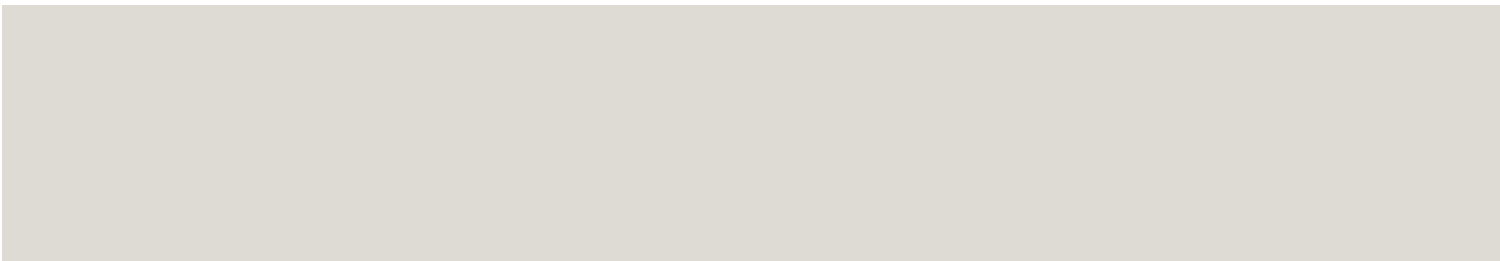


ANNUAL AND SUSTAINABILITY REPORT

2012



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This pictogram indicates that you can find additional information in the report's electronic version, available on our website at www.veolia.com.

IN DECEMBER 2011, VEOLIA ENVIRONNEMENT EMBARKED ON AN AMBITIOUS TRANSFORMATION PLAN that is forming the basis for a new organizational structure to improve its working methods and competitiveness. The NEW VEOLIA that will emerge from this plan will be more agile and responsive, with improved room for maneuver that will enable it to make the most of its potential and concentrate in the activities and regions of the world that hold the greatest potential.

IN 2013, THE SECOND YEAR OF ITS TRANSFORMATION PLAN, THE COMPANY WILL BE FOCUSING ON FOUR MAIN AREAS:

- > Increasingly focus its business activities on the most dynamic sectors and regions.
- > Make the most of the productivity opportunities linked to its transformation, to the changes in its working methods and to its cost reductions.
- > Continue to reduce its debt to find renewed financial flexibility.
- > Continue to develop new business models.

E N E W

VEOLIA

MAJOR S

1 / OSILUB

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3 / RIALTO

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4 / HUNAN

Assisting industrial concerns with their waste management needs P. 16

Whether for public authorities, industrial concerns or domestic customers, Veolia Environnement offers a complete range of environmental solutions, including water supply and wastewater recycling, waste collection, treatment and recovery, the supply of heating and cooling, and industrial process optimization. The solutions provided by its businesses enable the company to reconcile the development of human activity with environmental protection. Veolia Environnement employs 220,000 people⁽¹⁾ worldwide and reported revenue of €29.4 billion in 2012.

Innovation, efficiency, customer focus and social commitment are our company's strengths and the keys to our success.

UCCESSES

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(1) Excluding Veolia Transdev.

2012

RISING TO
THE CHALLENGE
OF USED MOTOR
OIL REGENERATION

OSILUB

ADVANCED
REGENERATION





2012

Given northwest Europe's limited used motor oil regeneration capacity, Veolia Environmental Services and Total Lubrificants decided to join forces. The result was Osilub. Together, they are now operating a state-of-the-art plant.

KEY FIGURES

75% regeneration performance, compared with the usual 45%

120,000 metric tons of used motor oil treated per year

45 direct jobs and **120** jobs generated by the 20-month construction period

450,000 accident-free hours

€55 million investment

→ A DUAL ENVIRONMENTAL CHALLENGE

Osilub is both an end and a beginning. This site in Le Havre, France, is the result of several years of discussion and research. The basic starting point was the high level of motor oil consumption in France, the United Kingdom and Benelux, totaling 745,000 metric tons a year. Over the years, a crucial issue had become increasingly apparent: the lack of used oil regeneration capacity in this part of Europe. All told, the available capacity barely came to 150,000 metric tons a year. Getting this critical situation under control had become a significant challenge, especially since there was excess treatment capacity available in Germany and Italy.


PROCESS DERIVED FROM FINE CHEMISTRY

This situation was the driver behind Veolia Environmental Services' and Total Lubrificants' decision to work together in Le Havre to implement a technology developed after several years of research. Their ongoing efforts led to a process adapted from fine chemistry to treat used motor oil. The Osilub plant began operating in 2012 and the entire process used at the site is

based on a virtuous circle: the used oil delivered to the site leaves after treatment as new base oil compliant with the oil committee and customs standards.

A FACILITY SERVING EUROPE

The Osilub plant now provides a response to the dual environmental challenge of reducing pollution and conserving resources. The plant is operated by Sarp Industries, a Veolia Environmental Services' subsidiary, and Total Lubrificants, which own it 65% and 35% respectively. It has filled the sizeable gap in used motor oil regeneration capacity in northwest Europe. With its 120,000 metric ton capacity, equivalent to the volume of used motor oil Veolia Environmental Services collects in France or 50% of the potential amount available in the country, the plant has only just set out on its journey.



**THE ANSWER
TO THE SHORTFALL
IN USED MOTOR OIL
REGENERATION
CAPACITY**



IN THEIR OWN WORDS

“Total has expertise in the up- and downstream segments of the oil industry, and also seeks to limit the environmental footprint of its oil products throughout their life cycle. Sarp Industries’ recycling and recovery solutions immediately convinced us to contribute directly to the Osilub project under a partnership deal, with the real winner being the environment.”

PHILIPPE MONTANTÊME,
Chief Executive Officer of
Total Lubrifiants

(1) Regional center for innovation and technology transfer.
(2) French Environment and Energy Management Agency.

“The raw material – used motor oil – is first collected by Sarp Industries (SEVIA) and then consolidated in ports, such as Gennevilliers, before being shipped to the Osilub plant. There we use a process developed by Sarp Industries research jointly with the CRITT⁽¹⁾ in Toulouse, France, and ADEME⁽²⁾: scraped film vacuum separation (selective separation of the oil molecules without distillation cracking).

The regenerated base oil is then barged to the nearby Total refinery, where it undergoes additional finishing treatment before use.”

JEAN-FRANÇOIS NOGRETTE,
Chairman and Chief Executive
Officer of Sarp Industries



2012



NAGYKÖR



IMPROVING
THE ENERGY
EFFICIENCY
OF INDUSTRIAL
SITES



ös

MORE EFFICIENT
INDUSTRIAL
FACILITIES

2012

Dalkia provides industrial utility management to improve industrial plants' energy and environmental performance, such as for Bonduelle in Hungary.

KEY FIGURES

600 metric tons of CO₂ saved each year

17% reduction in energy consumption each year

350,000 m³/year of natural gas saved

→ **MULTI-SITE APPROACH**
 Bonduelle selected Dalkia as its partner to manage a range of technical services in Europe. Under this arrangement, Dalkia was asked to implement a biogas solution at Bonduelle's Nagyköros site in Hungary, which produces canned vegetables such as peas, corn and beans. The bottom line: Nagyköros was faced with strict regulations forcing it to treat its wastewater. A solution had to be found and implemented to meet the regulatory requirement.

FULLY RECOVERED BIOGAS ENERGY
 Called upon in its capacity as a partner to Bonduelle, Dalkia immediately put forward a solution involving the biogas emitted by the plant's organic waste. The idea was to use this gas to fire one of the plant's existing boilers. After modification, the boiler uses the biogas to produce 3 metric tons of industrial process steam, which is entirely used at the Nagyköros plant. The result is a 100% recovery rate, with the investment easily amortized by the 36% reduction in the site's energy bill.

OPTIMUM ENERGY USE
 The Nagyköros example is a perfect illustration of Dalkia's commitment to helping industrial sites improve their energy efficiency. Optimizing the energy bill and operating costs goes hand in hand with ensuring site compliance with mandatory environmental standards.



TAKING UP THE CHALLENGE OF INDUSTRIAL PLANTS



+ INFO "Smart Industry by Dalkia: Bonduelle, in Hungary."
Watch it on Veolia TV.



IN THEIR OWN WORDS

"Given the regulations that ushered in changes to the energy processes at the Nagykőrös site, the idea of leveraging Dalkia's know-how was the most logical step, since we had been working together for a long time at our production sites in Europe. The solution adopted recovers all the energy sources generated at the site. Recovery of the biogas generated is a real technological innovation as it provides us with a 100% successful solution."

LASZLO TOTH
Bonduelle Central Europe

2012



A photograph of a water treatment facility. In the foreground, a large circular tank is filled with blue water. A worker in a blue uniform and hard hat stands on a metal platform to the left, holding a long pole. In the background, there are concrete structures, pipes, and a grassy hill under a clear blue sky. A yellow circle is overlaid on the water, containing text.

CREATIVE
PARTNERSHIP FOR
BETTER WATER
SERVICES

RIALTO

BEST OF THE PRIVATE
SECTOR FOR THE PUBLIC GOOD

2012

The city of Rialto in California has opted for an innovative concession model in order to modernize its water and sanitation networks and upgrade its service level. And Veolia Water North America was chosen as operator.

KEY FIGURES

445 jobs created by this project
in the building industry

Over **\$300M** in revenue
for Veolia Water over 30 years

\$172M contributed
by the partners, of which \$76 million
to create new infrastructure

→ THE CRUCIAL ISSUE OF MUNICIPAL FINANCE

The current economic context is tough on municipalities. In the US, they suffer from chronic under-funding, while concurrently facing increasingly higher expectations from their citizens demanding modern infrastructure and premium quality utility services – without forgetting the key concern of job creation. Such expectations are often far from being fulfilled, and some cities have actually ended up in a situation of payment default. A desperate situation? Not really if they opt for “Blue Growth”, a strategy designed to upgrade their water services while also improving their financial position and supporting their socio-economic development. This is precisely the option chosen by the municipality of Rialto in California for the operational management of its water and sanitation networks with a cooperation model where the confidence in the reliability and efficiency of services provided by Veolia Water have made it possible to attract private investment in the community.

A VIRTUOUS COOPERATION MODEL

The city of Rialto has signed a concession contract with RWS, Rialto Water Services, a special purpose company created by the investment fund Table Rock Capital and an affiliate of Ullico Inc. Under the terms of the contract, the city will receive an up-front cash payment of \$35 million (€26.8 million), along with \$41 million (€31.4 million), earmarked to fund water and sanitation infrastructure upgrades. The contract further provides for RWS to hire Veolia Water to manage the city’s water and wastewater systems for a thirty-year term – VWNA has been operating the municipal wastewater treatment system over the past decade. This unique financing package will enable the city of Rialto to modernize its networks while retaining the asset ownership and keeping control over service levels and rate setting. The model creates a virtuous circle whereby the concession holder supplies the funds required to rehabilitate and extend the water and wastewater infrastructure, Veolia Water as operator contributes its service expertise, and the municipality improves its financial status by collecting concession fees to support economic growth and creation of local jobs.

THE CONCESSION
MODEL WILL ENABLE
THE AGING FACILITIES
TO BE REFINANCED
WITHOUT BEING
PRIVATIZED

**SUPPORTING
LOCAL ECONOMIC
GROWTH**



+ INFO Interview with Laurent Auguste, Chairman and CEO of Veolia Water North America.



IN THEIR OWN WORDS

“The RWS partnership ensures that the city’s water and wastewater infrastructure is upgraded and run in the most cost-efficient manner, while also laying the groundwork for new economic development. This arrangement allows for both continuity and improvement in the water resource and wastewater service.”

