥ 75%
Percentage of managers in training programs		80.0%			✓	≥ 80%
Percentage of employees on work-study programs	1.96%	1.69%	1.12%			
Commitment n°9 : Guarantee respect for diversity and human and fundamental social rights within the company						
Percentage of employees covered by collective bargaining agreements	92%	92%	91%		✓	≥ 95%
Percentage of disabled employees	1.9%	1.9%	1.9%	✓		

Employee relations reporting

Annual reporting on employee relations, based on some 200 social indicators monitored and consolidated by over 900 officers worldwide, was first introduced in 2001 to provide data to help manage human resources operations.

Scope

Social reporting covers all companies that are fully consolidated in the Group's financial statement and the companies consolidated in the financial statements of which the Group manages the operations and located in all the countries where the Group has employees. Within this scope, the employee relations' information is fully consolidated regardless of the proportion of consolidation. The human resources information is taken from the international database that Veolia has been developing since 2001 for its social reporting.

Audit

Since 2013, as part of the process of strengthening the annual audit of our social reporting, these indicators which inform the dashboard were noted as the most substantive by an independent third party and identified as those which should therefore be tested in detail. In addition, Veolia was keen to ensure a reasonable level of assurance on information about its workforce (age, gender and geographical location) and on the data used to calculate the company's frequency,

severity, absenteeism and access to labour-management relations.

Reporting protocol

The indicators were chosen to monitor the following as a priority:

- performance relating to the Group's main human resources challenges;
- effects of the Group's Employee Relations policy;
- regulatory obligations (Article R. 225-105-1 of the French Commercial Code).

In the absence of a recognized and relevant external reporting reference document, the Group has defined its own procedures for reporting human resources information drawn from best practices and international standards and has established a comprehensive human resources reporting procedure that describes the methodology used for the compiling, checking, analysis and consolidation of data.

This procedure is employed across all entities. Given the international dimension of the Group, this reference document has been translated into five languages: French, English, German, Spanish and Portuguese.

Consolidations and controls

The Group uses a software package to conduct automated checks on business units. The human resources data are consolidated and checked by the Group's HR Department.

Since fiscal year 2007, the most relevant human resources indicators determined by the Group have been subject to a specific external review by KPMG.

It is important to note that there may be methodological limits to human resources indicators due to the following:

- lack of harmonization between national and international legislation;
- the heterogeneous nature of the data managed and the variety of tools in the Group's many subsidiaries;
- changes in definition that may affect the comparison of indicators;
- the specific characteristics of labour laws in certain countries;
- the practicalities of data collection;
- the availability of source data on the reporting date.

The key indicators presented in the dashboard in the appendices to this document should be interpreted with caution, in particular with regard to averages, since the figures below are worldwide data that require more detailed analysis at the level of the geographical area, country or business concerned.

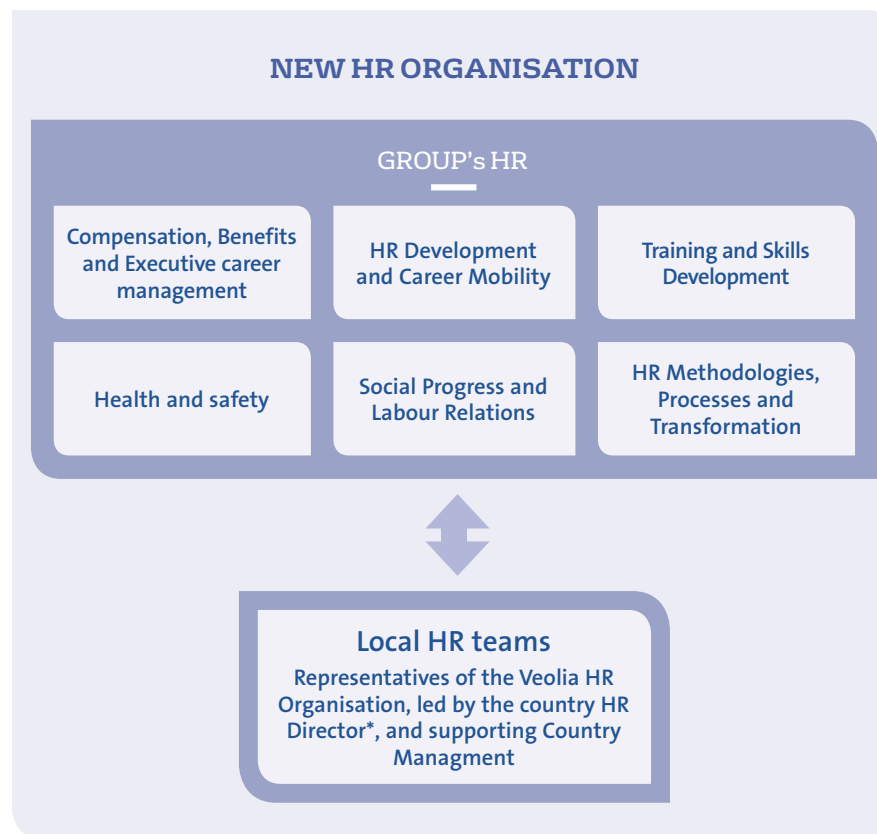
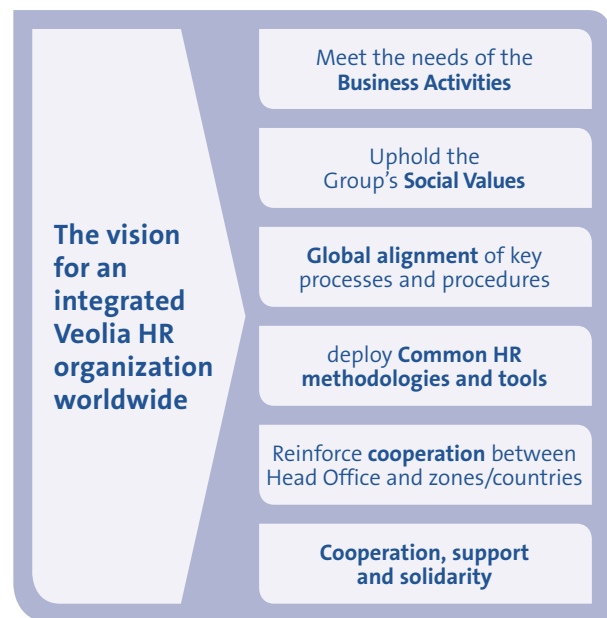
Management and roll-out of commitments

Human resources (HR) play a key role in transforming Veolia. To provide better support during the organization's changes, the Group's HR department presented the

human resources vision for the new Veolia and its new structure at the international HR meeting, which saw Veolia's HR country directors meet in December 2013.

The new Veolia's human resources will be centred around a collective that brings together the Group's HR department and HR country directors and their teams, in line

with the structure set out in the diagram below. Cooperation, support and solidarity within the HR community are essential elements.



* HR country directors report into the Group HR department

2. EMPLOYEES

The nature of the Group's businesses requires local management of personnel. As a result, the structure of the workforce reflects the labour markets in which the Group operates.

Change in workforce

In 2014, the workforce decreased by 23,292 employees or 11.5% in total.

The change in scope (24,323 fewer employees) is mainly the result of termination of the following contracts: Dalkia France (- 12,432 employees), Citelum (- 3,138 employees), Marius Pedersen (- 4,030 employees, split across three countries, - 2,528 in the Czech Republic, - 886 in Denmark and - 616 in Slovakia), two entities in South America (- 1,877 employees in Argentina and Mexico) and the entities in Israel which are no longer included in the scope of Veolia's social reporting (- 950 employees).

Organic growth is the difference between new hires (including new contracts) on the one hand and departures (including the loss of contracts) on the other and amounts to 1,435 fewer employees.

In 2014, the turnover rate for employees on permanent contracts dropped slightly, to 10.6% (from 11% in 2013).

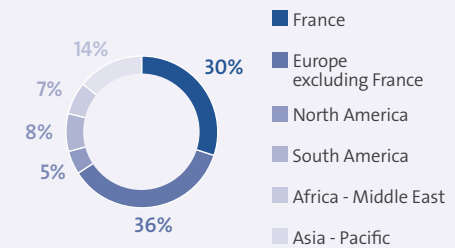
The company hired 27,245 employees on the external labour market (compared with 28,532 in 2013), with 12,879 (47%) of them on permanent contracts. In mainland France,

there were 4,948 external hires; one-third of these were on permanent contracts. Additionally, 22% of new hires on fixed-term contracts were converted into permanent contracts during the year.

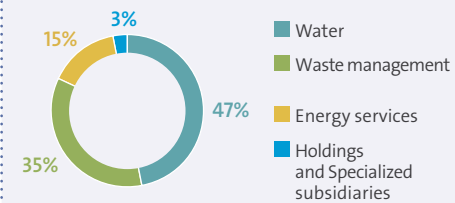
The end of fixed-term contracts (10,017) were one of the main reasons for employees leaving, ahead of voluntary departures (8,455), by resignation or contractual termination. In 2014, 442 employees were made redundant as part of mass redundancies (0.2% of the total workforce), mainly in Italy, France, Morocco, Poland and Sweden. These types of departure involve locally conducted labour-management dialogue depending on the specific legal and employment situation.

Regardless of the characteristics of the labour market in which we operate, Veolia companies are committed to promoting stable employment: 91% of employees are on a permanent contract.

Breakdown of workforce by geographic area



Breakdown of workforce by business activity



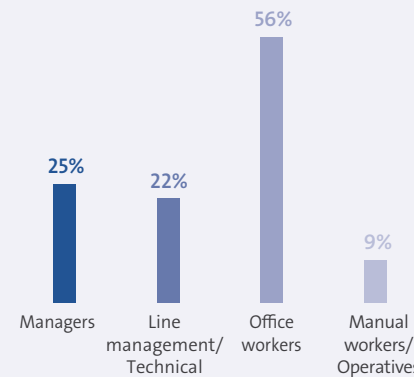
88%
of employees are
non-managerial
staff

Breakdown by socio-professional category, gender and age

Of the Group's total workforce, 54% are manual workers, and 80% are men. Depending on the level of an activity's development and the structure of the local labour market, these ratios are subject to considerable variations.

Asian and Central and Eastern European countries, for example, have a much higher percentage of women employees than the Group average (e.g. 33% in China, 28% in Hungary and 24% in the Czech Republic). However, these rates vary within the countries themselves, by business and by socio-professional category.

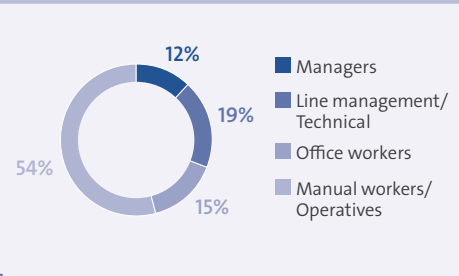
Percentage of female employees by socio-professional category (20% of total workforce)



In 2014, the average age in the Group was 43 (compared with 42 in 2013). It is highest in the Czech Republic (46 years). Distribution of employees by age bracket also corresponds to the structure of the labour market.

In France, employees aged over 50 account for 27% of the workforce. This figure rises to 38% in the United Kingdom, 40% in Germany and 43% in Poland. The areas with the highest number of employees under the age of 30 are Africa and the Middle East, Asia/Oceania and South America.

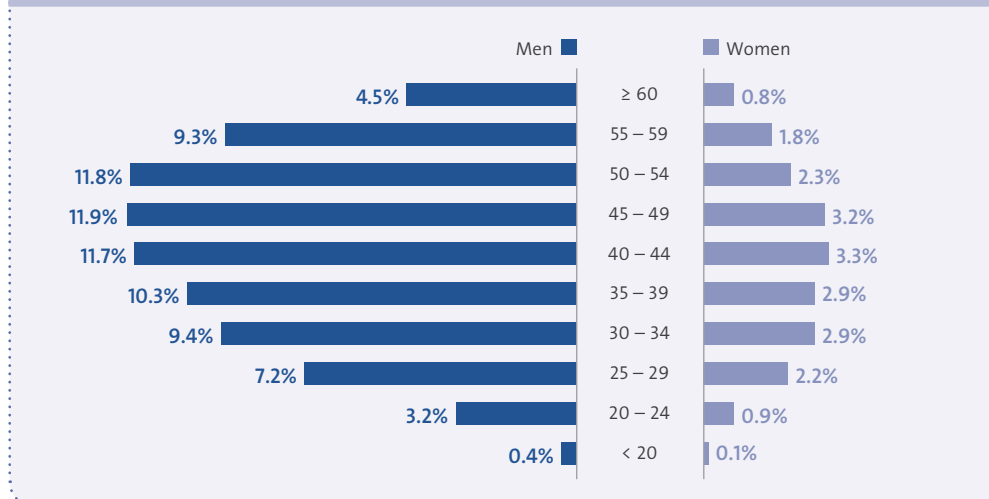
Breakdown of workforce by socio-professional category



14%
of employees
are under 30

16%
of employees
are over 55

Breakdown of employees by age and gender



Organization of working time

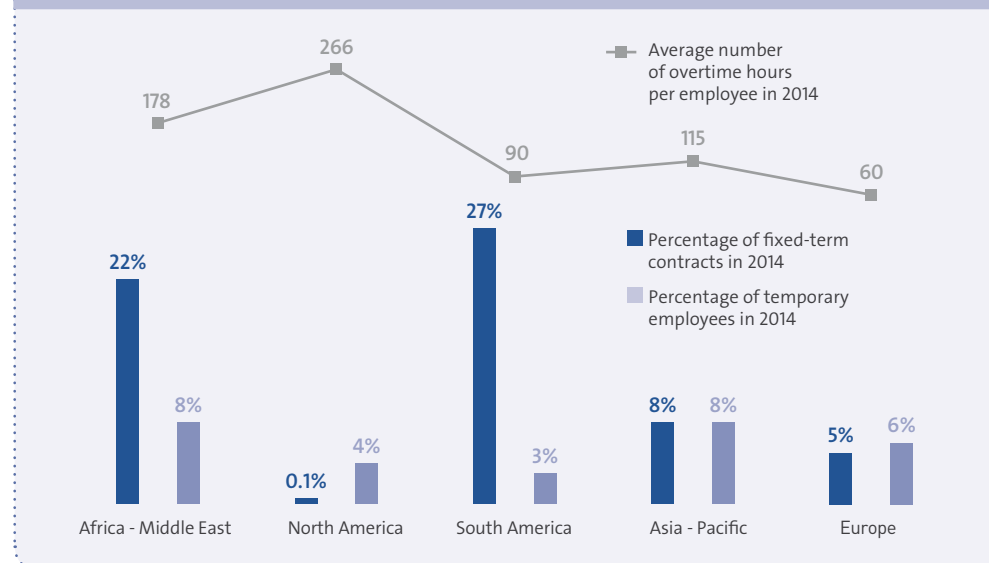
Veolia employees work an average of 1,795 hours per year (excluding overtime). To meet additional business demands or replace an employee, fixed-term contracts, temporary employment and overtime are used as supplementary measures to varying degrees depending on the country.

The use of these measures varies according to the country in which the Group is operating, but remains limited overall. We can see that the North American entities rely more heavily on overtime.

In 2014, the average number of overtime hours per employee and per year was 89 (compared with 81 in 2013). This figure varies by a factor of one to three between some countries in Europe, Africa and the Middle East and North America. The use of temporary employees increased marginally, from 5.86% to 6.15%.

Finally, 4.7% of employees work part-time, including over 65% in France and Germany, mainly in industrial cleaning activities.

Fixed-term contracts, temporary employment and overtime



GOOD PRACTICE Improving work-life balance

■ In Germany, where the birth rate has dropped in recent years, the Group helps employees to reconcile their careers with family life. Veolia Umweltservice GmbH, for example, provides offices where parents can bring their children to work in case of emergency and has teamed up with a not-for-profit organization called Worklife to produce an intranet site on parenting. VWS Deutschland GmbH is a member of the “*Women and the Economy*” organization, which organizes family activities, including holiday camps for children. OEWA, BSJENERGY and MIDEWA were awarded *Beruf und Familie* (Career and Family) certification as a mark of their commitment.

■ In Japan, where cultural practices push employees to stay late at the office in the evening, Veolia encourages employees not to neglect their private lives, for example by introducing ‘no overtime’ days. This has helped the company successfully implement its policy of increasing the number of women in the workforce. There are signs of a positive change in behavior, with a significant increase in the number of days of leave taken and one employee even taking paternity leave.

3. GUARANTEE A SAFE AND HEALTHY WORK ENVIRONMENT

Prevention in terms of health and safety at work is a continuing priority for Veolia in all its business activities. Veolia is committed to ensuring the physical and psychological well being of its employees.

217
new agreements on health, safety or working conditions signed in 2014

The Group's commitment

In 2013, Veolia, represented by its Chairman and CEO, signed the Seoul Declaration at the headquarters of the International Labour Organization, recognizing the fundamental human right to a safe and healthy work environment.

At the beginning of 2015, Veolia's Chairman and CEO reaffirmed his commitment to employees in relation to prevention, health and safety, training key actors and labour-management relations.

With involvement from the highest level of the organization, Veolia's process of continuous improvement in prevention, health and safety, as formalized by the commitment of the Chairman and CEO, is built around 5 pillars:

- involve the entire managerial line;
- train and involve all employees;
- improve communication and dialogue;
- improve risk management;
- monitor health and safety performance.

This process is designed to support and strengthen the efforts already initiated in this area, by involving all company employees, as well as suppliers,

subcontractors and joint venture partners, in order to ensure their physical and psychological well being.

To communicate their involvement and commitment in visible fashion, all the Group's managers, from the Executive Committee down to the first-level supervisors, are also encouraged to conduct safety field visits so they can exchange in frequent dialogue with employees on best practices and safe behaviors. Moreover, the comprehensive assessment of management performance includes a criterion on performance improvement in prevention, health and safety, and it is included when calculating the variable portion of managers' pay.

The Group has set a target frequency rate of less than 6.5 by 2020.