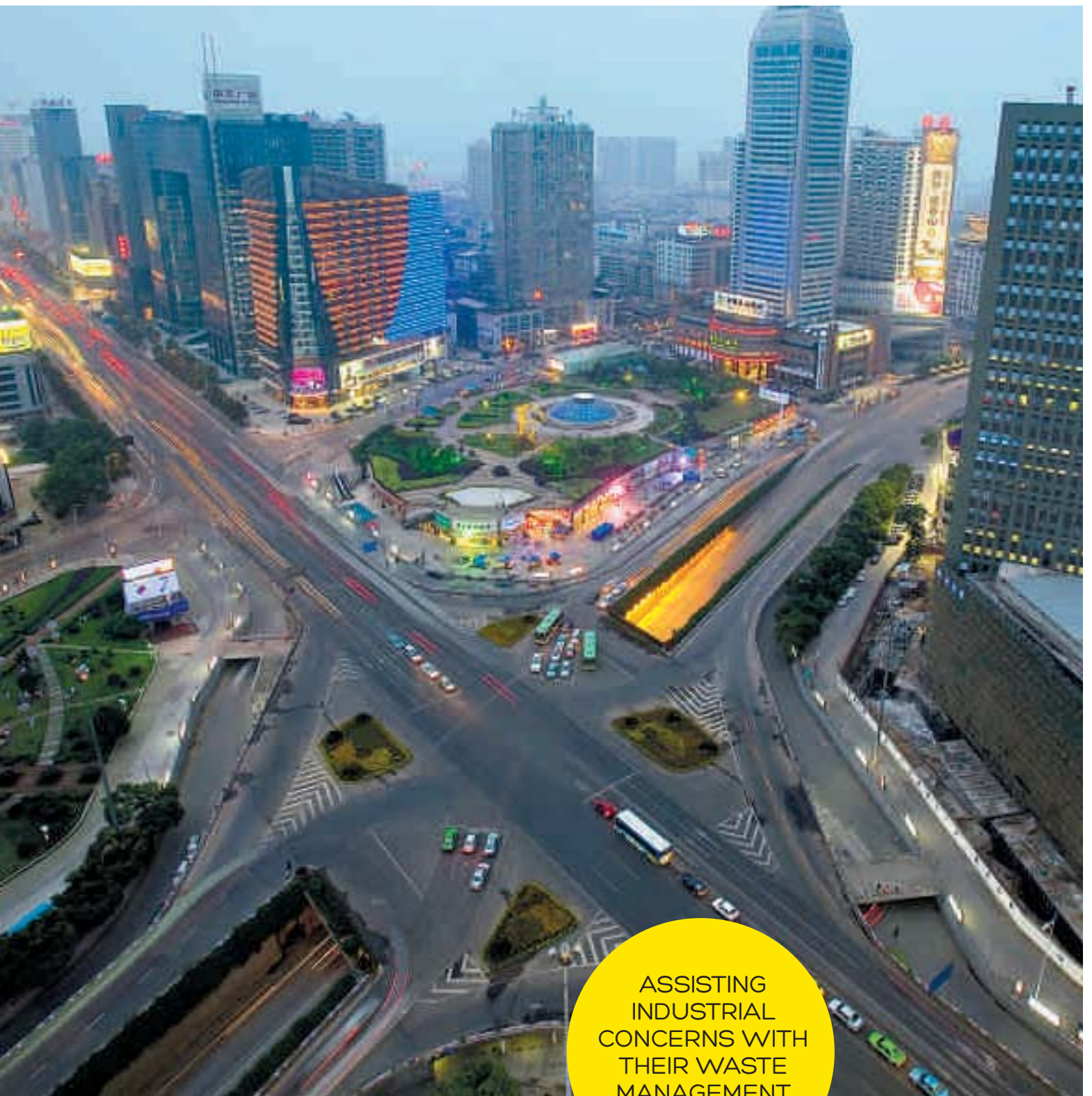
MIKE STORY,
Rialto City Administrator

“Our role is to ensure that water and wastewater infrastructure upgrades and efficiency of services of enhanced quality provided meet the expectations of the investors and the community in the long term. We’ve worked with Rialto for almost ten years and have established a relationship of trust.”

LAURENT AUGUSTE,
Chairman and CEO of
Veolia Water North America

2012





ASSISTING
INDUSTRIAL
CONCERNS WITH
THEIR WASTE
MANAGEMENT
NEEDS

HUNAN

DEALING WITH HAZARDOUS WASTE

2012

Given their industrial growth, Chinese provinces must take up the challenge of managing and treating their hazardous waste. With eight facilities operated or planned for industrial clients in six provinces⁽¹⁾, Veolia Environmental Services is at the heart of this movement. The case of the Changsha center in Hunan province offers an excellent example.

KEY FIGURES

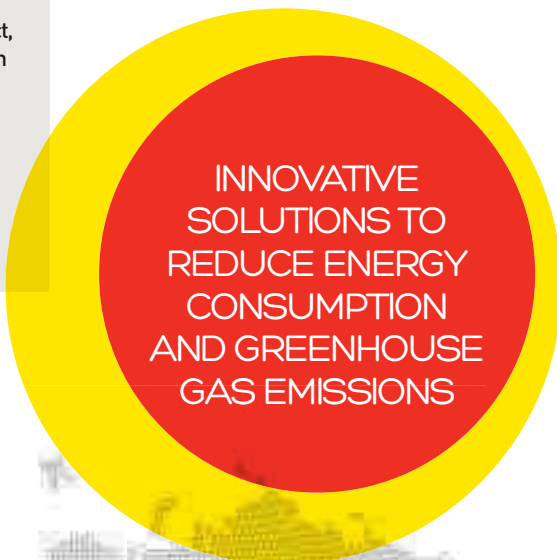
- 25**-year concession contract
- Treatment capacity of up to **54,500** metric tons of hazardous waste per year
- 10** cities covered by the contract, accounting for around 85% of Hunan province's GDP
- Cumulative revenue of more than **€320** million expected over the term of the contract

→ **COPING WITH THE IMPACT OF GROWTH ON THE ENVIRONMENT**

Far from the megacities of Beijing and Shanghai, Hunan province is experiencing rapid growth. It now ranks seventh among Chinese provinces by population and ninth in terms of the wealth it generates.

Like all these provinces, Hunan has to deal with the environmental impact of its industrial growth. This led to the decision to create the Changsha hazardous waste treatment center as part of a nationwide program.

The decision quickly saw Veolia Environmental Services occupy a central role in the project. The main reason was its reputation – Veolia Environmental Services is the leading company in the hazardous waste market in China – but it was not the only one: technological innovation is a precious source of results in this area, which ultimately also delivers improved environmental conditions for the local population. The Hunan Environmental Protection Bureau allocated a 25-year concession contract for the Changsha hazardous waste treatment center to a Chinese environmental services company in which Veolia Environmental Services has a majority interest.



INNOVATIVE SOLUTIONS TO REDUCE GHGS

The innovation contributed by Veolia Environmental Services for energy recovery from the hazardous waste as part of this contract specifically entails reducing the use of fossil fuels and reusing the steam generated by the waste's incineration and combustion. These innovative solutions will help reduce the center's energy consumption and greenhouse gas emissions. They were central to the environmental impact study for the project, which was approved in its final form by the Chinese Ministry for Environmental Protection before it gave the go-ahead for the treatment center. Operation is scheduled to start in 2014.

(1) Guangdong, Zhejiang, Jiangsu, Hebei, Tianjin and Hunan.

VEOLIA ENVIRONMENTAL SERVICES AND HUNAN PROVINCE: TRAVELING THE SAME ROAD SINCE 2012



2012



ECO-COMPATIBLE BUILDINGS

MONTLUÇON



ON

PRE-EMPTING
THE EUROPEAN
DIRECTIVE ON
BUILDING ENERGY
PERFORMANCE

As in Montluçon, municipalities and other local government authorities are looking at ways of improving the energy performance of their buildings in order to bring them into line with the European Directive. Using Dalkia's expertise, they can ensure compliance ahead of the future requirements.

→ **BUILDINGS AND THE PLANET**

All building managers are facing the same situation: rising energy costs and increasingly stringent environmental regulations. As significant consumers of energy, buildings need to reflect their owners' environmental commitments and users' expectations. The challenge is to reconcile user comfort with energy performance. Dalkia manages 133,000 energy facilities worldwide and has developed methods to optimize their operation. The company even creates energy performance management centers, which are set to become one of the communication tools of the future smart city. This means Dalkia is actually

pre-empting the amended European Directive on the energy performance of buildings (EPBD), which will include an across-the-board requirement for "Nearly zero energy" buildings by 2020.

THREE EFFICIENCY DRIVERS

The requests received by Dalkia from local government authorities in 2012 are entirely representative of this quest for performance. By way of an example, the management of municipal buildings is increasingly included in energy efficiency contracts. Such is the case of Montluçon, which achieved energy savings of 21.5% in 2012 under just such an agreement. Several drivers come into play to achieve these targets: improvements to existing facilities and constant monitoring of equipment and its environment, together with help for users in how to save energy through changing their behavior and attitudes.

As for the agreement signed with Slovakia's Košice region, apart from its symbolic importance as Dalkia's first energy performance contract in a former communist bloc country, it is further confirmation of the increasing expectations of municipal authorities. This contract requires Dalkia to improve the energy consumption of 74 schools. Greater use is starting to be made of energy performance contracts, as evidenced in France by the Aquitaine region's contract for its high schools, and the Manche department's contract for 20 schools, 3 museums and the Departmental Council's headquarters.

KEY FIGURES

- 96** buildings under contract
- 69** sites connected to a centralized technical management (CTM) system
- 17** sites with a condensing boiler
- Contractual commitment to **21.5%** energy savings over two years



ANOTHER ISSUE FOR LOCAL AND REGIONAL GOVERNMENTS



IN THEIR OWN WORDS

“Montluçon’s public building stock – around 100 buildings – was poorly maintained and aging. Insulation was deficient in all buildings and heating installations no longer corresponded to today’s needs. Under this contract (signed with Dalkia), we’ve become durably energy efficient. The contract has drawn us into a virtuous circle while at the same time taking immediate action to improve a varied assortment of buildings. In less than one year, we have carried out substantial renovations that would have taken us 15 to 20 years had we been working on our own. We also used this opportunity to define an overarching policy for our area that includes new sources of energy, such as solar power and wood energy, adapted to the needs of each building.”

DANIEL DUGLÉRY,
Mayor of Montluçon and Chairman
of the greater municipal area

2012

RECOVERING
RESIDUAL WASTE
TO MEET LOCAL
RECYCLING TARGETS

LEEDS

CONVERSION RATHER
THAN DISPOSAL



In Leeds, the Private Finance Initiative (PFI) model was used as a trigger for the local authorities to work with Veolia Environmental Services to develop a reliable solution for their ambitious residual waste recovery targets.

→ **RECOVERY, NON-NEGOTIABLE**

Turning waste into a resource is a challenge all governments face. This is particularly true in the United Kingdom, where the absence of any recycling regulations – except in Wales – means it has become essential to switch from disposal to recovery to be in compliance with the European Directive. The British government estimates that £10 billion (close to €12 billion) will have to be invested in waste management infrastructure by 2020 to achieve this goal.

A MODEL AND A PLAYER

The British have two key strengths to help them rise to this challenge: a model and a player. The model is the PFI (Private Finance Initiative), which is a type of contract designed to meet the two goals of environmental performance and profitability. And the player? It's not by chance that the United Kingdom is Veolia Environmental Services' largest market outside France. The division has managed to develop a highly innovative strategic partnership with British companies and local authorities that often takes the form of a PFI. Veolia Environmental Services Plc is currently involved in 12 PFIs countrywide.

STRATEGIC CHOICE

Veolia Environmental Services applied its strategy of turning waste into a resource very early on in the United Kingdom. Aware of the economic and environmental importance of this approach, in 2012, the Leeds' local authorities signed a PFI contract with Veolia Leeds Ltd, a Veolia Environmental Services Plc subsidiary, for the treatment and disposal of residual waste. Initially designated as the preferred bidder in January, Veolia Leeds Ltd signed the contract in November. In the meantime, it had engaged in a consultation process with the local population.

The contract covers the construction of a technological facility for waste recovery, including energy recovery, in the Cross Green industrial area near Leeds. The energy recovered from the waste will generate around 11.6 MW of electricity to be fed into the national grid – enough to power 20,000 households.

KEY FIGURES

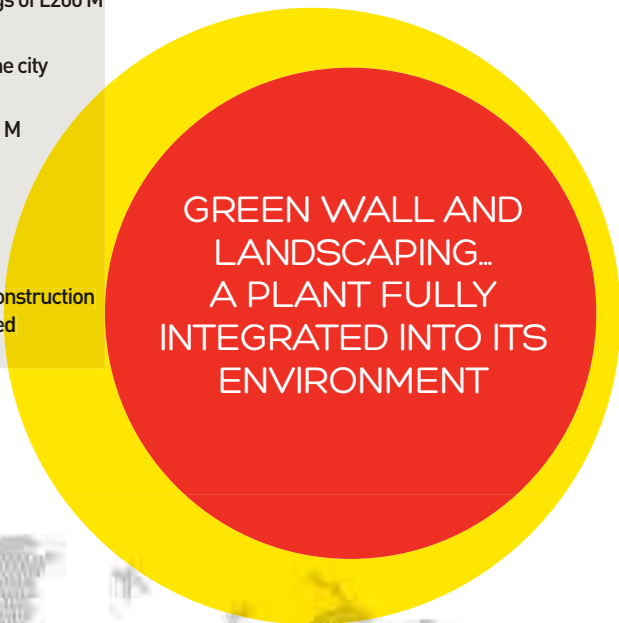
215,000 metric tons/year of waste recovered

Electricity generated equivalent to the consumption of **20,000** households

Over twenty-five years, savings of £200 M (around € **235** M) for the city

A total contract worth of £460 M (€ **540** M)

300 people hired for construction and 45 permanent jobs created



WASTE AND ENERGY RECOVERY



IN THEIR OWN WORDS

“This remarkable facility reflects our strategic commitment to the UK market and our sustainable development approach leading to the creation of new waste and energy recovery facilities that deliver excellent environmental performance. In the United Kingdom, Veolia Environmental Services is currently involved in 12 PFI's across England. This type of partnership contract should enable the country to reach the targets set by the European Directive in regard to diverting waste from landfilling.”