A joint commitment to prevention, health and safety

Stronger prevention and accident analysis are essential components of labour relations. Nearly 220 agreements on prevention, health and safety were signed in 2014 worldwide. Our European trade union and labour representatives signalled their support

for our prevention, health and safety policy when labour representatives signed a joint letter of commitment with managers in 2012. This commitment ensures the consistency of site initiatives in each country in Europe where Veolia operates. The core provisions of this joint commitment include: systematic accident analysis, reinforcement of prevention in occupational health and improved labor-management dialog on health and safety topics.

Managing prevention, health and safety at work

More than a mere strategy, prevention, health and safety is an integral part of all business activities and of the organization's structural processes.

Steering and consultation bodies

The centre of excellence in prevention, health and safety, composed of 20 international experts, submits prevention, health and safety strategies to the Executive Committee for approval and implements them. It coordinates cross-departmental projects, creates synergies between businesses by encouraging sharing of good practices

Introduction	Contents	Managing corporate responsibility	Managing environmental performance	Managing societal performance	Managing social performance	Appendix
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and evaluates the results based on performance indicators.

Experts have been appointed to ensure consistency, monitoring and coordination of approaches by country and area. This approach to organization provides a structured system for continuous improvement which, when supplemented by field visits, incorporates the cultural dimensions specific to each country.

Several annual step points are submitted to the Executive Committee in order to verify that the management system, actions taken and the progress in the field of prevention, health and safety at

work in different areas and businesses fit with the strategy of the business.

The system for managing prevention, health and safety at work

Implementation of the Group’s prevention, health and safety management system provides for the effective management of health and safety issues across all of the Group’s entities. The system is based on risk mapping as near to grassroots work situations as possible, an analysis of the causes and circumstances of accidents, near misses and occupational illnesses, safety audits and monitoring of action plans. The management system is built on the five pillars of the prevention,

health and safety at work policy. Performance monitoring and assessment, particularly by implementing and monitoring the audit program, means that corrective and preventive measures can be defined and integrated into an ongoing improvement approach.

In addition, specific safety audits of the facilities are carried out before operations commence to detect any risk situations and propose corrective measures. Risk prevention plans are implemented by the Group as far upstream as possible in relation to its facility design and construction activities (VWS), to guarantee the level of health and safety for future operators.



Certificates, labels

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

Increasing involvement across the board

Implementation of the management system in tangible terms means safety visits by line managers, the introduction of immediate reporting of workplace accidents and serious incidents, the involvement of operational managers in accident analysis (involving employees, temporary workers and contractors), training and awareness for employees and internal communications initiatives.

In 2014, almost 58% of employees received safety training and a third of training hours were devoted to safety.

All suppliers are informed that they must take the required measures to guarantee the health, safety and well being of their employees. A prior risk analysis of subcontracted activities is used to set contractual terms for the prevention measures to be taken by all parties, who are audited on a regular basis.

Innovative practices in the field

With regard to health and safety at work, innovative practices have been identified and shared within the Group. Several of them were recognized with Social Innovation Awards underscoring that the safety aspect has been fully incorporated in the company's employment and social policy.

■ Since 2011, all workers in India (over 100 people) have been given an annual health check and health insurance for them and their family.

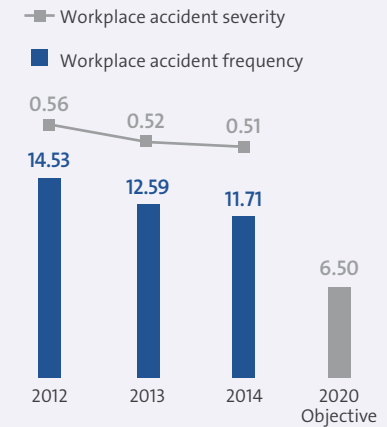
■ In France, the Vivre program (Visit, Involvement, Value, Reaction and Exchange), in place since 2010, has been encouraging all line managers in the Waste business to get involved on health and safety. It has helped bring about a 50% drop in the number of workplace accidents in this sector; the frequency rate fell from 30 in 2010 to 26 in 2014.

Working to reduce accidents

The frequency and severity rates of workplace accidents continue to improve in response to the actions taken. The frequency rate has been falling constantly since 2010, falling from 18.88 in 2010 to 11.7 in 2014.

In spite of our efforts, there were five fatal accidents associated with an occupational risk in 2014.

Change in the frequency and severity rate of occupational accidents



An accident management system for accidents involving temporary workers, contractors and third parties and an associated report have been rolled out across all our businesses.

**2020 objective:
frequency rate
≤ 6.5**

GOOD PRACTICE The *Peer 2 Peer* program in the US

■ VES Industrial Services in the US reduced its lost work days by 32% in 2014, by helping to instil an increased sense of responsibility in all employees. *Peer 2 Peer Safety Observation and Positive Intervention Program* plays a key role in motivating employees about safety. The program invites volunteers to observe one of their colleagues at their work station from a safety point of view. The approach not only offers an opportunity for constructive dialogue between employees but also helps the business to identify areas for improvement at each work station to optimize safety.

Talking about serious accidents to avoid a recurrence

The Group has set up a procedure across all its businesses for the immediate actions to be taken if a serious physical accident occurs. The aim of the procedure is to:

- standardize the process for analysis of serious physical accidents to determine corrective and preventive actions at every level of the organization;
- lay down rules for disseminating and sharing information internally and externally;
- provide tools for operational assistance.

The procedure applies to all Veolia activities and structures and to Group employees, temporary staff, subcontractors, joint contractors and third parties.

Preventing occupational illnesses

In addition to tools to identify accident situations at work stations, Veolia has designed a Group-wide tool to analyze exposure to occupational illnesses; this was shared with the French Works Council's trade union and labour representatives and is available to all health and safety officers. This tool helps anticipate exposure to risk factors in order to define and implement a preventive action plan. Rolled out in France in 2012, this process has been extended and adapted to the international segment.

In addition, all employees benefit from periodic medical check-ups to detect occupational illness, but particularly to help prevent them.

GOOD PRACTICE Improved medical check-ups

■ Since 2011, Veolia has implemented a health prevention policy for all employees at all sites in India, by allowing them to take advantage of free health insurance and offering them an annual health check. The aim is to catch risks early and detect health problems so that they can be treated as soon as possible. The Group covers healthcare costs to improve the health of not only its employees but also their families. A similar process is underway in Niger.

In 2014, 199 employees had an occupational illness. This reporting was rolled out to all Group entities for the first time in 2014. It should be noted that information on occupational illnesses may show variations in the calculation method because of differences in local practices and regulations.

Well-being at work

The Group has embarked on a quality of life at work initiative, which includes mechanisms for preventing psychosocial risk factors (stress), whether these are the result of an individual's work and/or personal life. Employees are provided with information on this issue, particularly during the presentation of results from the surveys conducted and during prevention program information sessions. A stress perception survey was carried out in 2012, the results of which were fed back to the staff representation bodies and to employees, particularly in France, the Czech Republic, the United Kingdom, Canada, Northern Europe and Australia. A training program for managers, aimed at helping them to take account of psychosocial risks in their managerial practices, was implemented in France and several other European countries in 2014.

In addition, the approach included ergonomic assessment of work stations, promoting good practices in terms of health and nutrition and combating alcoholism and drugs. Certain operations offer their employees muscle warm-up exercises before they start work; this program will be rolled out further in 2015.

Analysis and control of the work environment

The parameters that make up the working environment (noise, indoor air quality, lighting etc.) are assessed at the start of operations in new units by external organizations and then checked periodically to ensure they are maintained at a level that meets nominal requirements.

GOOD PRACTICE Morning warm-ups

■ Every morning before they start work, workers at sites in Latin America get 10 to 15 minutes of physical warm-up exercises appropriate to the nature and intensity of their professional activities. Developed by external specialists, the exercises are now led by employees who have received special training.

4. ENCOURAGE THE PROFESSIONAL DEVELOPMENT AND COMMITMENT OF EACH EMPLOYEE

The quality of Veolia's responses to environmental challenges and the increasing demands from municipal and industrial customers is dependent on its know-how and, more generally, the performance of its labour-management relations model. As a result, Veolia is committed to attracting, training, developing and retaining its employees at every skill level and in all the employment areas in which it operates.

The Group's commitment

To foster the professional development and commitment of every employee, the Group has made a commitment to:

- identify and develop personal skills to facilitate mobility and assist professional evolution;
- assist managers in their functions by giving them a common framework of values and by involving them in the decision-making process.

In doing so, it has created an ambitious HR development and training policy and a tool that is tailor-made for managers to involve them closely in implementing the strategy.

4a. Job, mobility and career management policies

Development of human resources and career management

The role of the Human Resources Development and Career Management Department is to define and promote the Group's policies relating to mobility, career management, and talent identification and management at all of the Group's establishments.

The department is organized by zone and by functional area, and has a dual aim of responding to the skills requirements of our business activities and providing career opportunities for our employees.

In the context of the Group's current transformation, the priority given to internal mobility is clearly stated. Its implementation relies on the following processes and tools:

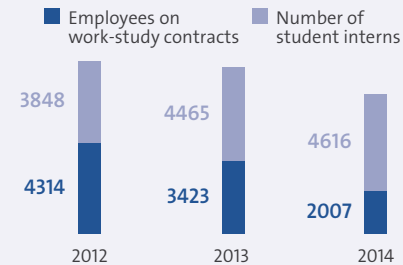
- an internal transfer committee, meeting every fortnight, focused on internal transfers within the regions and sectors;
 - the careers portal, which is used to publish all Group vacancies;
 - annual interviews used right across the Group to identify the skills development measures to be implemented;
 - peer evaluations for executives, mainly using an ECHOS-based approach (collective evaluation of human resources, organizations and structures).
- Findings from these sessions are used to provide a better fit between resources and the needs of the Group's business activities. They also facilitate the identification of high-potential talent, in order to provide these individuals with the means to pursue their professional development within the Group;
- the use of international talent incubators through the Pangeo program ensures the hiring of young talent.

Employment policy for France specifically continues to be driven by the major transformation process taking place within the Group. This means continuing to optimize successful management of the recruitment process. Priority is given to internal transfers, reflecting the importance of solidarity within the Group.

Access to work: priority for young and older workers

Work-study programs are a particularly effective tool for recruiting young people into long-term employment. It is Veolia's preferred path to excellence and prepares employees to work for the Group's businesses by providing them with relevant skills. Work-study programs guarantee that knowledge and key skills are passed on and enhance the value of intergenerational teams thanks to a network of mentors and apprenticeship supervisors.

Change in the number of internships and work-study contracts



The policy is implemented primarily through the network of Veolia campuses and training centres and through an increasing number of partnerships with local employment centres and training providers.

GOOD PRACTICE Work-study programs – a scheme for all kinds of employees

■ The United Kingdom has been running an apprenticeship program for Veolia’s waste management activities since 2011, aimed at three different groups: new employees, employees looking to develop their careers and people who are out of the job market. The program has reached over 800 employees since its launch. It has a real impact on our employees’ success, thanks to the involvement of Campus Veolia UK, which has provided support for all those involved while listening to the needs of managers and staff.

The company adopts a proactive approach by going out and meeting the general public and local employment and training partners, to give them the opportunity to learn more about occupations in the environmental services industry and help recruit people into local jobs, including those without any prior qualifications.

GOOD PRACTICE The inter-generational contract

In 2012, Veolia and three trade unions in France signed a three-year agreement on inter-generational contracts. The agreement prioritizes:

- the recruitment of young people (under the age of 30) on permanent contracts with a target of 11% of all external recruitment on permanent contracts;
- keeping older workers in employment, with a target of 12% of the workforce aged over 55 and 2% of external recruitment on permanent contracts for the over-50s.

Experienced employees will be trained by Campus Veolia in passing on their skills effectively to support the integration process.

A progress report was drawn up with the monitoring committee. All the objectives have been met, with almost 550 young people under the age of 30 recruited. In addition, as part of efforts to keep older workers in employment, employees over 55 make up almost 14% of the workforce and 135 new employees over 50 have been recruited on permanent contracts.

Relations with schools and partnerships

Mobilizing the resources the company needs today and tomorrow, in terms of both quantity and quality, remains a priority: Veolia develops its profile through events focused on environmental services occupations, job and work/study fairs, and forums in schools and universities. Programs like the *Summer school* and the *Performance awards* are special opportunities that give international students an opportunity to discover Veolia’s businesses and to adapt their course of study to the challenges of the Group.

The Group is continually developing and expanding its many academic, educational, institutional and research partnerships with professionals in training, guidance, employment and higher education.

4b. Training policy

Training and skills management are two key drivers that will help Veolia achieve its objectives. The company is committed to ensuring that **over 75% of employees take at least one training course each year.**

Veolia's main challenges in terms of training are to:

- continuously adapt skills to increasingly complex business activities so as to better serve the Group's customers and maximize its competitive advantage;

- anticipate change through training in new technologies;
- promote career development.

To address these challenges, the Group's training policy focuses on three objectives:

- develop and adapt employees' skills across all businesses;
- support the Group's performance and business development;
- enhance Veolia's corporate culture.

The range of programs was developed by more than **600 in-house trainers** and contributors on the basis of input from the corporate and business training departments and the local operating units. This allows us to offer training that reflects the reality of business activity on the ground on an ongoing basis.

The network of Veolia campuses spans 10 countries. Established in 1994, this network, which now totals 14 centres, covers two-thirds of Veolia's operating territories and offers nearly **2,300 training programs.**

The four pillars of the Group's training policy:

■ Training for all:

Training is available for all employees from the moment they join Veolia and throughout their careers with the Group. In 2014, **Veolia delivered almost 450,000 training sessions.** Their purpose is to develop individuals' skills through recognized courses that lead to certifications or accreditations and enable job mobility and career development. More than 89% of training sessions are aimed at operational and technical staff to help the least qualified staff develop.

■ Recognized training

The Group offers accredited courses to officially recognize employee skills. They help motivate employees, increase their employability and enable them to acquire measurable skills and develop an understanding of the task, which is a key competitive asset in a service business. For over 20 years, Veolia has continued to develop a range of certifications, from basic to advanced, specific to our businesses and run by the campus network.

■ Veolia trains Veolia

The Group is both the leading actor in and the implementer of its training policy. Two-thirds of the training hours provided by the campus network and the Veolia training centres are delivered by Group employees. This combination of permanent trainers and occasional internal trainers from the Group's businesses ensures that course content remains relevant and promotes cohesiveness.

■ The campus network and partnerships

Veolia's worldwide skills development platform is part of our active partnership policy with key players in employment and training at a regional level, and with a number of educational partnerships (Ecoles de la deuxième chance since 2007, universities and local employment services).

4c. Support as a key element in transformation

Transforming Veolia requires consistency and cohesiveness. In addition, the Group's General Management is involving managers at the various stages of the transformation process and communicating directly with managers and employees to explain and share the strategy so that everyone takes ownership of and implements it.

A number of steps have been taken during this period of transformation, in order to assert the Group's values, retain employees and develop their skills, particularly among managers.

The Manager's Code of Conduct

Veolia introduced the Management Code of Conduct in 2012 to build cohesiveness and solidarity to the benefit of the Group as a whole. The Code is an essential tool in building the new Veolia and is based on the Group's five fundamental values: respect, solidarity, responsibility, innovation and customer focus. For each of these values, the Code reflects the Group's collective commitment and the collective and individual behaviors expected of managers, which they must promote within their teams.

Management Commitment Survey

In 2013, 2,500 Veolia executives and managers were surveyed to measure their engagement and involve them more closely in the implementation of the strategy. The survey was designed to measure understanding and acceptance of the new strategy, evaluate the actions undertaken at their level to accelerate

the transformation, and to identify their needs, if any, for support or assistance in this area. The Group has set itself the goal of maintaining an engagement rate amongst managers of over 80%. It was 80% during the last survey, carried out in 2013, and will be assessed again in 2015.

A common model for performance assessment

In order to ensure that managers' objectives are aligned with the Group's strategy and values, a unique annual interview process has been used for all managers at all our sites worldwide since 2013. This unique format uses harmonized criteria and a common language to define individual objectives and adapt the Group's strategy. It allows the Group to assess performance and skills, share the Group's values and identify development needs, career prospects and the measures that need implementing.

Performance evaluation is based on financial, safety and qualitative objectives, taking into consideration an employee's place in the hierarchy and their role. Some of the quality objectives for executives are based on compliance with and dissemination of the Code of Conduct.

Skills development programs for executives

The Group offers pathways to develop the key managerial skills defined for Veolia as a whole: the *Executive seminar* and the *Talents* programs.

The Executive seminar prepares individuals for corporate management by working on a changing world and its impact on our current and future activities as well as the ability to subscribe to the values of corporate social responsibility. In 2014, the Talents programs, which reached nearly 150 managers, aim to develop managerial skills and entrepreneurial ability, vision and strategic planning.

Diversity and the internationalization of profiles

Through its 2014-2016 Diversity commitments, the Group confirmed the priorities set for diversity and support for the internationalization of the business (for more information see chapter 5b. *Diversity, equal opportunities and combating discrimination*).

5. GUARANTEE RESPECT FOR DIVERSITY AND FUNDAMENTAL HUMAN AND SOCIAL RIGHTS WITHIN THE COMPANY

The Group's commitment

We value social cohesion and stability highly, in particular during this period of transformation, and we are very mindful of the quality of social dialogue with employee representatives, as well as giving due regard

to equal opportunities and the fight against discrimination.

To this end Veolia has committed to:

- develop the social dialogue in each country where we operate and define processes to promote human and fundamental

social rights in compliance with local and international laws;

- define a responsible employment policy and involve trade union and labour representatives in CSR policy monitoring;
- promote diversity and equal opportunities and combat discrimination.

5a. Workforce cohesion and labour-management relations

Veolia is particularly committed to labour-management relations, as they strengthen cohesion within the workforce, contribute to the implementation of the Group's HR policy, and are a major factor in the Group's economic and social performance.

91% of employees have access to labour-management relations

The Group has undertaken to ensure 95% of employees have access to labour-management relations by 2020. In 2014, 91% has access

Fostering the quality and development of labour-management relations

Veolia is committed to successful labour-management relations at every level:

- at the business or entity level, as a natural forum for negotiations on key issues impacting the day-to-day activities of employees. At Veolia, more than 1,200 labour agreements signed in operational units supplement the Group directives and agreements;
- at the national level, bringing together joint information and negotiation bodies addressing all national issues;

The European Works Council

- It aims to enable consultation on transnational issues, which may take the form of joint declarations, opinions or commitments. It was set up to create a balance between the staff representation bodies and the Group's management, to provide staff representation bodies with genuine information, and initiate a dialogue with them about transnational issues that affect all employees, with a particular focus on Veolia's general policy.