JÉRÔME LE CONTE,
Senior Executive Vice-President in charge
of the Environmental Services division

2012

DISTRICT HEATING NETWORKS: MOVING SUSTAINABLE DEVELOPMENT FORWARD

IAȘI

CITIES TACKLE
ENERGY
PERFORMANCE



2012

In Iași, Romania, Dalkia has been awarded the contract to operate the city's district heating network. This contract includes energy performance improvement targets, illustrating the central role of these networks as economic and environmental drivers.

→ When a city opts for a district heating and cooling network, it always means progress is on the way for its citizens. District networks are an ideal solution to growing concerns about the carbon footprint of cities and the rising cost of fossil fuels. This was the reasoning adopted by the elected representatives of Romania's second largest city, Iași (population of 320,000). They signed a public service management contract with Dalkia for the operation of the city's district heating network, which provides both heating and hot water to 45,000 dwellings from two main cogeneration plants. Under this 20-year contract, Dalkia has committed to guaranteeing continuous supply, cost containment for the heating supplied, and to investing in the network's technical development.

GREEN, URBAN ENERGY

As in Iași, district networks are always linked to the notion of sustainability. At the various stages in their development, they provide an ideal opportunity for the incorporation of green energy in urban areas. Dalkia has, for example, installed biomass boilers in the Polish cities of Poznań and Łódź. As a result, the two cities will avoid the emission of 300,000 metric tons of CO₂ a year. In Saint-Germain-en-Laye, near Paris, the town decided to introduce a renewable energy source for its district heating network by also contracting Dalkia to install a biomass boiler. Wood energy now accounts for 60% of this network's total energy consumption. Harnessing the possibilities provided by geothermal energy is another way of generating green energy in the city. This type of facility delivers a high thermal performance. Such an installation is used for the district heating and cooling network for the new eco-neighborhood in Issy-les-Moulineaux where, for the first time in France, Dalkia has installed a moderate-temperature water loop. It is combined with 60 heat pumps.

REDUCE ENVIRONMENTAL FOOTPRINTS

The energy transition is also under way in Jiamusi, China, where Dalkia has doubled the district heating network in seven years and improved its energy efficiency, in particular by shutting down 64 coal-fired boilers, thereby avoiding the emission of 2.25 million metric tons of CO₂. Lastly, the city of Borås, Sweden, provides a different facet of district heating networks. This city with a population of 100,000 uses a hot water tank to avoid having to use fossil fuels during peak consumption periods and also avoid the emission of 5,500 metric tons of CO₂ per year. This example is a further demonstration of the ability of district heating networks to reduce a city's environmental footprint.

KEY FIGURES

45,000 dwellings connected

317 km of distribution networks

25% drop in the price of heating and hot water

Installed capacity:

1,500 MW thermal
and **150 MW** electricity

THE MAIN
TWO HEATING
PLANTS OPERATE
IN COGENERATION
MODE DURING
THE HEATING
SEASON

DISTRICT NETWORKS AND SUSTAINABILITY



In Poznań (Poland), a 100% biomass-fired boiler now supplies the city's district heating network.



IN THEIR OWN WORDS

"District heating is crucial for Iași's future, despite the difficulties it has had to face in recent times. Outsourcing its management to a specialist operator with extensive experience provides us with the guarantee that the city's residents will have access to a continuous, high-quality service for the coming two decades."

GHEORGHE NICHITA,
Mayor of Iași

2012





K+S POTASH

PRODUCE, DEVELOP,
PRESERVE

OPTIMIZING POTASH
PRODUCTION
FROM SOLUTION-
MINED DEPOSITS

One of the purposes of Veolia Water HPD® Evaporation-Crystallization processes is to recover as much salts and potash as possible from solution-mined deposits. These processes are increasingly attracting producers of chemical fertilizers who are intensive users of potash as raw material.

The example of K+S Potash Canada, a subsidiary of a global leader in fertilizer production, illustrates this trend.

EXPLANATION

The production of most chemical fertilizers requires the use of potash as raw material. Potash is traditionally extracted from mine galleries or shafts, or “solution-mined” in the specific case of K+S Potash Canada in Saskatchewan. Water is injected deep into the deposit to dissolve it, and the resulting mining solution, or brine, is then pumped back up to the surface. The HPD® Evaporation-Crystallization process is designed to separate the liquid and solid components in the mining solution. The evaporated liquid is condensed for treatment prior to discharge back into the natural environment, while the salt crystals are recovered for subsequent refining into potash.

→ LEVERAGING VALUE FROM DEPOSITS

The ambition of fertilizer producers to increase their output may seem hardly compatible with the triple necessity of controlling costs, reducing energy consumption and mitigating environmental impacts. In response to these challenges, they are increasingly opting for solution mining, a process consuming less energy and water. They are also eagerly seeking solutions capable of recovering a maximum amount of ore from solution-mined deposits. No wonder therefore that Veolia Water’s HPD® Evaporation-Crystallization processes (see “Explanation” box) have been greeted so favorably by the industry, particularly since Veolia Water also enjoys specific expertise in large project engineering.

AT THE CORE OF THE PROCESS

A few months after the Spanish company Iberpotash chose a Veolia Water HPD® Evaporation-Crystallization process, K+S Potash Canada GP selected Veolia Water to develop the engineering process for its new potash mine in Saskatchewan, Legacy Project. The HPD® Evaporation-Crystallization process to be installed at the core of the new solution-mining facilities will enable the Canadian subsidiary of the German K+S Group to produce 2.86 million metric tons of potash per year when running at full capacity (as of 2023). The Legacy Project mine is expected to be operational in late 2015 and will be one of the biggest plants of its kind in North America.

MORE THAN
800 HPD®
EVAPORATION-
CRYSTALLIZATION
UNITS INSTALLED
BY VEOLIA WATER
IN OVER
30 COUNTRIES

NEARLY
3 MILLION
METRIC TONS
OF POTASH MINED
EVERY YEAR



+ INFO Animated computer graphics: “fertilizers producers choose Veolia Water.”

IN THEIR OWN WORDS

“I’m proud to say that this contract signed with K+S Potash Canada is the biggest industrial contract ever signed by Veolia Water Solutions & Technologies worldwide. Very few companies have the experience and solid enough structure to complete such large projects successfully.”

KLAUS ANDERSEN,
Chief Operating Officer
of Veolia Water Solutions
& Technologies Industrial

“This new success confirms the full potential of Veolia’s HPD® Evaporation-Crystallization technologies. Our client wanted a water- and energy-efficient solution in order to mine the material with the best cost-efficiency: our project proved to be the most efficient all around.”


JIM BROWN,
Chief Executive Officer of Veolia
Water Solutions & Technologies
North America Industrial



2012

ARTOIS MÉTHANI

GREEN ELECTRICITY AND
COMPOST AT THE SAME SITE

A full-page photograph of an industrial facility, likely a biogas plant. In the foreground, a worker wearing a bright red safety suit and a white hard hat is walking from left to right. Behind the worker is a large, grey, corrugated metal cylindrical tank. A horizontal metal pipe runs across the middle of the frame, supported by a railing. To the left, there are more pipes and a green valve. The background shows more of the industrial structure under a clear sky.

TURNING BIOWASTE
FROM MUNICIPALITIES
AND THE FOOD &
BEVERAGE INDUSTRY
INTO COMPOST
AND ENERGY

SATIION

The construction of Artois Méthanisation, started in 2011 at the Artois Compost site near Arras in northern France, was completed in 2012. SEDE Environnement, a Veolia Environnement subsidiary, is developing anaerobic digestion of organic waste at this plant.

→ **NEW PARADIGM**

Transforming a negative force into a positive force is the position adopted by judo experts. In the same way, the change occurring in the waste management industries involves a paradigm shift. The aim is to switch from waste disposal to recovery, to turn waste into a resource. Artois Méthanisation is a response to this new attitude. Opened in April 2012, the new treatment hub is achieving a dual performance: it is a “multi-process” center that recovers energy and produces a biofertilizer.

AGRICULTURE, INDUSTRY, MUNICIPALITIES AND MASS RETAIL

Artois Méthanisation can be described as a “multi-process” center because this 9,000-square meter site treats all types of organic waste from farming (agricultural biomass, etc.), industry (biological sludge, meat waste, etc.), municipalities (lawn clippings, canteen waste, etc.), and mass retail. The center provides Veolia Environmental Services’ food industry, agricultural and municipal clients that generate biowaste with a solution to their obligation to sort at source and recover organic waste, which was introduced by the French Grenelle Law on January 1, 2012.

ELECTRICITY AND COMPOST

This recovery takes two forms, as the anaerobic digestion process operated at the treatment hub in Graincourt-lès-Havrincourt, near Arras, France, generates green electricity and high-quality fertilizer. The electricity is generated from the methane given off by the anaerobic digestion of the waste (natural breakdown of the organic matter in the absence of oxygen); then the residual organic matter that is not broken down by the process is used to produce quality compost for agricultural use. From disposal to recovery, Artois Méthanisation is a perfect illustration of turning a negative into a positive force.

KEY FIGURES

- 25,000** metric tons/year treatment capacity
- Electricity generated equivalent to the consumption of **6,500** households
- 7,000** metric tons/year of compost
- €8 M** investment



RECOVER WASTE WITH HIGH ENERGY POTENTIAL



IN THEIR OWN WORDS

“This fine biowaste recovery plant typifies Veolia Environnement’s ability to develop synergy between infrastructure and activities at a single site to provide a solution to the demand for high-value-added environmental services. Veolia STI (a Veolia Water subsidiary) delivered the process equipment, while GRS Valtech (a Veolia Environmental Services subsidiary) provided its expertise in biogas preparation and use.”

JÉRÔME LE CONTE,
Senior Executive Vice-President
in charge of the Environmental
Services division



2012

HIRO





RENEWED TRUST
FOR MANAGEMENT
OF ONE OF
JAPAN'S LARGEST
WASTEWATER
TREATMENT PLANTS

SHIMA

PERFORMANCE-BASED
WASTEWATER MANAGEMENT



2012

In 2006, Veolia Water won the Hiroshima contract following one of the first international calls for tenders issued by Japan in the wastewater sector. This helped position the company as a major player in the emerging public-private cooperation model in Japan. It has clearly succeeded in this role as Veolia Water, the only non-Japanese company involved in the country's wastewater industry, saw its contract renewed in 2009 and then again in 2012.

→ **A NEW FORM OF PARTNERSHIP**

Affected by budgetary restrictions, like many other local government authorities around the world, Japanese cities must nonetheless respond to the challenges posed by water and wastewater management. Aging infrastructure means new funding has to be found in a context of growing public debt. Cities, such as Hiroshima, therefore decided to explore new forms of partnership by opening up to the private sector. Taking advantage of the Waterworks Amendment Act that allows the country's local authorities to delegate management of their water services, the municipality was swayed by Veolia Water's expertise in 2006. This historic cooperation meant that the operator became the first foreign partner to work under a joint venture in the Japanese water industry.

CONTRIBUTING OPERATIONAL EXPERTISE

It was a historic contract – and a sizeable one at that, since it covers the operation and maintenance of one of the country's largest wastewater treatment plants, serving a population of 649,000. In this city where industry (Mazda) and oyster farming (a large water consumer) occupy a significant place in the local economic fabric, Veolia Water's task is to provide solutions tailored to specific needs. In particular, it has to work with the authorities to help reduce energy consumption and operating costs, and improve plant productivity. With these goals in mind, the measures and innovations introduced by Veolia Water clearly seem to have matched expectations as the contract was renewed for three years in 2009 and again for four years in 2012.

KEY FIGURES

649,000 people served

35 pumping stations

280,000 m³/day capacity of the Hiroshima wastewater treatment plant

VEOLIA IS THE ONLY NON-JAPANESE COMPANY OPERATING IN THE COUNTRY'S WATER AND WASTEWATER INDUSTRY



OPTIMIZE SERVICES TO SUPPORT THE LOCAL AUTHORITY

PERFORMANCE MANAGEMENT

This success can largely be explained by the contractual approach adopted. Veolia Water is able to provide methods and expertise to the local authorities enabling them to improve the level of their services without necessarily requiring additional investment or the privatization of the local public operator. In a period of tight finance, the local authorities pay Veolia Water on the basis of its performance – i.e., the savings made. It's an interesting proposition that has been clearly understood by many other Japanese cities. Following on from Hiroshima, Kyoto, for example, adopted the same contract model for its wastewater service (population of 51,000), which it too renewed for a further three years in 2012. In Matsuyama (population of 515,000), Veolia Water was recently contracted for the maintenance and operation of the city's water production plant. It was the first public-private partnership ever signed in Japan in this area and a fitting way for Veolia Water to celebrate its tenth anniversary in the country.



IN THEIR OWN WORDS

“The Veolia difference lies especially in maximizing operational conditions for water and wastewater plants, as well as in the energy balance and treatment quality. These criteria are important in Japan where local regulations, especially environmental, are very stringent.”

RÉGIS CALMELS,
Manager of Veolia Water Asia

“Veolia Water’s top priorities are safety, quality and cost reduction. Concerning safety, we make every effort to create a workplace environment that is conducive to zero accidents.”

HIDETOSHI UETSUNA,
Chief Executive Officer of Veolia Water Japan

2012



INNOVATING
FOR SUSTAINABLE
MANAGEMENT OF
WASTEWATER FROM
10 MUNICIPALITIES
AROUND THE
ARCACHON BASIN





ARCACHON

A STRENGTHENED COMMITMENT
TO THE LOCAL AUTHORITY

2012

SIBA, the Arcachon basin inter-municipal authority, has renewed its wastewater service management contract with Veolia Water for eight years. In a tight economic and competitive context, the operator put the emphasis on service performance, transparency and environmental protection to convince the local decision-makers.

KEY FIGURES

84,000 users

€9 M in revenue per year

400 pumping stations

→ **UNIQUE AREA TO PROTECT**

SIBA, the Arcachon basin inter-municipal authority, is responsible for 10 municipalities that are notable for their exceptional natural heritage, high level of tourist activity, and their paper and forestry industries. To protect the fragile ecological balance of their area, the local authorities decided in 1987 to contract the public wastewater service to Sabarc, a Veolia Water subsidiary. Now, 25 years later, SIBA has renewed its trust in Veolia Water for the continued operation of all its infrastructure.

PERFORMANCE AND TRANSPARENCY

Covering wastewater collection, transfer and treatment, together with a sea outfall, the renewed public service management contract is based on demanding specifications for technical, economic, social and environmental guarantees.

In response to these new expectations, Veolia Water completely reviewed its technical and financial proposal, committing to even higher performance levels for the service and including an innovative extranet for real-time data exchange with the authority. As a major factor in protecting the natural environment, management of the authority's collection infrastructure was also the subject of an innovative proposal for its improvement, monitoring and analysis. Lastly, to embed these changes and underscore its new commitment to the local authority and the service users, Veolia Water created a specific company for this contract called SAGEBA, whose ELOA brand was unveiled in January 2013 by SIBA's Chairman.

PROTECT THROUGH INNOVATION

As the sustainable protection of the environment and the well-being of the service's users are priorities for SIBA, Veolia Water included an "information and awareness" section in its proposal. An information center on wastewater, called the "Eau'ditorium," will be created at the Biganos wastewater treatment plant to improve awareness among the general public, especially the younger generations.

Going the extra mile, Veolia Water in partnership with the local authority will also create a Research and Development unit. The areas it will focus on include an environmental analysis project and an infiltration pilot study to identify an alternative solution to the sea outfall.

THE CONTRACT INCLUDES A PREVENTIVE MANAGEMENT PROGRAM WITH ONE OF FRANCE'S LARGEST SYSTEMS PLACED UNDER CONSTANT SUPERVISION



COMMIT TO PROTECTING AN EXCEPTIONAL ENVIRONMENT



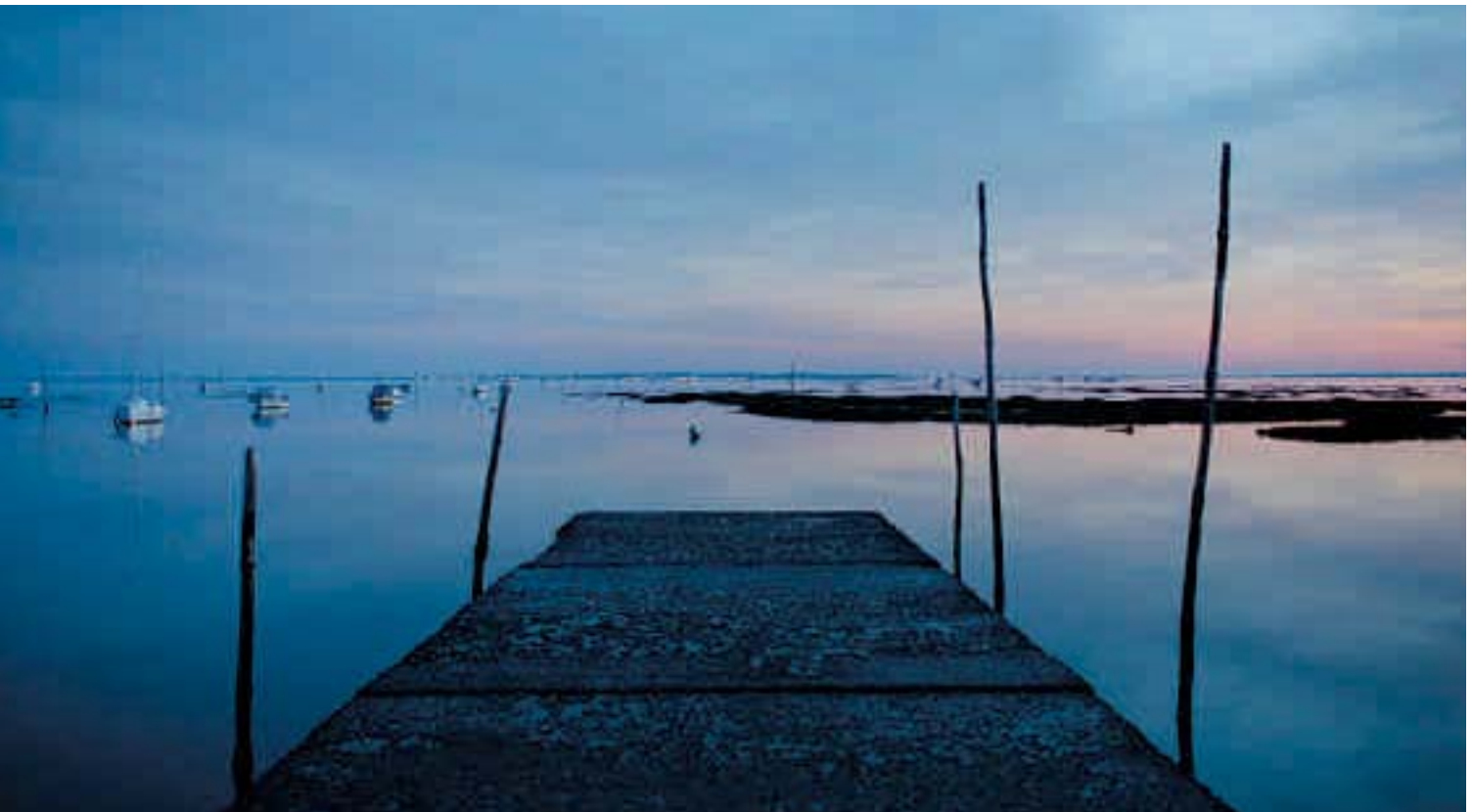
IN THEIR OWN WORDS

“Through SAGEBA, Veolia Water has committed to applying its expertise and the most innovative techniques to ensure lasting protection of the natural environment and manage the local authority’s infrastructure. It has also undertaken to use the latest communication technology to improve transparency with the inter-municipal authority, elected representatives and users.”

CHRISTOPHE BOISSIER,
Chairman of SAGEBA

“We opted to contract out the public wastewater service because the Arcachon basin is a demanding area in terms of the high qualitative issues involved. The new contract will provide optimal and even higher response services, a more efficient system, better targeted investment and expanded applied research.”

MICHEL SAMMARCELLI,
Chairman of SIBA



2012



ON THE RIG

OBJECTIVES STEPPED UP AND TRANSFORMATION WELL UNDER WAY

HT COURSE

ANTOINE FRÉROT,
CHAIRMAN AND CHIEF EXECUTIVE
OFFICER OF VEOLIA ENVIRONNEMENT

In late 2011, you kicked off Veolia's transformation plan. What has been accomplished in a year and a half?

First of all, we must remember that the main objective of this transformation was to free up our company's potential, to enable it to increase its focus on growing sectors and geographic markets, and to follow the simple yet ambitious course it has charted to become "*The Industry Standard for Environmental Solutions*." This means three things. First, becoming **The Industry Standard for Environmental Solutions**: the company that leads the way in its industry and serves as a benchmark for its competitors. Second, becoming **The Industry Standard for Environmental Solutions**: a company that is efficient, that has systematized its processes and is thus able to achieve excellence in its operations, sales and support functions. And last but by no means least,

becoming **The Industry Standard for Environmental Solutions**, which reflects our company's entire purpose and the key challenges that currently face the environmental industries: to develop integrated offers that provide cross-cutting solutions to water, waste and energy requirements, treat the most difficult and complex types of pollution, and find effective solutions for conserving our scarcest and most precious resources.

Knowing that this is our ultimate objective we can determine how far we've come in 2012. What are our main achievements? For one thing, we have cut our debt quite sharply, exceeding our target one year ahead of schedule and reducing our net debt to €11.3 billion at the end of 2012. We have also almost completed our geographic refocusing, reducing the number of countries where we do business to 48. We also cut our overhead and administrative expenses faster

than planned. And above all, we won many new contracts.

This attests to the quality of our services and the relevance of our offers, and in short to the vitality and appeal of our company and the talent of our employees. Winning a contract is not just a victory for our salespeople but for the entire company!

The work we accomplished last year has put Veolia on a new path with very strong market dynamics. The many initiatives we have undertaken will enable us to continue to move forward, unhindered, toward the ultimate objective that will consolidate our leadership: becoming "The Industry Standard for Environmental Solutions."

What new contracts in 2012 are you most proud of?

I'll mention three that are particularly significant. First, a very large contract with the city of New Delhi, India, to provide a continuous supply of drinking water to 1 million people who previously had only two to three hours access to this vital service. This contract follows that with the city of Nagpur in 2011 and puts us far ahead of our competitors in the Indian market, which is just opening up. The second contract is a concession agreement with the city of Leeds, England, to incinerate and produce energy from household waste. This is the twelfth contract of this type that Veolia Environmental Services in the UK has won! Lastly, in the energy sector, Romania's second largest city, Iași, selected us to manage its district heating network. This consolidates the solid position that Dalkia established in central Europe when it won the contract to manage Warsaw's district heating network, the European Union's largest.

These new contracts also speed us along the course we have set. Just as they have their roots in our past achievements, they will bear fruit for the future. Over time, these victories strengthen our reputation and the trust our clients place in us.

What are the next steps of your transformation plan?

We might be running ahead of our transformation program, but we have no intention of slowing down or lowering our ambitions. Much to the contrary, I've decided to accelerate and intensify this process, which will target four main objectives over the coming years. The first one is to expand our operations into the most dynamic sectors and markets. By 2015, we want to obtain at least half of our revenue in growth markets and at least half with industrial clients. The second objective is to take advantage of the tremendous opportunities we have to increase productivity within our organization. This is why we have raised our annual net savings target to €470 million by 2015. Our third goal will be to continue to reduce debt and our new target is to decrease our net debt to between €8 and €9 billion by the end of 2013. Lastly, we must continue to renew our business models, both in our core business activities and in the new markets that will drive our future growth.

Why reorganize Veolia Environnement?

Veolia's technical expertise, unparalleled contract portfolio, pioneering market positions and leadership, and the quality and enthusiasm of its people give it tremendous potential. However, our organization is not as efficient as it could be. This is why we have undertaken the major task of overhauling our structures and procedures. Although this reorganization will of course not be easy, we cannot improve our performance without it. Through these changes we intend to make Veolia a truly integrated company that will be more efficient and able to take full advantage of its size. The new organization we are currently setting up and the systematization of our processes will increase our competitiveness and help us achieve excellence. It will enable Veolia to regain its agility, responsiveness and flexibility.

€29.4 BN

REVENUE IN 2012,
UP 3% AT CURRENT EXCHANGE
RATES

OPERATIONS FOCUSED ON
48 COUNTRIES

NET INCOME OF
€394 M,
VS. A €490 M LOSS IN 2011

NET FINANCIAL DEBT
BROUGHT DOWN TO
€11.3 BN,
A €3.4 BN REDUCTION
OVER 2011

COST-CUTTING PLAN
MADE A NET POSITIVE
CONTRIBUTION
OF **€60 M,**
VS. AN INITIAL FORECAST
OF A NET COST OF €20 M

“The many initiatives we have undertaken will enable us to continue to move forward, unhindered, toward the ultimate objective that will consolidate our leadership: becoming ‘The Industry Standard for Environmental Solutions.’ ”

ANTOINE FRÉROT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF VEOLIA ENVIRONNEMENT



You say you want to increase Veolia’s presence in growth markets. What markets are you referring to and what makes them different?

Although shedding debt, reducing our cost structure and improving our organization are certainly important, these goals are simply means to an end, which is to expand further into growth markets. I want to accelerate our repositioning in these markets, which hold the key to our future. This repositioning is a

vast project that encompasses new business activities, new clients, new geographic markets and new business models.

The new markets and segments we will focus on are those in which there is a strong, commercial demand for the distinctive expertise and added value that Veolia Environnement can provide. The dismantling of obsolete nuclear facilities is one example. To gain a foothold in this new market we have partnered with the CEA, France’s Alternative

Energies and Atomic Energy Commission. Our subsidiary in this niche market aims to integrate and oversee the full range of industrial expertise and services necessary to decommission these sites. Over the next twenty years, some 300 reactors across the world will have to be shut down. The French government’s chief auditing body, the Cour des comptes, estimates that the market for dismantling nuclear plants will be worth some €32 billion.

Shale gas extraction is another promising new market. Veolia is one of the very few groups in the world that offers the broad range of technologies required to extract and process shale gas cleanly, with no water pollution and full recycling of all water used. This cutting-edge expertise was born from the combination of our experience and know-how in both water and hazardous waste treatment. This is one example of the competitive advantage we gain by developing synergies between our operations, since the more we combine our expertise the more value we add for our clients. We are currently interested in the Polish and US shale gas markets and recently won a very large contract in Australia for a BG Group subsidiary.