Another purpose of the European Works Council is to negotiate agreements in principle, commitment charters or joint decisions on transnational issues implemented in each country in line with the individual countries' legislation and national laws. The European Works Council is authorized, within its remit, to address important transnational issues, with an emphasis on strategic issues that affect the whole Group and have direct consequences for employees.

Country labour-management forums

- Introduced as part of the agreement that created the European Works Council, the country labour-management forums create a setting for dialogue and information-sharing between

management and employee representatives, with a particular focus on the labour policy of each country.

■ at Group level, with French and European Works Councils and boards, representing 30% and 65% of employees respectively.

The agreement to form the Group European Works Council in 2010 modernized and strengthened the Council's procedures and operation and labour-management relations in Europe.

The collective bargaining agreement signed by the Group in France in 2010 on the quality of labour-management relations as well as the commitments made under the agreement signed with the Group's European Works Council are evidence of the desire on the part of Veolia's Executive Management to create meaningful relations with employee representatives and thus contribute to the Group's action on behalf of all its employees.

The certification training program offered to French central trade union and labour representatives and created in partnership with the Paris Institut d'Etudes Politiques and the Dialogues not-for-profit association, reflects the Group's strong interest in maintaining high quality relations with its trade union partners. The course reflects the company's efforts to consult with labour organizations and improves the skills of union representatives and motivates them by underlining the importance of their role.

To deliver on these agreements, Veolia signed agreements with several representative union organizations, including:

- **Veolia's French Workplace Risk Prevention, Health and Safety Committee** was created by the signing of an agreement in 2008.
- **A letter of commitment** was signed in 2012 with the company's European Prevention, Health and Safety Committee.
- In 2012, **the Group also signed an agreement setting up a group retirement savings plan (PERCO).**
- **An agreement on the generation contract** for the Group in France was signed in 2013.
- Negotiations between management and trade union and labour representatives on adapting the French and European Works Councils' agreements to the new Veolia began in 2014, to bring the agreements up to date and make way for streamlined and more comprehensive labour-

management relations. **An agreement was signed** at the beginning of 2015 on the French Works Council.

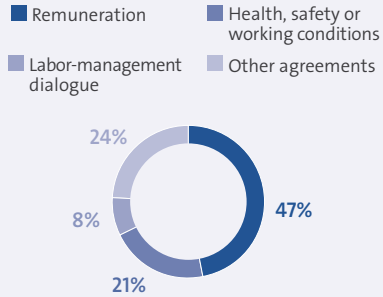
- Two employee directors were appointed by the French and European Works Councils in 2012 under the French protection law.
- In 2014, management and trade union and labour representatives finalized an agreement on the procedures for dialogue on strategic direction, setting out information with the boards of the French and European Works Councils. The agreement was signed in 2015.
- The dialogue on corporate social responsibility between the European Works Council and management continued in 2014 with a view to establishing a CSR dashboard for the European Works Council.

Under the agreement signed in 2010 on the quality of labour-management relations, union seminars were set up by each organization in order to improve their structure and define their priorities. Through systematic involvement in discussion at these union seminars, Group management actively listens to its partners and maintains a dialogue on the major themes of its labour policy. Seminars with the trade unions are repeated every year.

Modelled on training provided to French labour representatives, a course was

provided for executives and members of the European Works Council. This underlines the Group's commitment to enhancing labour-management relations in Europe. Designed in conjunction with the board of the European Works Council and Astrée, it highlights what is at stake in labour-management dialogue and intercultural relations within the European Works Council.

Breakdown of agreements signed by subject



Involving trade union and labour representatives in the Group's transformation

The Group is committed to guaranteeing transparency and open communications with trade union and labour representatives at every stage of the transformation process. Representative bodies at all levels have been kept regularly informed at meetings of the European and French Works Councils of plans that could impact the future of employees. This included Dalkia's uncoupling of France and international, which resulted in a procedure and in-depth labour-management dialogue within the French and European bodies, and proposed sales, particularly of the Marius Pedersen activities. Negotiations

are systematically conducted with staff representatives in accordance with local legislation in order to reach appropriate agreements.

During this period of transformation, it is even more important to develop and structure labour-management relations to enhance social cohesion and ensure that the Group can meet its labour and social responsibility commitments in a difficult economic climate. As a result, at Veolia headquarters and Water France businesses, voluntary redundancies were negotiated in order to adapt the organization to Veolia's challenges and the reality of our activity.

Promoting social initiatives

The Human Resources Department is committed to developing innovative field practices adapted to local conditions. A policy of promoting social initiatives unites all Group companies in a joint endeavour to strengthen local teams. In 2013, achievements in this area were recognized with Social Innovation Awards to highlight initiatives that promote solidarity, social equity, employability, and prevention, health and safety.

The Human Resources Department has decided to organize these Awards on a regular basis to encourage all Veolia entities

to actively share their human resources practices. The next awards will be handed out in June 2015.

GOOD PRACTICE

The Social Innovation Awards 2013

- **Judges' Special Commendation** for the training program in the United Kingdom.
- **Employability Award** for a training course aimed at older workers in France.
- **Solidarity Award** for the work of the Dalkia Foundation in Poland, which supports employees leaving the company and their families into employment.
- **Social Equity and Diversity Award** for the career support program for women in Japan.
- **Health Prevention Award** for the prevention program implemented in India for all employees.
- **The Safety Prevention Award** for the emphasis placed on involving all of line management in the Waste solutions businesses in France.
- **Employees Award** for the customer partnership program introduced in Oman.

Veolia's global human resources policy promotes the diversity of employee profiles and career paths as a source of innovation and performance for customers, employees and for the countries in which Group businesses operate.

5b. Diversity, equal opportunities and combating discrimination

A commitment to diversity and equal opportunities

In connection with joining the United Nations Global Compact, the Group has supported and promoted the Compact's principles in its sphere of influence, particularly the protection of international law on human rights, the recognition of collective bargaining rights, and eliminating discrimination in employment and occupations.

The Group is committed to "Guaranteeing respect for diversity and basic human and social rights within the Group".

The 2014-2016 diversity commitments are based on a standard that **gives priority to equal opportunity without discrimination** and thus recognize in-house talent and skills. Moreover, two other priorities have been defined to meet Veolia's challenges.

The expansion of diversity and gender equality

Diversity and gender equality in the workplace are a challenge in terms of performance, credibility and fairness. Veolia has to attract talented people at all levels of the Group in the conduct of all its

businesses. Special attention will be focused on increasing the number of women on the executive bodies of the Group, diversity in hiring in the businesses and diversity on representative bodies.

Support for Veolia's globalization

The new Veolia must encourage work in an intercultural environment that is sensitive to the culture of each employee. Each country where Veolia operates brings a wealth of benefit to the Group. Every employee, whatever his or her origin, should be involved in and contribute to Veolia's growth.

Veolia's commitments have already taken concrete form by the signing of:

- the Diversity Charter in 2012;
- an agreement on gender equality in the workplace with the French Ministry for Women's Rights in 2013;
- an agreement on the generation contract with trade union and labour representatives in France in 2013.

Diversity and professional equality

- Developing diversity and professional equality between women and men is a major priority in the Group's diversity policy. There are two key axes:
 - increase diversity in hiring in the businesses and on our representative bodies;
 - increase the number of women on the Group's executive bodies.
- The Group has set itself the objective of:
 - 30% of management to be women by 2020;
 - 40% of board members to be women by 2017;
 - 20% of management teams to be women by 2020.
- A specific action plan has been put in place to support the HR process on the following issues:
 - integration at Veolia: dedicated indicators have been developed and work has started to promote operational roles;
 - careers: benchmark indicators for promotions and assessments have been identified and an active pool of women policy is underway;
 - awareness raising and training: awareness-raising campaigns on gender-based stereotypes and prejudices have been rolled out;
 - labour-relations: the company is working alongside French and European trade unions to strengthen diversity.

Management

The diversity department is part of the Group's HR department and has a global network of over 40 diversity officers who:

- guarantee the implementation of the 2014–2016 Diversity commitments;
- establish the diagnostics and action plan appropriate for their specific context, and measure the results;
- highlight innovative measures that support the Veolia values.

A new six-theme dashboard is used to monitor the performance of the policy and the measures implemented. It ensures the measure can be tracked.

- **Complaints:** the number of complaints filed by employees and stakeholders based on the alert mechanisms and the number of proven cases of discrimination;
- **Professional equality:** the percentage of female managers, the percentage of female non-managers, and the percentage of women recruited;
- **Older workers:** percentage of workers over 55;
- **Young people:** percentage of workers under 30 and the work/study rate;
- **Disabled workers:** percentage of disabled employees;
- **Access to training:** percentage of employees taking at least one training

2014 results for main aspects of diversity



course per year and percentage of women managers trained per year.

The diversity department issues a **diversity report** every year. The goal of which is to produce a round-up of the actions taken and the performance in each target area. It means that the Group can, if necessary, tailor its strategies to ensure that diversity is properly and effectively managed within the company.