Veolia is determined to achieve a better balance between municipal and industrial clients. What industries will you target and what will you offer them?

We have organized ourselves to systematically and methodically target the industrial groups that are driving global growth and support them in their expansion. These companies have to comply with extremely strict environmental standards, increase their competitiveness and minimize their risks. We have solutions that will enable them to meet this triple challenge. We see opportunities in several sectors: oil, gas and mining; chemicals and pharmaceuticals; agribusiness and food processing; and the luxury and cosmetics industries, where brand image is extremely important.

In early 2013, our waste management division signed an agreement with the Canadian

→

company Orbite Aluminae to build a plant capable of treating and recycling red mud, a highly toxic residue of bauxite that is extremely difficult to deal with. This partnership marks a major step forward in terms of both technology and business development, as we now have the technological capability to recover the alumina and rare earth elements that red mud contains, and the steadily growing global demand for alumina has increased the stock of untreated red mud to some 3 billion metric tons. Another example is Vallourec, which has implemented the Water Impact Index tool developed by our water division at seven of its largest plants across the world. This new tool will enable Vallourec, which makes tubes for the oil and gas industry, to manage water resources more effectively and reduce water consumption. We also signed a large contract with L'Oréal to reduce the water and carbon footprints of its plants in Asia.

What geographic markets will you be targeting?

We will be focusing our efforts on the most dynamic economies to benefit from their rapid growth. This means central and eastern Europe, where we have already established a strong presence, Asia, the Middle East and Latin America. The countries we have targeted are already driving solid and profitable growth. In just three years, the cash flow from our operations in central Europe and northern Asia has grown almost 30%. Although our company must gradually adapt to this geographic shift in its operations, it will enable us to benefit from the growth of these countries year after year.

What do you expect to gain from developing new business models?

By renewing our business models we intend not only to establish positions in tomorrow's markets but also to recover market share in our historical core markets. For example, such cities as New York and Pittsburgh in the United States or Winnipeg in Canada have

adopted our co-management solution where we help our client manage water services. Under these contracts, municipalities retain control and our role is to help them meet the technical and financial targets they have set. The services we provide enable them to operate the public service.

This innovative approach, which rewards efficiency, expands our contractual services offer and opens the door to new market opportunities. Other examples are our energy performance contracts, which in France, Slovakia and China have transformed our role from supplying energy to saving it,

“This repositioning is a vast project that encompasses new business activities, new clients, new geographic markets and new business models.”

ANTOINE FRÉROT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF VEOLIA ENVIRONNEMENT



and our comprehensive solutions for recovering and treating different types of waste. This is the case of our new anaerobic digestion plant near Arras. Its biological process can make both electricity and compost from organic waste. We are therefore able to make something useful out of what was previously considered worthless and help conserve scarce resources while dealing with waste. Creating new business models will support our twofold objective of strengthening Veolia's positions in fast-growing industries and markets and preserving profit margins in mature markets.

Veolia Environnement will be celebrating its 160th anniversary this year. How does this make you feel?

Extremely grateful, first of all, toward the generations of employees whose work and perseverance have made us what we are today. It also makes me very confident in our future since, as you can no doubt imagine, in over a century and a half our company has had to reinvent itself several times to meet the ever-changing needs of its clients. It has been able to survive and grow since 1853 precisely because it has successfully adapted to its environment every time this has been necessary. The skill and commitment of our employees have always enabled us to get through these critical transitions. And this will be the case once again during these years of transformation! Lastly, this anniversary gives us further impetus to reinvent Veolia – as we have been doing over the past year – and pursue our never-ending search for excellence.

IN 2012, VEOLIA ENVIRONNEMENT FOCUSED ON TWO KEY PROJECTS: REFINANCING DALKIA INTERNATIONAL AND WITHDRAWING FROM VEOLIA TRANSDEV.

AGREEMENT TO FUND DALKIA INTERNATIONAL

On February 15, 2013, Veolia Environnement and EDF signed an agreement that provides for the issuance of €600 million in super-subordinated bonds by Dalkia International, to which its shareholders will subscribe in proportion to their direct interests in the company's share capital, i.e. €144 million for EDF and €456 million for Dalkia, financed by a long-term loan from Veolia Environnement. This agreement will enable Dalkia International to meet its financial needs and obtain funds from external sources at more attractive interest rates.

WITHDRAWAL FROM VEOLIA TRANSDEV

Veolia is continuing to reduce its presence in the transportation sector. Disposals and bank refinancing are in progress and the deal with Caisse des Dépôts et Consignations will see CDC increase its stake in Veolia Transdev from 50% to 60%. Under this agreement, Veolia Environnement will gain a direct 66% stake in SNCM. The next step, which will be to reduce Veolia's interest in the transportation company from 40% to 20%, is not on the agenda for 2013.

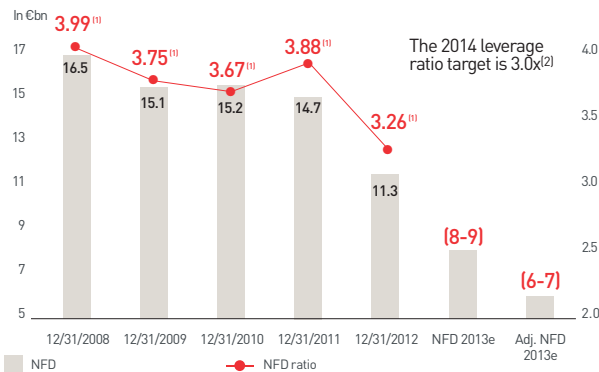
THE TRANSFORMATION GATHERS STEAM

1 TARGETS EXCEEDED

The results achieved in 2012 have enabled Veolia to meet and exceed its targets ahead of schedule and allow it to face 2013 with confidence.

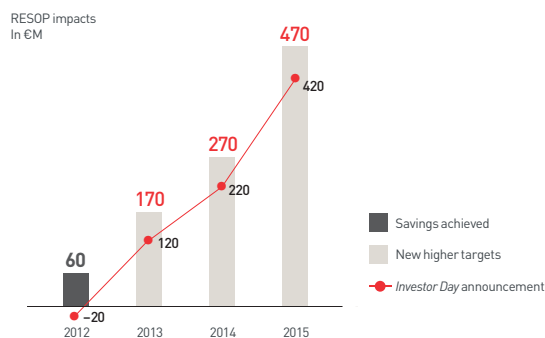
DEBT TO BE REDUCED TO A LEVEL OF €SIX TO €SEVEN BILLION BY THE END OF 2013

With €1.8 bn in dividends paid over the period



(1) Net financial debt / (Operating cash flow before change in WC + Principal payments on operating financial assets).
 (2) Adjusted net financial debt / (Operating cash flow before change in WC + Principal payments on operating financial assets) +/-5%.

NET SAVINGS TARGET FROM COST CUTTING RAISED TO €470 MILLION⁽¹⁾ BY 2015

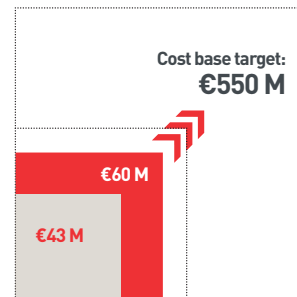


(1) Net of implementation costs, of which joint ventures account for about 20%.

2 PRODUCTIVITY OPPORTUNITIES FOUND AND SEIZED

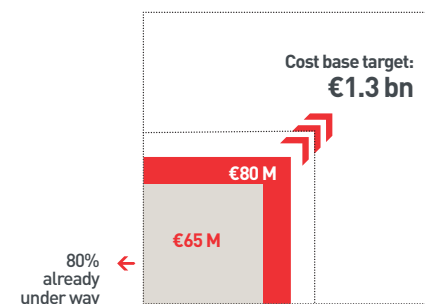
Recent audits have revealed several areas where productivity can be improved, such as IT spending and the provision of support services.

IT SERVICES



Initially identified savings 2015 target - Dec. 2011 - Investor Day

POOLING AND SHARING OF SUPPORT SERVICES



Initially identified savings 2015 target - Dec. 2011 - Investor Day

THREE QUESTIONS FOR



FRANÇOIS BERTREAU,
CHIEF OPERATING OFFICER OF
VEOLIA ENVIRONNEMENT

“Veolia is a wonderful company, with both a rich history and a talent for innovation, and which must use its size to better advantage in the global competitive arena.”

3 IMPROVING PERFORMANCE

The company is accelerating the transformation of its reorganization and operations.

SALES AND MARKETING

- Creation of a new Corporate Sales and Marketing Department.
- Appointment of Key Account Managers who will target large industrial clients.
- More sales and marketing empowerment for country managers.
- Refocusing of R&D efforts on activities directly linked to operations.

OPERATIONS

- Creation of an Operations Department for each business activity.
- Standardization of operating processes based on defining comparable processes and specific best practice benchmarks both within and between divisions.

SUPPORT SERVICES

- Geographic pooling of support services such as accounting, pay, IT, purchasing, real estate and training.
- Pooling of these services in a new entity, Veolia Global Support Services, which will provide operating departments with a uniform offering of high-quality services that take their specific requirements into account, and at less cost.

The transformation plan has produced impressive results after only one year. How do you feel about 2013?

François Bertreau (F. B.) – Very optimistic!

Our performance in 2012 has shown not only that the objectives we set in late 2011 are achievable but that we can even raise our longer-term targets significantly. Yet although we have completed the first decisive steps successfully much remains to be done. We are going to accelerate our reorganization to leverage our many strengths, which include the underlying growth of our markets, our size, our global presence and our technological expertise. In 2013, we will intensify our efforts and of course continue to implement the productivity opportunities we have identified.

What are the levers that will contribute to improving Veolia Environnement’s performance over the next few years?

F. B. – Our performance can be broken down into three types: commercial, operational and functional, in other words sales and marketing, operations and support services. It is the overall performance in each of these three areas that will enable us to achieve our objectives. We have already launched many of our progress actions, with the creation of a Corporate Sales and Marketing Department to help operating teams determine what we must sell and how we should sell it. We are also going to

give country managers more marketing and sales authority and continue to refocus our R&D efforts on products and services that are directly linked to our operations and that will set us apart from the competition. As for our operational performance, in addition to setting up an Operations Department for each business activity, we will standardize our operating processes. The geographic pooling of such corporate functions as accounting, payroll, IT, purchasing, real estate and training will enable us to provide support services to operating departments more efficiently, with a uniform offering of high-quality services at lower cost.

As someone who just joined Veolia in December 2012, what strengths must the company build on?

F. B. – Veolia is a wonderful company, with both a rich history and a talent for innovation, and which must use its size to better advantage in the global competitive arena. It is present in fast-growing markets that are of critical importance for both local economies and the environment. It has top-notch technological expertise and it is a truly global group with some 220,000 employees. One of the key objectives of our transformation will be to optimize our organization and procedures to leverage these strengths and consolidate our position as the global leader in environmental solutions.

Throughout 2012, the Executive Committee implemented the transformation plan and other strategic actions set forth in the second half of 2011. The 2013 long-term plan to execute this strategy was approved by the Board of Directors at a strategy seminar.

The Board of Directors

During fiscal year 2012, the board of Directors met 11 times in 2012, with meetings lasting an average of three hours. The average attendance rate was 82%. The main items of business were the corporate strategy, the 2013 budget and long-term plan, the reviewing of financial statements for 2011 and the first half of 2012, the reporting of results for the first and third quarters of 2012 and the associated financial communication.

The board approved the disposal of water interests in the United Kingdom and of solid waste operations in the United States and several other significant transactions, and also reviewed the financing policy. Regarding corporate governance, at its December 12, 2012 meeting, the board modified the composition of its Accounts and Audit Committee and its Research, Innovation and Sustainable Development Committee.

The board also held a strategy seminar to examine in detail the main strategic options proposed by management. The board then discussed and approved the 2013 long-term plan to implement this strategy.

On December 12, 2012, the board decided to temporarily appoint Marion Guillou to replace Henri Proglie, who resigned as director on October 10, 2012. If this appointment is approved by shareholders at the annual shareholders' meeting on May 14, 2013, Marion Guillou's term of office will end on the same date as her predecessor's term, i.e. on May 14, after the shareholders' meeting. The terms of office of four directors will therefore expire upon completion of the 2013 annual shareholders' meeting: Caisse des Dépôts et Consignations (represented by Olivier Mareuse), Marion Guillou, Philippe Kourilsky and Paolo Scaroni.

On March 14, 2013, at the recommendation of the Nominations and Compensation Committee, the Board decided to propose the following resolutions to shareholders at the annual meeting: ratification of the temporary appointment of Marion Guillou

and renewal of her term of office for a period of four years; reappointment of Caisse des Dépôts et Consignations, represented by Olivier Mareuse, and of Paolo Scaroni for four years; and not renewing the appointment of Philippe Kourilsky. If these resolutions are approved, the Board will be composed of 16 directors and one non-voting member (censeur). In proposing these new appointments the Board has sought to increase the number of non-French and women directors and to establish a better balance between the company's various stakeholders. On March 31, 2013, there were three women on the Board, representing 17.64% of its members. The ratification of the appointment of Marion Guillou would increase this percentage to 18.75%. The board has two directors who are not French (11.8% of its members): Paolo Scaroni and Dr. Mohd Alhamadi, who are respectively Italian and Qatari.