Main activities

A number of programs were conducted in 2014, in all our countries and entities, including:

- **the process to update Veolia's alert and complaints system in France.** Given the organizational changes, and following an analysis of practices, the in-house processes were reorganized in 2014 and the new mechanism approved for deployment in the first quarter of 2015;
- **diversity through sport.** Veolia wanted to promote diversity by drawing on sport. Encouraging access to sports for everyone, regardless of ability and performance, promotes team spirit and group success. In partnership with the French and European Federations of

Corporate Sports (FFSE and EFCS), Veolia was involved in the first edition of the *Diversity Race*. Two hundred employees took part in this event to help promote the values of diversity;

- **a non-discrimination audit** of the Group’s recruitment portal, Taleo, was launched in order to monitor the correct application of non-discrimination rules in accordance with 20 French legal criteria. This audit covers how the tool works and the content of the job opportunities for the entire Group;
- **International Women’s Day, March 8, 2014.** Veolia wanted to highlight diversity in the businesses. A communication campaign featuring female operators, technicians, managers, and executives was broadcast on the Group’s intranet. Advocacy measures for women were conducted worldwide. As such, in the Middle East, a video portrait of women at work was shown to employees and on the Group’s internal networks;
- **in Asia, following the award of the social initiatives prize** to the HR team in Japan for its project to **promote women’s talents in Japan (2013)**, the Japanese Productivity Centre wanted to meet with Veolia to study the Group’s policy on diversity and learn best practices to be developed in Japanese companies. An exchange was organized within about twenty executives and DHR representatives to discuss the problems of female equality and discrimination in business;
- **to mark the International Day of Persons with Disabilities**, Veolia constructed a map

of best practices by region. This global map was circulated not only to the Group human resources and diversity network, but also externally through the Tremplin Handicap association.¹

The most recent edition of Veolia’s Social Innovation Awards recognized, among other projects:

- **in Germany**, the project *Supporting a parent-friendly working environment* which aims to reconcile workplace requirements with the constraints of a welcoming environment for children under the age of 10;
- **in Brazil**, the project *Making a commitment to employability for disabled people* which uses training and validation systems for skills and basic knowledge to train over 347 people with a form of disability, 297 of whom earned a certificate;
- **in Japan**, the project *Promoting talented women* whose action plan is based on actively recruiting women engineers and supporting them to help them develop their careers within the company. Thirty percent of employees who were promoted were women, although they make up only 20% of the workforce.

A recognized commitment

Every year, Veolia’s commitment is recognized through labels, certificates, and rankings. Consequently, the Water France business earned renewal of the Diversity label in 2014; in the

Czech Republic, Dalkia earned the Investor in People label; in China, Veolia Water rolled out its Charter on Gender Equality; in the United Kingdom, Veolia was included in the Financial Times’ list of “Responsible Businesses”; and, in Germany, OEWA renewed its work/life balance certification.

GOOD PRACTICE A recruitment kit used by the Waste business in France

- Veolia has been working with operational managers and workers in its Waste solutions business in France 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, whilst being well suited to hiring people who are in some cases illiterate. It ensures a harmonized recruitment procedure for manual workers.

Since 2012, the use of Proveo has been extended to the recruitment of temporary staff, and assistants have also begun to be trained in the administrative part of the recruitment procedure. All operational staff and HR managers have been trained on the tool and continue to receive training on a regular basis. This provides an opportunity for the business to remind staff of its values and its commitment to a transparent, unified recruitment procedure.

1) <http://www.tremplin-handicap.fr/journee-internationale-du-handicap/> [webpage in French]

Long-term partnerships

The Group is a partner and/or a member of various organizations that promote diversity and equal opportunity in the various countries where it operates. In particular, Veolia is a partner in the Global Compact and the Women’s Forum.

As a partner of the Corporate Social Responsibility Observatory (ORSE), Veolia helped produce a guide called “How to develop an international diversity policy” and the CSR and Social Protection report in 2012.

In France, Veolia has been a partner of the *French Association of Diversity Managers (AFMD)* for five years and contributes to sharing best practices with member companies.

As a member of the French Association of Diversity Managers (AFMD) Committee on Sustainable employment and career management for people with disabilities, in 2013 the Group contributed to the development of the guide, *How to manage employees with disabilities*.

In 2014, Veolia hosted the AFMD network to present the agreement on the generation contract and its operational implementation. In 2015, it has already scheduled a debate with AFMD members on *Diversity through sports* and participation in the study trip to Great Britain on diversity practices in Europe. In addition, Veolia is a partner in the *Observatoire sur la Responsabilité Sociétale des Entreprises (ORSE - Study Center for Corporate Social Responsibility)*

Supporting the most vulnerable employees

In 2009, an active solidarity plan was launched in France in consultation with the French Works Council to support the most vulnerable employees in a difficult economic context. This led to the launch of *Allô Solidarité*, an employee counselling and support system in France set up with the help of an external partner.

Today, thousands of Group employees have access to a telephone platform that allows them to speak with professionals about the social challenges they face.

In 2014, over one hundred calls were received each month, mainly about housing and financial issues.

The partnership with the *Vivons solidaires* charitable organization, which has been in place since September 2010, helps to tackle social emergencies. The organization receives numerous requests for assistance with emergency housing and food donations. Union organizations are involved with the board of directors and management of this association.

These actions reflect the commitment of the company’s Executive Management and employees to be proponents of respect for fundamental rights and local regulations, and especially of diversity and equal opportunity in all businesses and across all regions.

Appendix

1. ENVIRONMENTAL DASHBOARD

Independently checked level of assurance*		Indicators	Unit	2012 ⁽¹⁾	2013 ⁽¹⁾	2014	2014		
Limited	Reasonable			Veolia	Veolia	Veolia	Water	Waste	Energy
MANAGING ENVIRONMENTAL PERFORMANCE									
●		Percentage of revenue covered by an environmental management system ⁽²⁾	% relevant revenue	77%	79%	81%	80%	76%	89%
●		Percentage of revenue covered by an ISO 14001 certification ⁽²⁾	% relevant revenue	65%	66%	67%	62%	63%	79%
		Percentage of revenue covered by an ISO 9001 certification ⁽²⁾	% relevant revenue	78%	78%	77%	74%	76%	80%
PROTECTING NATURAL RESOURCES									
SAVING WATER RESOURCES									
●		Total volume of water withdrawn	Millions of m ³	NR	10,601	9,789	9,630	14	144
●		- introduced into the drinking water distribution network	Millions of m ³	9,494	9,163	9,086	9,086	-	-
		- supplied as process water for industrial customers	Millions of m ³	-	-	123	123	-	-
●		- used for industrial processes used by Veolia	Millions of m ³	NR	712	580	421	14	144
Breakdown of water withdrawals									
●		- Volume of water withdrawn from a distribution network	%	NR	4.6%	5.3%	4.9%	68.4%	23.3%
●		- Volume of water withdrawn directly from the natural environment	%	NR	95.4%	94.7%	95.1%	31.6%	76.7%
●		- of which percentage of surface water	%	NR	80.4%	78.9%	78.9%	67.3%	79.9%
●		- of which percentage of groundwater	%	NR	19.6%	21.1%	21.1%	32.7%	20.1%
●		Volume of drinking water produced	Millions of m ³	8,962	8,725	8,673	8,673	-	-
●		Volume of water losses from water distribution networks ⁽³⁾	Millions of m ³	2,144	2,184	2,134	2,134	-	-
●		Efficiency of drinking water networks	%	74.4%	73.6%	74.2%	74.2%	-	-
●		Drinking water losses per mains length	m ³ /km/j	18.2	19.1	18.4	18.4	-	-
●		Volume of water reused from collected and treated water	Millions of m ³	225	262	291	291	-	-
PROTECTING ENERGY RESOURCES									
●		Total energy consumption (electricity and heat)	Millions of MWh	125.9	123.0	116.6	9.1	34.5	73.0
●		- of which electricity	Millions of MWh	14.3	10.8	11.4	7.2	1.6	2.6
●		- of which heat	Millions of MWh	111.6	112.2	105.2	1.9	32.9	70.4
●		Use of renewable and alternative sources of energy	Millions of MWh	39.0	39.4	39.4	0.9	30.8	7.7
●		- of which renewable energy	Millions of MWh	23.1	23.8	24.1	0.9	16.3	6.9
●		Percentage of renewable and alternative energies consumed	%	31%	32%	34%	10%	89%	11%
●		- of which renewable energy	%	18%	19%	21%	10%	47%	9%
●		Total energy production (electricity and heat)	Millions of MWh	71.3	67.7	61.1	0.6	8.4	52.0
●		- of which electricity	Millions of MWh	20.8	17.8	16.1	0.3	5.5	10.4
●		- of which heat	Millions of MWh	50.5	49.9	45.0	0.4	2.9	41.7