The Board of Directors is assisted by an Audit and Accounts Committee, a Nominations and Compensation Committee, and a Research, Innovation and Sustainable Development Committee.

– **The Audit and Accounts Committee** met eight times in 2012. Its work consisted mainly in reviewing the annual and interim accounts, major accounting policy decisions, impairment testing of assets and at-risk contracts. The Committee examined reports and internal audits conducted in 2011 and in the first half of 2012 and approved the internal audit program for 2013. Working with senior company executives, the Committee also examined the key processes within its remit, such as the financial policy, the investment process, divestments, taxation, the reporting of major legal disputes and the risk management system. The Committee was specifically informed of the project to transfer Veolia Transdev's interest in SNCM to Veolia Environnement, of the disposal of water



BOARD COMMITTEES

(AS OF MARCH 31, 2013)

AUDIT AND ACCOUNTS COMMITTEE

Daniel Bouton (Chairman)
Jacques Aschenbroich
Paul-Louis Girardot
Marcel Dassault Company,
represented by Olivier Costa de Beauregard
Nathalie Rachou

NOMINATIONS AND COMPENSATION COMMITTEE

Serge Michel (Chairman)
Daniel Bouton
Louis Schweitzer
Marcel Dassault Company,
represented by Olivier Costa de Beauregard

RESEARCH, INNOVATION AND SUSTAINABLE DEVELOPMENT COMMITTEE

Jacques Aschenbroich (Chairman)
Paul-Louis Girardot
Pierre-André de Chalendar
Marion Guillou
Thierry Dassault

THE ETHICS COMMITTEE

The role of the Ethics Committee is to make recommendations on all aspects of Veolia Environnement's core values. It also checks that the ethics program is accessible to all. Any employee may refer any matter that concerns professional ethics to the Ethics Committee, which may also deal with such matters on its own initiative.

The Committee may also conduct "ethics inspections" at any Veolia Environnement site.

In 2012, the Ethics Committee pursued its major project of verifying compliance with ethical standards throughout the company.

Since 2009, this effort has included visits to operations in Germany, Egypt, the United Arab Emirates, Norway, Japan, South America and Bulgaria.

THE BOARD OF DIRECTORS OF VEOLIA ENVIRONNEMENT

(AS OF MARCH 31, 2013)

Antoine Frérot
Chairman and Chief Executive Officer

Louis Schweitzer*
Chairman of Initiative France

Jacques Aschenbroich*
Chief Executive Officer and board member of Valeo

Maryse Aulagnon*
Chairman and Chief Executive Officer of Affine SA

Daniel Bouton*
Chairman of DMJB Conseil and Senior Advisor of Rothschild & Cie Banque and CVC Capital Partners

Caisse des Dépôts et Consignations
Represented by Olivier Mareuse, Director Financial of Caisse des Dépôts et Consignations Group

Pierre-André de Chalendar*
Chairman and Chief Executive Officer of Compagnie de Saint-Gobain

Paul-Louis Girardot*
Chairman of the Supervisory Board of Veolia Water – Compagnie Générale des Eaux

Groupama SA*
Represented by Georges Ralli, a member of the Boards of Directors of Chargeurs*, Silic* and Carrefour

Marcel Dassault Company*
Represented by Olivier Costa de Beauregard, Chief Executive Officer of Groupe Industriel Marcel Dassault (GIMD)

Marion Guillou*
Chairman of Agreenium

Philippe Kourilsky
Professor at the Collège de France and Member of the Académie des Sciences

Serge Michel
Chairman of Soficot SAS

Baudouin Prot*
Chairman of the Board of Directors of BNP Paribas

Qatari Diar Real Estate Investment Company*
Represented by Dr. Mohd Alhamadi, Chief Corporate Improvement Officer of Qatari Diar Real Estate Investment Company

Nathalie Rachou*
Founding partner of Topiary Finance Ltd

Paolo Scaroni*
Chief Executive Officer of ENI (Italy)

Thierry Dassault
Non-voting board member (censeur), Chairman and Director of Keynectis SA, Deputy Chief Executive Officer and Member of the Supervisory Board of Groupe Industriel Marcel Dassault SAS

* Independent director.

interests in the United Kingdom and of solid waste interests in the United States, and of changes to IFRS standards.

— **The Nominations and Compensations Committee** met three times in 2012, mainly to focus on the evolution of the Board's composition, to review new appointments and reappointments to the Board, and to prepare proposals and recommendations on the remuneration of the Chief Executive Officer and other members of the Executive Committee. The Committee was also consulted for an opinion on the employee stock purchase plan.

— **The Research, Innovation and Sustainable Development Committee** met three times in 2012. This included meetings with the managers of Veolia Environnement Research and Innovation (VERI) and with division CEOs and senior technology and development managers. The Committee gave special attention to a number of concerns, such as the company's digital strategy, innovation and sustainable development resources, the creation of a matrix organization for R&D and a framework for cooperation between VERI, the divisions and or operations staff.

The Executive Committee

The composition of the Executive Committee was significantly modified in 2012, following the departures of Denis Gasquet, Olivier Orsini, Jean-Pierre Frémont and Jérôme Gallot. Two new members joined the Committee in September and December 2012: Helman le Pas de Sécheval, Chief legal and administration Officer, and François Bertreau, the Chief Operating Officer. In 2012, the Executive Committee pursued the transformation program launched in 2011, which has four strategic objectives: to be the standard setter in large-scale environmental markets where there is a commercial demand for the distinctive added value that Veolia Environnement can provide; to achieve a better balance between municipal and industrial clients with the latter to account for at least 50% of revenue (vs. 35% currently); to obtain over half of revenue in fast-growing geographic areas (vs. around a third currently); and to develop new business models.

THE EXECUTIVE COMMITTEE

(AS OF MARCH 31, 2013)



Antoine Frérot
Chairman and Chief Executive Officer of Veolia Environnement



François Bertreau
Senior Executive Vice-President and Chief Operating Officer



Sylvain Boucher
Country Delegate for France



Jean-Michel Herrewyn
Senior Executive Vice-President in charge of the Water division



Franck Lacroix
Senior Executive Vice-President in charge of the Energy Services division



Jean-Marie Lambert
Senior Executive Vice-President in charge of Human Resources



Jérôme Le Conte
Senior Executive Vice-President in charge of the Environmental Services division



Helman le Pas de Sécheval
Senior Executive Vice-President, Chief legal and administration Officer



Pierre-François Riolacci
Senior Executive Vice-President and Chief Finance Officer

This transformation program involves three aspects: restructuring operations to reduce debt, simplifying and tightening the company's organization and cutting costs. Greater financial flexibility and an increased focus on high value-added technology and service solutions will enable Veolia Environnement to seize profitable growth opportunities. The company intends to pursue and accelerate this in-depth transformation process in accordance with its Convergence Plan and has dedicated resources to this purpose. This transformation will mainly involve two elements: the streamlining of organizational structures in all entities – which includes redefining responsibilities at all levels, tightening oversight by functional staff and standardizing processes – and pooling and sharing within a given geographic area various support services, such as purchasing, IT systems, and marketing resources to standardize and improve offers for municipal and industrial clients.

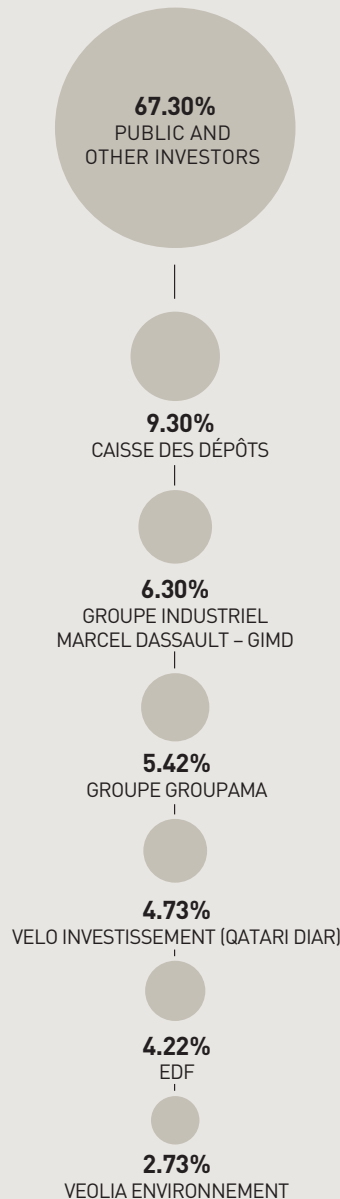
INVESTORS CALENDAR

- **February 28:** 2012 annual results
- **May 3:** 1st quarter 2013 report
- **May 14:** annual shareholders' meeting
- **August 5:** 1st half 2013 report
- **November 7:** 3rd quarter 2013 report

VEOLIA ENVIRONNEMENT STOCK OWNERSHIP

On June 14, 2012, Veolia Environnement issued new shares to pay a stock dividend to its shareholders as provided for under the fifth resolution approved at the Ordinary and Extraordinary Shareholders' Meetings of May 16, 2012.

This increased the company's share capital from 519,652,960 shares with a total par value of €2,598,264,800 to 522,086,849 shares with a total par value of €2,610,434,245 and a par value per share of €5.



VEOLIA WATER

€12,078 million in revenue.

€673.9 million in adjusted operating income.

89,094 employees.

Preserving the water cycle through creative solutions that protect human health and ensure sustainable ecosystems.

Veolia Water manages all water cycles with a focus on customer service and resource protection. Activities range from raw water withdrawal to production and distribution of drinking or industrial process water, and from the collection and treatment of wastewater to its recycling or discharge back into the environment. To provide sustainable solutions to its clients' problems caused by pressure on water resources, Veolia Water designs innovative technological solutions and builds appropriate facilities.

Veolia Water has redefined its business with a new vision in three dimensions: **SVR**. This approach combines high-performance solutions (Service), optimal use of natural resources (Value) and balanced commitment (Responsibility).

ACTIVITIES:

- Managing water and wastewater services for local public authorities and industry.
- Designing technological solutions and building the infrastructure needed to deliver these services.
- Construction, rehabilitation and maintenance of networks and associated infrastructure.

TECHNICAL DATA

100 million people provided with water service.

4,676 drinking water production plants operated around the world.

9.5 billion cubic meters of drinking water distributed.

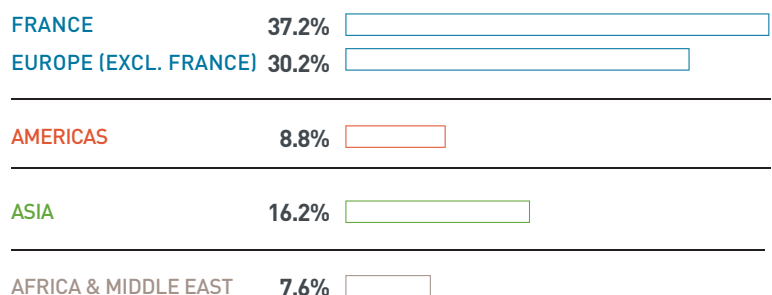
71 million people provided with wastewater service around the world.

3,514 municipal wastewater treatment plants around the world.

6.7 billion cubic meters of wastewater collected.

2012 REVENUE BREAKDOWN

by geographic area



WEB www.veoliawater.com

VEOLIA ENVIRONMENTAL SERVICES

€9,083 million in revenue.

€356 million in adjusted operating income.

64,291 employees.

Creating permanent solutions for waste recycling, recovery and treatment to preserve diminishing resources.

As the only operator across all segments of the waste management business (solid, liquid, non-hazardous and hazardous waste), Veolia Environmental Services contributes to a better environment by providing its municipal and industrial clients with innovative, efficient waste management services that span waste collection, pipe system management, equipment maintenance, industrial services, and waste treatment, recovery, recycling disposal and solutions.

ACTIVITIES:

- Environmental and flow logistics services, including cleaning, site remediation, waste collection, consolidation and transfer, for businesses and local public authorities.
- Sorting and treatment of non-hazardous and hazardous waste; treatment includes incineration, composting, landfilling and physical-chemical treatment.
- Waste recovery as energy, organic matter and recycled raw materials.

TECHNICAL DATA

575,000 business clients
(excl. industrial maintenance).

Over 47 million people
served under local
public authority contracts.

25.7 million metric tons
of waste recovered
as materials and energy.

6.8 million MWh
of electrical and thermal
energy sold.

686 treatment facilities
around the world.

2012 REVENUE BREAKDOWN⁽¹⁾

by geographic area

(1) Continued activities, i.e. excluding the solid waste business in the United States, which was divested in 2012.

FRANCE	39%	<input type="text"/>
EUROPE (EXCL. FRANCE)	38%	<input type="text"/>
NORTH AMERICA	9%	<input type="text"/>
ASIA-PACIFIC	12%	<input type="text"/>
REST OF WORLD	2%	<input type="text"/>



WEB www.veolia-environmentalservices.com

VEOLIA ENERGY – DALKIA

€7,664 million in revenue.

€298.5 million in adjusted operating income.

49,800 employees.

Creating solutions for energy progress, delivering more economical and eco-friendly energy systems.

Veolia Energy – Dalkia, the global leader in energy services, provides its expertise to cities and businesses to develop, build and operate more eco-friendly and more economical energy systems. **Its business** is to produce energy efficiency. Dalkia is present at each stage of the energy chain to improve performance: consumption management, optimal energy distribution and decentralized production from local resources.

ACTIVITIES:

- Management of heating and cooling networks.
- Optimization of industrial utilities.
- Improvement of building energy performance.

TECHNICAL DATA

800 district and local heating and cooling networks.

4.5 million apartment complexes managed.

133,000 energy systems managed.

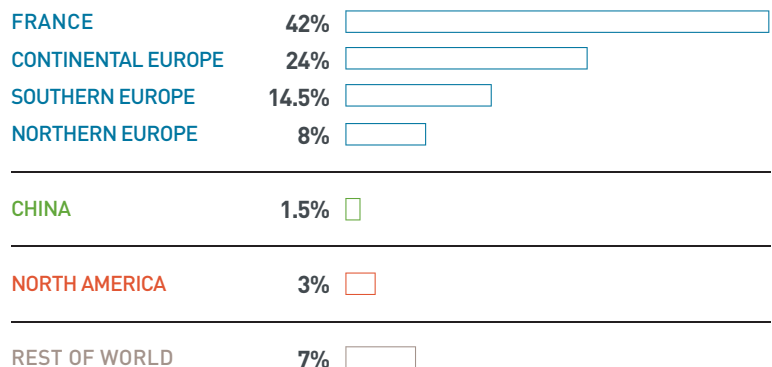
4,600 industrial sites managed.


23,000 educational, cultural, sport and leisure establishments.

6,000 healthcare institutions and **380,000** beds.

2012 REVENUE BREAKDOWN

by geographic area



 **WEB** www.dalkia.com/en



CORPORATE

social
responsibility

RECOGNIZED CSR OBJECTIVES

OUR COMMITMENTS

A RESPONSIBLE EMPLOYER

AN ENGAGED, COMMUNITY-FOCUSED COMPANY

A COMPANY THAT HELPS REGIONS
REDUCE THEIR ENVIRONMENTAL FOOTPRINT

MITIGATING THE IMPACTS

RECOGNIZED CSR OBJECTIVES

Extra-financial ratings provide an independent evaluation of our governance, human resources management, environmental performance, ethical conduct, human rights, client/supplier relations and dialogue with civil society.

They enable the company to benefit from expert analysis and thus improve its CSR processes.



Our commitments

Resource sharing and access to basic services have become central issues in a world undergoing profound transformation and Veolia Environnement is fully committed to sustainable development for the benefit of its clients and employees alike. This is reflected in its product and service offers and in the way it conducts its operations on the ground. Our company constantly innovates, develops skills, builds expertise and strives to be exemplary. Wherever in the world they take place, our activities must be carried out in compliance with both national standards and the recommendations of international organizations, in particular in regard to respecting human rights, taking into account cultural diversity and protecting the environment.

THE ETHICS, COMMITMENT AND RESPONSIBILITY PROGRAM

→ In 2003, Veolia Environnement introduced the Ethics, Commitment and Responsibility program to serve as guiding principles for all its employees. This program outlines the fundamental values our employees share and must reflect in their conduct under all circumstances. Examples include strict respect for the law in effect in all the countries where we operate, loyalty within the company and toward all our stakeholders, social responsibility, risk management, quality company information and governance, and commitment to sustainable development. In line with this program, in 2006, the company outlined its commitment to sustainable development in a 12-point charter.

OUR COMMITMENT TO HUMAN RIGHTS

→ For many years now, Veolia Environnement has committed to respecting human rights in its activities and in the countries where it operates. Tests conducted in several developing countries demonstrate that it is possible to reconcile service quality and accessibility and to encourage respect for the human rights of the populations served. In 2010, Veolia Environnement welcomed the official recognition of the Right to Water. We continue to work with our partners and the public authorities to turn this right into a concrete reality through access programs that are both technically ambitious and socially innovative. Our company, along with thousands of non-governmental organizations, local government agencies and players in the water sector, participated in the sixth World Water Forum in Marseille in 2012.

During the forum, commitments were presented on March 16 by Aquafed, the international federation of private water operators, of which Veolia Environnement is a member. The commitments cover good governance of water at the local and international levels, and the contribution to implementing the right to water and sanitation. ■

THE MANAGERS' CODE OF CONDUCT

The Managers' Code of Conduct is based on the company's five core values of Respect, Solidarity, Responsibility, Innovation and Customer Focus. The Code of Conduct explains the company's commitment and the way managers are expected to behave on a daily basis relative to each of these values. It was signed by the members of the Executive Committee and distributed via the Management Committees to all the company's managers.

GLOBAL COMPACT

Veolia Environnement joined the United Nations Global Compact in 2003 as a result of an official decision of its governance bodies followed by a declaration of membership signed by its Senior Executive Vice-President, thus pledging to support and promote its principles within its sphere of influence.

In Africa, the Middle East, Asia and Latin America, over **4.5 million people** have gained access to water and/or wastewater services with the help of Veolia Environnement.



A responsible employer

At December 31, 2012, Veolia Environnement's workforce totaled 219,739 (excluding Veolia Transdev). These women and men work hand in hand with their clients, in local public authorities and businesses, and are also in close contact with the people who use our services. Creating the "New Veolia" involves reasserting the key focuses of our human resources policy.

DEVELOPING EMPLOYEES' PROFESSIONAL QUALIFICATIONS

→ We operate in business activities that evolve constantly and require increasingly technical skills. We have therefore developed a bold training policy. Our training courses are available for all our employees from the moment they join the company and throughout their careers with us. We aim to develop each employee's skills using qualification courses that lead to recognized certificates and diplomas. In 2012, over 86% of our training investment was spent on operators and technicians. Veolia Environnement gives priority to hiring under work-study contracts, thus helping unemployed people to get back into the workforce and making sure that its employees have the necessary skills to provide clients with an efficient service.

JOB MOBILITY FOR EVERYONE

→ Veolia Environnement encourages internal job mobility to satisfy its clients' requirements and offer its employees fulfilling career paths. Given current hiring restrictions, this policy facilitates internal transfers and promotions. Our employees use their annual reviews as an opportunity to discuss potential career moves and define their skills development requirements. In 2012, more than 12,330 employees changed jobs within the company, with 80% of the transfers concerning non-managerial positions.

PROMOTING DIVERSITY

→ Veolia Environnement continues to implement its policy to encourage diversity, guarantee equal opportunity and combat discrimination through its new worldwide action plan "Diversity & Equal Opportunity 2012-2015." To assess progress in these areas, seven worldwide indicators have been created for four priority employee categories: women, older workers, ethnic minorities and disabled people. Our company's investment and measures in these areas have been widely recognized and we have been awarded several labels, notably "Afnor" in France and "Investor in People" in the Czech Republic.



THE INTERNATIONAL CAMPUS NETWORK

We provide most of our training through the Veolia Environnement Campus network and training centers, which form our own full-fledged platform for skills development. We also have an increasing number of partnerships with local employment and training professionals. Our network, which was started in 1994, now consists of 20 centers in 11 countries – China, the Czech Republic, France, Gabon, Germany, Israel, Morocco, Slovakia, Sweden, the United Kingdom and the United States. It covers two-thirds of the regions where Veolia operates and provides 2,581 training courses.

ENSURING WORKFORCE COHESION AND LABOR-MANAGEMENT DIALOGUE

→ During this period of transformation, good quality labor-management dialogue is particularly important because it strengthens cohesion within the workforce and ensures that the company can fulfill its commitments and responsibilities regarding employees. We require a uniform standard of effective and transparent labor-management dialogue whether at the subsidiary, division, country or corporate level.

Part of our company's asset disposal program was implemented in 2012, and we paid particular attention to ensuring that prospective acquirers' projects were sound and that they supplied tangible proof of their commitments regarding conditions for keeping on employees and their management. In 2012, the union and employee representatives in the European Works Council conducted a survey of our corporate social responsibility practices and issues, which was followed by specific training for the members of the European Works Council Board.

IMPROVING SAFETY AND GUARANTEEING HEALTH AT WORK

→ In most of Veolia Environnement's businesses, health and safety issues are an intrinsic part of the job for employees, whether they are working on public highways, carrying out hazardous tasks, handling chemical products, and so on. Veolia Environnement has defined health and safety risk prevention as a permanent concern for its businesses and over one-third of employee training courses were devoted to workplace health and safety in 2012.

PREVENTING OCCUPATIONAL RISKS

→ Our proactive approach to preventing occupational risks and improving safety is based on involving management at all levels and on applying a continuous improvement system.

In 2012, management and employee representatives in the European Works Council signed a pledge to increase risk prevention, analyze accidents and foster labor-management dialogue on health and safety in Europe. This new commitment complements local initiatives and the 210 new health and safety or working condition agreements signed within the company. ■

RESPONSIBLE SUPPLIER RELATIONS

Our sustainable purchasing policy helps us improve our economic performance and develop long-lasting relations with our suppliers. It focuses on three key issues: our purchasing officers' commitment to sustainable development (CSR issues included in Veolia Environnement's purchasing guidelines), the implementation of responsible purchasing practices (certification, promoting responsible practices in contract users, conducting total cost of ownership studies for some products, etc.), and accounting for suppliers' commitment and CSR performance.

IN 2012...

Our company, which is committed to increasing the percentage of women in its management, created Evoila, an internal network – aimed at all employees – that promotes the issue of gender equality within the company.

In addition, a "Women's leadership" training course is currently being rolled out to encourage women to apply for management positions.



An engaged, community-focused company

Regional development and human development are the two focuses of Veolia Environnement's activities. We make a significant contribution to the areas where our customers live – by creating jobs, since our activities cannot be relocated, and by improving access to basic services. This engagement has developed as a result of constant dialogue with all our stakeholders: clients, service users, communities, local residents, non-profits and associations.



In today's globalized economy, where entire industries are moving across borders and oceans, public services, such as the management of water, energy and waste, cannot be relocated. For this reason, in every region where Veolia Environnement operates, social cohesion in the communities we serve is essential to our success in providing the public services with which we are entrusted.

CONTRIBUTING TO REGIONAL DEVELOPMENT

→ By providing efficient public services, Veolia Environnement gives public authorities the edge they need to compete in the global arena, since a city's appeal depends to a large extent on its public services and the various amenities that facilitate the lives of businesses and

their employees. Veolia Environnement is a major employer in the communities where it operates and therefore has strong bonds with the regions and populations on which it depends. It contributes to the development of green jobs⁽¹⁾, to the employability of local populations, to promoting equal opportunity and to providing welfare protection for employees all over the world.

INCREASING ACCESS TO SERVICES

→ Veolia Environnement is committed to working closely with its contracting authorities to enable them to meet the Millennium Development Goals, one of which is to "halve, by 2015, the proportion of people without sustainable access to safe drinking water and to basic sanitation services." Our commitment is made concrete by responding to calls for tender in countries where increasing access to services is a key element for human development and is formally requested by the authorities. After several years of work, Veolia Environnement has proved itself to be a reliable, efficient and creative partner for local public authorities with ambitious policies aimed at meeting the Millennium Development Goals.

IN 2012

157,776 employees trained (72%)
3,848 interns taken on
4,314 work-study contracts

[1] Green jobs are those that are directly linked to the environment (nature, biodiversity and landscape conservation, etc.) as well as those associated with corporate social responsibility (CSR).



A FIRST IN INDIA

Multi-local player Veolia Water India has set up a special purpose vehicle, Orange City Water, in a joint venture with Vishvaraj Environment Ltd, one of India's leading civil engineering and services companies. Orange City Water will deliver a continuous supply of drinking water to the homes of the 2.7 million people living in Nagpur, 24 hours a day and seven days a week. The service will be provided to the entire population of Nagpur, including most importantly the third of the population living in the city's slums.

Several municipalities in emerging economies have awarded the company contracts that stipulate clear, ambitious objectives or include incentives to either expand or maintain access to services.

Our company also strives to maintain access to services for disadvantaged people in developed countries. For example, in France, Veolia Water launched its "Water for all" solidarity program of local solutions comprising 27 initiatives that help nearly 5 million people.

This program combines three types of assistance:

- emergency solutions to maintain access to water service by offering different forms of financial assistance adapted to individual situations;
- assistance solutions to help manage budgets and water consumption over the long term;
- prevention solutions to alert people to unusual over-consumption.

Examples include Veolia Environnement's "Water Solidarity" program, which was launched as part of its public service management contract with SEDIF, the Greater Paris water authority. 1% of the revenue from water sales in the area is paid into a fund that serves to assist the most disadvantaged households on a preventive or emergency basis.