1. ENVIRONMENTAL DASHBOARD

Independently checked level of assurance*		Indicators	Unit	2012 ⁽¹⁾	2013 ⁽¹⁾	2014	2014		
Limited	Reasonable			Veolia	Veolia	Veolia	Water	Waste	Energy
PROTECTING NATURAL RESOURCES									
PROTECTING ENERGY RESOURCES									
●		Generation of renewable and alternative energies (electricity and heat)	Millions of MWh	16.1	16.7	15.2	0.6	8.2	6.4
●		- of which renewable energy	Millions of MWh	11.2	11.7	10.7	0.6	4.5	5.6
●		Percentage of renewable and alternative energies generated	%	23%	25%	25%	100%	98%	12%
●		- of which renewable energy	%	16%	17%	18%	100%	53%	11%
●		Percentage of renewable energy in the mix of energy services (Energy business - European Union)	%	12%	13%	14%	-	-	14%
●		Percentage of biomass fuel in the mix of energy services (Energy business)	%	6%	6%	8%	-	-	8%
●		Energy efficiency of wastewater treatment plants (2011 pro forma)	Wh/g BOD ₅ treated	2.05	2.22	2.25	2.25	-	-
		Percentage of incineration units of non-hazardous waste equipped with energy recovery systems	%	95%	95%	95%	-	95%	-
PROTECTING ENERGY AND MATERIAL RESOURCES									
●		Total amount of waste collected for customers	Billions of metric tons	32.3	31.9	38.5	-	38.5	-
●		Total amount of waste treated for customers	Billions of metric tons	51.3	52.1	46.4	-	46.4	-
●		- Rate of materials recovery from treated waste	%	19%	20%	20%	-	20%	-
●		- Rate of energy recovery from treated waste	%	47%	53%	48%	-	48%	-
REDUCING POLLUTION									
LIMITING THE DISCHARGE OF POLLUTANTS INTO WATER									
●		Volume of urban wastewater collected ⁽⁴⁾	Millions of m ³	6,669	6,650	6,384	6,384	-	-
●		Volume of urban wastewater treated ⁽⁴⁾	Millions of m ³	5,900	6,040	5,847	5,847	-	-
●		Wastewater treatment efficiency in terms of BOD5 removal (biological treatment plants with a treatment capacity of over 3 metric tons of BOD5 per day - 50,000 EP)	%	95%	94%	95%	95%	-	-
●		Wastewater treatment efficiency in terms of COD removal (treatment plants with a treatment capacity of over 3 metric tons of BOD5 per day - 50,000 EP)	%	90%	90%	90%	90%	-	-
		Rate of significant micropollutants discharged into the natural environment (France)	%	6%	4%	4%	4%	-	-
MONITORING THE SANITARY QUALITY OF DRINKING WATER									
●		Sanitary quality of drinking water - Overall compliance rate	%	99.6%	99.6%	99.5%	99.5%	-	-
●		Physical-chemical compliance rate	%	99.6%	99.6%	99.6%	99.6%	-	-
●		Bacteriological compliance rate	%	99.7%	99.6%	99.5%	99.5%	-	-
LIMITING ATMOSPHERIC POLLUTION									
●		Total SO _x emissions	Metric tons	68,165	68,541	67,634	61	711	66,860
●		Total NO _x emissions	Metric tons	37,089	37,088	38,544	168	7,302	31,074

1. ENVIRONMENTAL DASHBOARD

Independently checked level of assurance*		Indicators	Unit	2012 ⁽¹⁾	2013 ⁽¹⁾	2014	2014		
Limited	Reasonable			Veolia	Veolia	Veolia	Water	Waste	Energy
REDUCING POLLUTION									
LIMITING ATMOSPHERIC POLLUTION									
● Average concentration of hazardous and non-hazardous waste incineration plants:									
●		- Average NOx concentration EU directive limit value: 200 mg/Nm ³	mg/Nm ³	125.9	125.2	128.1	-	128.1	-
●		- Average SOx concentration EU directive limit value: 50 mg/Nm ³	mg/Nm ³	13.5	13.0	12.5	-	12.5	-
●		- Average HCl concentration EU directive limit value: 10 mg/Nm ³	mg/Nm ³	7.4	7.8	7.3	-	7.3	-
●		- Average concentration of dust EU directive limit value: 10 mg/Nm ³	mg/Nm ³	2.0	2.1	1.8	-	1.8	-
●		- Average concentration of carbon monoxide (CO) EU directive limit value: 50 mg/Nm ³	mg/Nm ³	9.0	9.5	9.0	-	9.0	-
●		- Average concentration of dioxins EU directive limit value: 0.1 ng/Nm ³	mg/Nm ³	0.026	0.023	0.017	-	0.017	-
● Emissions from hazardous and non-hazardous waste incinerators by metric ton of waste incinerated:									
		- SO _x	g/metric ton incinerated	72	70	67	-	67	-
		- NO _x	g/metric ton incinerated	671	669	702	-	702	-
		- HCl	g/metric ton incinerated	40	42	40	-	40	-
		- Dusts	g/metric ton incinerated	11	11	10	-	10	-
		Percentage of waste processed in incinerators with dioxin emissions below 0.1 ng/Nm ³	%	93.0%	96.5%	98.9%	-	98.9%	-
RECOVERING BY-PRODUCTS FROM ACTIVITIES AND LIMITING THE PRODUCTION OF FINAL WASTE									
		Total amount of waste collected for customers	Millions of metric tons	32.3	31.9	38.5	-	38.5	-
●		Total amount of waste treated for customers	Millions of metric tons	51.3	52.1	46.4	-	46.4	-
●		- Rate of materials recovery from treated waste	%	19%	20%	20%	-	20%	-
●		- Rate of energy recovery from treated waste	%	47%	53%	48%	-	48%	-
●		Non-hazardous by-products generated by waste management activities	Thousands of metric tons	^{2,432 (5)}	3,745	3,127	-	3,127	-
<i>Specifically</i>									
●		- Bottom ash produced (Incineration of non-hazardous waste)	Thousands of metric tons	1,846	1,792	1,843	-	1,843	-
●		- Bottom ash recovered	Thousands of metric tons	1,393	1,326	957	-	957	-
●		- Sorting waste generated	Thousands of metric tons	NR	979	694	-	694	-

1. ENVIRONMENTAL DASHBOARD

Independently checked level of assurance*	Indicators	Unit	2012 ⁽¹⁾	2013 ⁽¹⁾	2014	2014		
			Veolia	Veolia	Veolia	Water	Waste	Energy
Limited	Reasonable							
REDUCING POLLUTION								
RECOVERING BY-PRODUCTS FROM ACTIVITIES AND LIMITING THE PRODUCTION OF FINAL WASTE								
●	Hazardous by-products generated by waste management activities:	Thousands of metric tons	664	641	650	-	650	-
	<i>Specifically</i>							
●	- APC residues produced (Incineration of non-hazardous waste)	Thousands of metric tons	265	261	273	-	273	-
●	- Industrial APC residues produced (Incineration of hazardous waste)	Thousands of metric tons	58	56	49	-	49	-
●	- Bottom ash produced (Incineration of hazardous waste)	Thousands of metric tons	145	136	141	-	141	-
●	Proportion of bottom ash resulting from the incineration of recovered and non-hazardous waste for which Veolia is contractually responsible	%	NR	77%	80%	-	80%	-
	Compost produced	Thousands of metric tons	990	938	924	41	883	
●	Sludge evacuated (Water business)	Thousands of metric tons of DS	1,136	1,007	998	998	-	-
●	- Percentage of sludge produced used in agriculture (Water business)	%	48%	50%	51%	51%	-	-
●	- Percentage of sludge produced recovered as energy (Water business)	%	18%	9%	14%	14%	-	-
●	Quantity of fuel oil soot from plants with a thermal output exceeding 20 MW (Energy business)	Thousands of metric tons	NR	NR	0.19	-	-	0.19
●	Quantity of bottom ash and ash from coal plants with a thermal output exceeding 20 MW (Energy business)	Thousands of metric tons	NR	NR	995	-	-	995
●	Percentage of bottom ash and ash recovered from plants with a thermal output exceeding 20 MW (Energy business)	%	NR	NR	72%	-	-	72%
CONTRIBUTING TO THE FIGHT AGAINST CLIMATE CHANGE FIGHTING CLIMATE CHANGE								
●	Total direct and indirect (electricity and heat) greenhouse gas emissions	Millions of metric tons CO ₂ e.	37.3	36.1	33.9	3.4	12.4	18.2
●	Total direct greenhouse gas emissions	Millions of metric tons CO ₂ e.	27.4	28.8	26.2	0.4	12.2	13.7
●	- Direct CO ₂ emissions	Millions of metric tons CO ₂ e.	20.3	20.3	18.8	0.4	4.8	13.7
●	- Direct CH ₄ emissions (Waste solutions)	Millions of metric tons CO ₂ e.	8.3	8.3	7.3	-	7.3	-
●	- Direct N ₂ O emissions (Waste solutions)	Millions of metric tons CO ₂ e.	0.1	0.1	0.1	-	0.1	-
●	Indirect emissions of greenhouse gases related to energy consumption (electricity and heat)	Millions of metric tons CO ₂ e.	9.9	7.4	7.7	3.0	0.2	4.5
	Total decrease in greenhouse gas emissions	Millions of metric tons CO ₂ e.	18.7	21.0	22.1	0.1	16.9	5.0
	- Reduction in greenhouse gases	Millions of metric tons CO ₂ e.	11.4	13.6	15.3	0.1	10.2	5.0
	- Greenhouse gases avoided	Millions of metric tons CO ₂ e.	7.3	7.5	6.8	0.02	6.8	-
	- of which CO ₂ emissions avoided by producing thermal energy and electricity for third-party use (Water)	Millions of metric tons CO ₂ e.	0.38	0.39	0.02	0.02	-	-
	- of which CO ₂ emissions avoided through waste-to-energy recovery	Millions of metric tons CO ₂ e.	2.3	2.4	2.5	-	2.5	-
	- of which CO ₂ emissions avoided through materials recovery	Millions of metric tons CO ₂ e.	4.6	4.6	4.3	-	4.3	-
	Direct carbon efficiency of Energy business	metric tons of CO ₂ reduced/metric tons of CO ₂ emitted (in %)	36.6%	36.9%	36.7%	-	-	36.7%
●	Carbon performance of combustion facilities (Energy business)	Net metric tons of CO ₂ /MWh produced	0.264	0.265	0.274	-	-	0.274