DIALOGUE WITH STAKEHOLDERS

→ In this constantly changing world, man's interaction with the environment represents a major challenge that requires the mobilization of the efforts and commitment of all stakeholders at the local, national and international levels. At the local level, to operate effectively, our companies must be able to maintain an ongoing and sincere dialogue with all local stakeholders. Without this dialogue and cooperation with consumers, local residents and civil society, nothing truly legitimate or durable can be built, because local populations have to understand and accept the decisions of governing authorities. The relationships between these stakeholders are complex and Veolia Environnement takes specific steps to ensure the best possible dialogue with each of them.

Our public-private partnership model for providing public services ensures a continuous dialogue with local 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. The service provider's obligations to communicate information transparently are also specified contractually.

CONSUMERS, COMMUNITIES, LOCAL RESIDENTS, NON-PROFITS AND ASSOCIATIONS

→ All of our company's divisions work actively to maintain dialogue with their clients, local communities and residents and to keep them informed of their activities, through meetings with local officials, non-profits and residents, tours of facilities and "open house" events. Understanding and servicing the needs of disadvantaged populations is gradually becoming a distinct function at Veolia Environnement. The Sustainable Development Department is responsible for coordinating this process for the entire company, in particular through pilot projects. Veolia Environnement regularly conducts customer satisfaction surveys, which enable it to assess how its services have progressed, their benefits to users, what users expect and why they may be dissatisfied. When our services are sufficiently mature to warrant the deployment of a quality management system, we carefully monitor these commitments as part of our continuous improvement process.

In France, Veolia Environnement is also a founding member of UNPIMMS, the National Union of PIMMS⁽¹⁾ that manages the network of local associations in conjunction with the French government, local public authorities and other local actors and stakeholders. PIMMS are community centers that provide a customized service for the residents of neighborhoods facing difficulties.

THE INFORMAL SECTOR

→ The informal sector is sometimes a competitor, sometimes complementary to our activity, and sometimes even critical to making our contracts economically viable. It must therefore be acknowledged and understood. In Colombia, for example, Proactiva set up a social inclusion program for rag-collectors in partnership with local authorities to formalize this profession. Rag-collectors created two recycling cooperatives and received training as well as access to medical services.

AT NATIONAL AND INTERNATIONAL LEVELS

→ Veolia Environnement continues to work with the major UN agencies, bilateral organizations and international lenders to help achieve the Millennium Development Goals and meet its commitments as a member of the Global Compact. In some of these partnerships our objective is to promote the exchange of experience and knowledge between cities and towns and the adoption of methodological approaches to fostering solidarity

(1) Multiservice mediation and information points.



THE VEOLIA ENVIRONNEMENT FOUNDATION

Since its creation in 2004, the Veolia Environnement Foundation has supported over 1,000 outreach, employment and environment projects. It has an annual budget of €7.2 million. Veoliaforce, the Foundation's network of employee volunteers, stands ready to assist in emergency humanitarian and international outreach missions. In 2012, 128 new projects were undertaken and Veoliaforce volunteers spent over 1,200 days in the field.

between regions and communities. In addition, Veolia Environnement has participated in several partnerships with international organizations, either on infrastructure projects in difficult environments or on pilot projects that seek to provide access to basic services for all. In 2001, the company founded the Institut Veolia Environnement (IVE), a non-profit organization whose objective is to conduct forward-looking analyses of issues that affect society and the environment. The Institute seeks to detect fundamental environmental changes and trends. By leveraging its multidisciplinary network of academic experts and economic development practitioners, it is able to collect reliable scientific knowledge and field-proven practices and disseminate them to all public- and private-sector actors in the field of sustainable development. ■

A company that helps regions reduce their environmental footprint

Veolia Environnement offers its clients solutions that help the Earth's balances to be maintained. It strives to lessen any negative impact on the climate, human health, resources and biodiversity.

STEERING ENVIRONMENTAL PERFORMANCE

→ The Environmental Management System (EMS), which was set up in 2002 and applies to all the company's activities, is structured around four levels of responsibility: corporate, divisions, business units and sites.

Veolia Environnement's internal EMS is applied all the way through to business unit level, in accordance with guidelines specific to each division and compliant with company requirements.

In 2012, the rate of deployment of the Environmental Management System reached 91% of the revenue of the relevant activities, excl. Veolia Transdev.

The percentage covered by ISO 14001 certification is 62%.

91%

Deployment of the EMS
at end 2012.

THE ENVIRONMENTAL PERFORMANCE PLAN

Thanks to the constant efforts made by our businesses, the 2009-2011 environmental performance plan was completed and all its targets were met. 2012 saw the launch of the 2012-2014 plan, which incorporates the changing expectations of our clients and our commitment to continue reducing the environmental footprint of the cities and areas we operate in by adopting new objectives to manage the impacts of the facilities we manage.

ENVIRONMENTAL COMMITMENT THROUGH FOUR APPROACHES

→ In terms of environmental protection, management of the impacts and risks linked to our activities and at the facilities we manage is a prime focus for us. Our environmental commitment can be summed up in four approaches: combat climate change, assess and develop biodiversity, reduce pollution and protect human health, and conserve resources. Training and awareness programs designed for our employees, suppliers, subcontractors and clients are also a key aspect of this approach. ■



Mitigating the impacts

RESOURCE CONSERVATION

Given the depletion of natural resources, it is vital to fully optimize their use. The strategy Veolia deploys on behalf of its clients is based on three approaches: frugality (avoiding unnecessary consumption of resources), efficiency (using resources efficiently), and using renewable energies and materials.

TURNING WASTE INTO A RESOURCE

→ The solutions

- Design and deploy sorting techniques that increase the waste recovery rate (high-performance sorting, TSA2 automated sequential sorting, etc.).
- Find processes that enable the extraction of more "new" resources from waste.

→ 2014 objectives

- Increase the production of renewable energy recovered from waste by 7.5%, compared with 2011.
- Achieve an overall material recovery rate of 26% (Veolia Environmental Services).

CONSERVING WATER RESOURCES

→ The solutions

- Reduce both consumption and water loss through leaks in the distribution network.
- Protect water resources and optimize management for the long term.
- Develop alternative resources (reuse of treated wastewater, seawater desalination, etc.).

→ 2014 objectives

- Reduce by 5% the water loss caused by leaks in the municipal distribution networks operated by Veolia Water (pro forma 2011).
- Increase by 10% the volume of reused wastewater produced by Veolia Water's wastewater collection and treatment activities (based on 2011 rates).
- Implement water consumption reduction plans at 60% of Veolia Environmental Services' sites.



In Rostock, Germany, Veolia Environmental Services turns 500 million used plastic bottles into raw material to make new bottles each year. The benefits of this process are conclusive: it saves 28,000 liters of crude oil, reduces transportation and raw material supply costs, uses technology that shortens the transformation process, cuts costs and reduces the environmental impact of recycling.



In the United Arab Emirates, the Abu Dhabi wastewater treatment plant will treat 430,000 cubic meters a day and transform it into recycled water that has all the characteristics required for use to irrigate farms, parks and public areas. This will avoid withdrawals from natural water sources.

MANAGING ENERGY SUSTAINABLY**→ The solutions**

- Improve energy efficiency, develop cogeneration, use renewable energy sources (biomass, solar power, geothermal energy) and alternative energies (recover energy from wastewater and waste, and byproduct heat from industrial processes).

→ 2014 objectives

- Increase the share of combustible biomass in primary energy consumption by 8.5% (Dalkia).
- Cut the energy consumed by Veolia Water's wastewater treatment activities by 5% (compared with 2011).
- Implement energy efficiency plans at 60% of Veolia Environmental Services' sites.



At Val d'Europe, France, Veolia Energy — Dalkia recovers the heat produced by data centers and injects it into the heating network used by the 600,000 square meter business district (offices, hotels, housing, etc). The Aquatic Center is the first to benefit from this green energy, which is used to heat the water in its swimming pools. This recovered green energy reduces CO₂ emissions by 5,400 metric tons a year.

IN 2012

25.7 million metric tons of waste recovered by Veolia Environmental Services as materials or energy and **6.8 million MWh** of electrical and thermal energy sold.

9.2 million MWh of electrical and thermal energy produced by Veolia Water through wastewater treatment and sludge recovery.

Water loss caused by leaks in the public water supply networks operated by Veolia Water reduced by over **2.9%**, compared with 2011.

20.5% of the energy consumed by the company is derived from renewable or alternative energy sources.

COMBAT CLIMATE CHANGE

The transition to a green economy, based notably on low carbon emissions, is central to Veolia Environnement's strategy as it helps its clients reduce their carbon footprints.

REDUCE AND AVOID EMISSIONS

→ The solutions

- Provide assessment tools for each business so we can support our clients' efforts.
- Reduce greenhouse gas (GHG) emissions by improving the energy efficiency of our facilities (use of renewable and alternative energy sources through the capture and treatment of methane from landfills).

→ 2014 objectives

For Veolia Energy — Dalkia

- Improve the carbon footprint of combustion facilities.
- Assess the carbon and environmental footprints of over 40% of its business units' head offices.

For Veolia Environmental Services

- Raise the methane capture rate to over 66% at landfill sites (excluding Proactiva).
- Assess the carbon footprint and implement an action plan to reduce it in 80% of business units.

For Veolia Water

- Include aspects of Scope 3 in the GHG emission assessment of all business units.

REDUCE THE CARBON FOOTPRINT

→ The solutions

- Dedicated low carbon systems adapted to each business.
- An environmental footprint assessment system based on four criteria: GHG, water, resources and ecosystems.

IN 2012

Through the daily management of our sites and the use of renewable and alternative energy sources, we contributed to reducing overall GHG by 21.5 million metric tons.

This decrease in overall GHG emissions can be broken down as follows:

- 2.7 million metric tons of CO₂ equivalent through energy recovery;
- 4.9 million metric tons of CO₂ equivalent through materials recovery;
- 13.9 million metric tons of CO₂ equivalent avoided (overall reduction in GHG relative to a baseline fixed by the company).



At Joure in the Netherlands, Veolia Energy — Dalkia helped coffee roasters Douwe Egberts Master Blenders convert to biomass. This transformation reduced the plant's carbon footprint by 14,000 metric tons of CO₂ a year.



At Montería in Colombia, Proactiva Medio Ambiente has developed a project to calculate and analyze the city's carbon footprint and define its Climate Plan.

PROTECT ECOSYSTEMS, HEALTH AND BIODIVERSITY

According to the UN's Millennium Ecosystem Assessment, over 60% of the world's ecosystem services are being degraded. Protecting biodiversity and maintaining ecosystem quality is a priority for Veolia. The company contributes to work on characterizing ecosystem services and takes measures to protect and fortify them.

REDUCE POLLUTION AND CONSERVE ECOSYSTEMS

→ The solutions

- Collect wastewater and waste to avoid the dispersal of pollutants.
- Technologies that improve the quality of treated wastewater released into the natural environment.
- Soil remediation, preserving air quality (treatment of incinerator flue gases, avoiding the release of pollutants into the atmosphere, etc.).

PROMOTING BIODIVERSITY

→ The solutions

- Improve our knowledge of biodiversity and continue characterizing both our impacts and our dependence on ecosystems.
- Take action to conserve biodiversity and promote ecosystem services (increase the benefit of procedures for biodiversity, participate in regional conservation projects).
- Inform, train and raise employee and client awareness of biodiversity issues.

→ 2014 objectives

- Monitor the number of sites that have conducted a biodiversity diagnosis.
- Conduct a diagnosis and implement an action plan at 75% of sites with a potentially high impact on biodiversity (Veolia Environmental Services).
- Include a biodiversity impact assessment in all development projects (Veolia Environmental Services).



In 2012, OTV, a subsidiary of Veolia Water Solutions & Technologies (VWS), was selected to renovate the Seine Aval wastewater treatment plant, which is the second largest in the world. The operation includes rebuilding a new, more advanced biological treatment process, especially to deal with nitrogen so as to make an active contribution to the good ecological status of the Seine River.



At Saint-Brieuc in France, the Aquisafe project involves creating artificial wetlands to capture nitrates used for agricultural purposes and thus mitigate surface water contamination.

Veolia Environnement
36-38, avenue Kléber – 75116 Paris Cedex – France – Tel.: + 33 (0)1 71 75 00 00
www.veolia.com

This document was produced by the Veolia Environnement Communications
and Sustainable Development Departments..

Communications Director: Laurent Obadia.

Editorial oversight and coordination: Tania Kieffer, Christophe Valès.

Authors: Didier Le Gorrec / Madras Editing.

Translation: Alto International.

Photo library: Laure Duquesne, Gilles Hureau.

Photo credits: Sandor Gal; Asylum; Shin Takahashi, Vlad Ciobanu/Studio CMC SRL Brasov; Michael Christopher Brown/Corbis;
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Jean-François Pélégry; Taco van der Eb/Interlinks Image.

Designed and produced by: **IAVASWORLDWIDE PARIS**

Production manager: Jean-Claude Le Dunc.

Printed by: STIPA



This document has been printed with 100% vegetable-based inks and glazes, on FSC chlorine and acid-free paper, containing no heavy metals and using virgin fibers from sustainably managed forests.



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Veolia Environnement
36-38, avenue Kléber
75116 Paris Cedex, France
Tel.: +33 (0)1 71 75 00 00

www.veolia.com