1. ENVIRONMENTAL DASHBOARD

Independently checked level of assurance*		Indicators	Unit	2012 ⁽¹⁾	2013 ⁽¹⁾	2014	2014		
				Veolia	Veolia	Veolia	Water	Waste	Energy
CONTRIBUTING TO THE FIGHT AGAINST CLIMATE CHANGE FIGHTING CLIMATE CHANGE									
●		CH ₄ capture rate in landfill sites in operation ⁽⁶⁾	%	49%	52%	56%	-	56%	-
●		CH ₄ capture rate in landfill sites in operation excluding Proactiva ⁽⁶⁾	%	57%	61%	67%	-	67%	-
PROTECT AND RESTORE BIODIVERSITY									
		Total number of sites having completed a diagnostic assessment and implemented an action plan	No.	-	-	101	18	83	-
		Percentage of sites of significant importance having completed an assessment and implemented an action plan	%	-	-	23%	12%	30%	
		Number of sites that have introduced ecological management and/or development	No.	-	-	164	33	131	

1) Historical data have been reprocessed to reflect the disposal of the Energy business in France in 2014.

2) The rollout rate has been calculated using the revenue generated by businesses that impact the environment (i.e. excluding engineering and consultancy activities, training centers and headquarters).

3) The 2013 pro forma value against the 2011 base scope is 1,977 million m³.

4) Local collection and treatment contracts may be separate and cover a different scope.

5) Excluding refuse generated by waste sorting activities and other types of waste only included in the figures from 2013 onwards.

6) Calculation of the indicator includes methane oxide.

NR: Not recognized

(-) Indicators not available, not significant or not applicable

* The assurance assessment produced by KPMG is available in the appendix to the 2014 Veolia Registration Document - Annual Financial Report, available at www.veolia.com.

2. SOCIAL DASHBOARD

Independently checked level of assurance*		Indicators	Unit	2012	2013	2014
Limited	Reasonable			Veolia	Veolia	Veolia
HEADCOUNT						
●		Total headcount as of Dec. 31, YYYY	No.	219,739	202,800	179,508
●		Total headcount – men	No.	174,361	162,577	143,094
●		Total headcount – women	No.	45,378	40,223	36,414
●		Total headcount - managerial	No.	25,710	25,688	21,486
●		Total headcount - non-managerial	No.	194,029	177,112	158,022
		Total headcount - female managers	No.	6,125	6,275	5,353
●		Headcount on permanent contracts	No.	202,475	185,665	163,756
●		Headcount on fixed-term contracts	No.	17,264	17,135	15,752
●		Number of fixed-term contracts converted to permanent contracts	No.	3,906	3,557	2,980
		Part-time staff	No.	11,062	9,926	8,453
		Headcount on work-study contracts	No.	4,314	3,423	2,007
		Number of student interns	No.	3,848	4,465	4,616
●		Employees with declared disability	No.	4,233	3,934	3,376
●		Total annual headcount – full-time equivalent	No.	215,254	198,215	174,855
●		Employees on permanent contracts – full-time equivalent	No.	199,294	183,464	160,335
●		Employees on fixed-term contracts - full-time equivalent	No.	15,960	14,751	14,520
NEW HIRES						
●		Total number of new hires	No.	36,796	28,532	27,245
●		- of which external hires on fixed-term contracts	No.	15,822	13,447	13,664
●		- of which external hires on permanent contracts	No.	20,012	14,256	12,879
●		- of which recruited after a market recovery	No.	962	829	702
DEPARTURES						
●		Total number of staff departures	No.	38,926	32,289	28,680
		- of which resignations and dismissals for unjustified absence	No.	8,803	7,504	6,906
●		- of which individual redundancies of employees on permanent contracts	No.	5,457	5,421	3,831
●		- of which mass redundancies of employees on permanent contracts	No.	1,200	694	442
OUTSOURCED LABOR						
		Temporary staff - full-time equivalent	No.	11,508	11,613	10,750
		Percentage of temporary staff	%	5.1%	5.5%	6.1%

2. SOCIAL DASHBOARD

Independently checked level of assurance*		Indicators	Unit	2012	2013	2014
Limited	Reasonable			Veolia	Veolia	Veolia
COMPENSATION						
●		Mean gross annual compensation	Euros	28,892	28,715	29,515
●		Mean gross compensation - men	Euros	29,940	29,484	30,479
●		Mean gross compensation - women	Euros	24,674	25,412	25,517
ORGANIZATION OF WORKING TIME						
●		Working week	hours	39	39	39
●		Total number of overtime hours	hours	16,106,612	16,032,585	15,541,503
●		Average number of overtime hours per employee per annum	hours	75	79	89
●		Annual number of days worked per employee	days	233	234	234
●		Number of calendar days lost through absence	days	2,953,234	2,759,868	2,361,032
●		- of which absence for illness	days	2,029,715	1,864,912	1,576,432
		- of which absence for maternity, paternity and adoption leave	days	270,684	254,301	211,938
		- of which absence for long-term illness (>3 months)	days	339,351	334,464	318,969
●		Absenteeism rate (excluding maternity and paternity)	%	3.84%	3.90%	3.79%
		Average number of hours worked per employee per year	hours	1,807	1,788	1,795
		Actual number of hours worked over the year	hours	389,465,801	356,268,880	316,591,769
TRAINING						
		Total expenditure on training including compensation for training program participants	Euros	139,577,712	126,188,921	101,308,121
		Training budget (as % of the total payroll)	%	2.24%	2.22%	1.96%
		Spend per employee	Euros	648	636	579
●		Total number of training program participants	No.	487,810	497,405	449,940
●		- of which managerial staff	%	14%	13%	11%
●		- of which non-managerial staff	%	86%	87%	89%
●		- of which men	%	78%	75%	79%
●		- of which women	%	22%	25%	21%
●		Number of employees who have attended at least one training program	No.	157,776	151,082	139,904
●		Total number of hours of training	hours	3,791,844	3,450,928	2,858,891
●		- of which training hours on safety	hours	1,265,359	1,242,018	1,018,329
		- of which hours delivered in a Veolia in-house training center	hours	950,548	932,283	627,428
●		Average number of training hours per employee	hours	17.62	17.41	16.35
●		Percentage of employees who have attended at least one training program during the year	%	73%	76%	80%

2. SOCIAL DASHBOARD

Independently checked level of assurance*		Indicators	Unit	2012	2013	2014
Limited	Reasonable			Veolia	Veolia	Veolia
HEALTH AND SAFETY CONDITIONS						
●		Number of lost-time workplace accidents (excluding travel)	No.	5,659	4,485	3,707
●		Total number of calendar days lost through workplace accidents (excluding travel)	days	219,951	183,538	161,000
●		Workplace accident frequency rate (number of accidents sustained by employees per one million hours worked)		14.53	12.59	11.71
●		Workplace accident severity rate (number of calendar days lost due to workplace accidents per 1,000 hours worked)		0.56	0.52	0.51
●		Number of employees who have received training on safety	No.	110,114	116,240	101,168
●		Number of committees on occupational health and safety	No.	2,540	2,503	1,880
LABOR RELATIONS AND COLLECTIVE AGREEMENTS						
●		Number of collective agreements signed	No.	1,225	1,232	1,033
●		Agreements related to compensation	No.	662	689	482
●		Agreements related to health, safety or working conditions	No.	210	188	217
●		Agreements relating to labor-management relations	No.	92	133	81
●		Other agreements	No.	261	222	253
●		Total number of employee representatives	No.	12,145	11,379	10,604
●		Percentage of employees covered by arrangements for labor-management relations	%	92%	92%	91%
EQUAL OPPORTUNITIES						
●		Percentage of women employees	%	21%	20%	20%
		Percentage of women managers	%	24%	24%	25%
		Percentage of women employees hired through external recruitment (permanent contracts)	%	21%	21%	19%
●		Percentage of employees with a disability	%	1.9%	1.9%	1.9%
●		Percentage of employees aged under 30	%	16%	15%	14%
		Percentage of employees on work-study programs	%	2.0%	1.7%	1.1%
STAFF WELFARE						
●		Subsidies for staff welfare activities	Euros	60,616,731	68,975,917	34,576,065

* The assurance assessment produced by KPMG is available in Appendix 5 to the Veolia Registration Document available at <http://www.veolia.com/en/veolia-group/media/publications>

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