











Registration Document







Annual Financial Report



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VEOLIA ENVIRONNEMENT

2015 REGISTRATION DOCUMENT

Annual Financial Report

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in the Registration Document: (1) the operating and financial review, the consolidated financial statements and the parent company financial statements for fiscal year 2014 and the corresponding Statutory Auditors' reports, included in Chapter 9 and Chapter 20, Sections 20.1 and 20.2, respectively, of the Veolia Environnement Registration Document for fiscal year 2014, filed with the AMF on March 17, 2015 under the number D.15-0148; (2) the operating and financial review, the consolidated financial statements and the parent company financial statements for fiscal year 2013 and the corresponding Statutory Auditors' reports, included in Chapter 9 and Chapter 20, Sections 20.1 and 20.2, respectively, of the Veolia Environnement Registration Document for fiscal year 2013, filed with the AMF on March 18, 2014 under the number D.14-0160.



The Registration Document (*Document de référence*) was filed with the *Autorité des Marchés Financiers* (AMF, the French Financial Markets Authority) on March 16, 2016, in accordance with Article 212-13 of the AMF's General Regulations. This Registration Document may be used in connection with a financial transaction if it is supplemented by a prospectus (*note d'opération*) officially approved by the AMF.

The Registration Document has been prepared by the issuer and its signatories are responsible for its content.

KEY FIGURES

Worldwide reference in optimized resource management

+4.5%*

24,965

Revenue in € million

+11.3%*

2,997

EBITDA in € million

+25.5%*

1,315

Current EBIT in € million

+74.2%*

580

Current net income in € million



WATER

4,245

water production plants
managed

100 million

people supplied with water

3,303

wastewater treatment
plants managed

63 million

people connected
to wastewater systems



WASTE

39 million

people provided with
collection services on behalf
of municipalities

42.9 million

tons of treated waste

553,500

business customers

601

waste-processing
facilities operated



ENERGY

53 million

MWh produced

3.4 million

collective housing
units managed

779

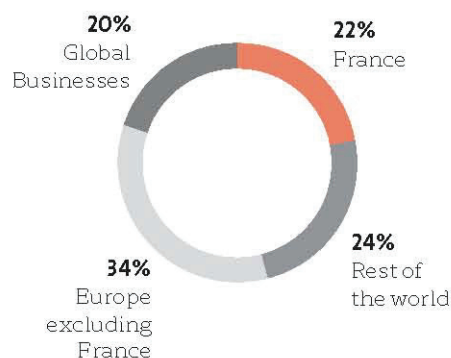
heating
and cooling networks
managed

2,027

industrial sites managed

* change compared with 2014 GAAP represented figures

**Revenue
by segment (in %)**



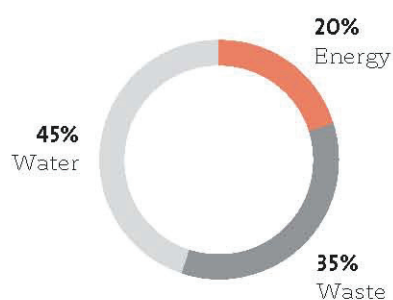
**Revenue trends
(in € billion)**



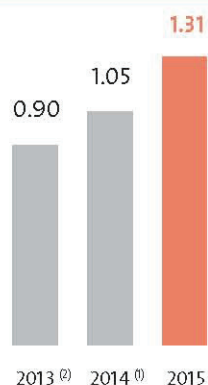
**EBITDA trends
(in € billion)**



**Revenue
by business (in %)**



**Current EBIT
trends (in € billion)**



**Current net income
trends (in € billion)**

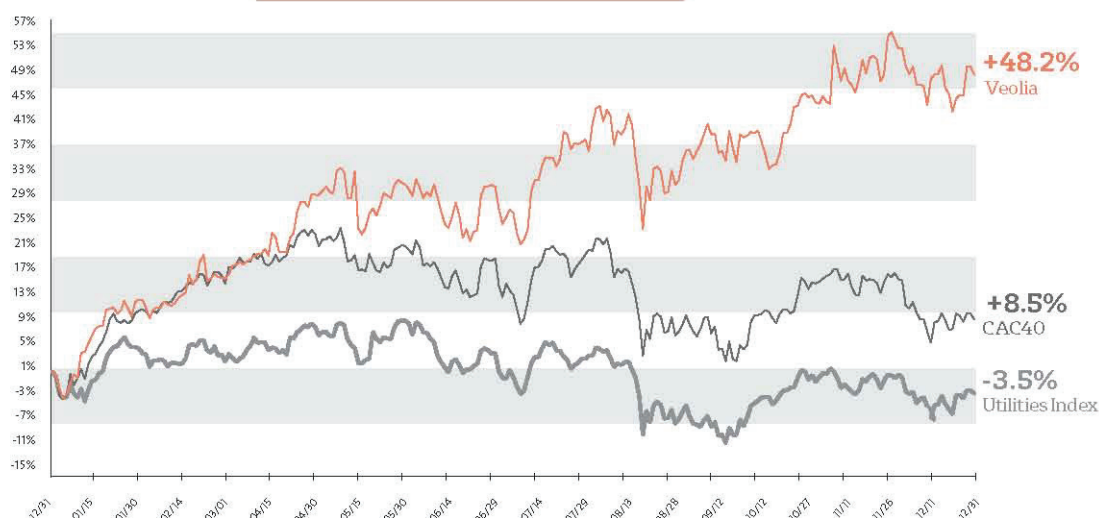


**Breakdown
of the Group's
customer base**

56%
municipalities

44%
industrial
companies

2015 Stock market performance



(1) Pro forma scope excluding Dalkia France and with Dalkia International fully consolidated

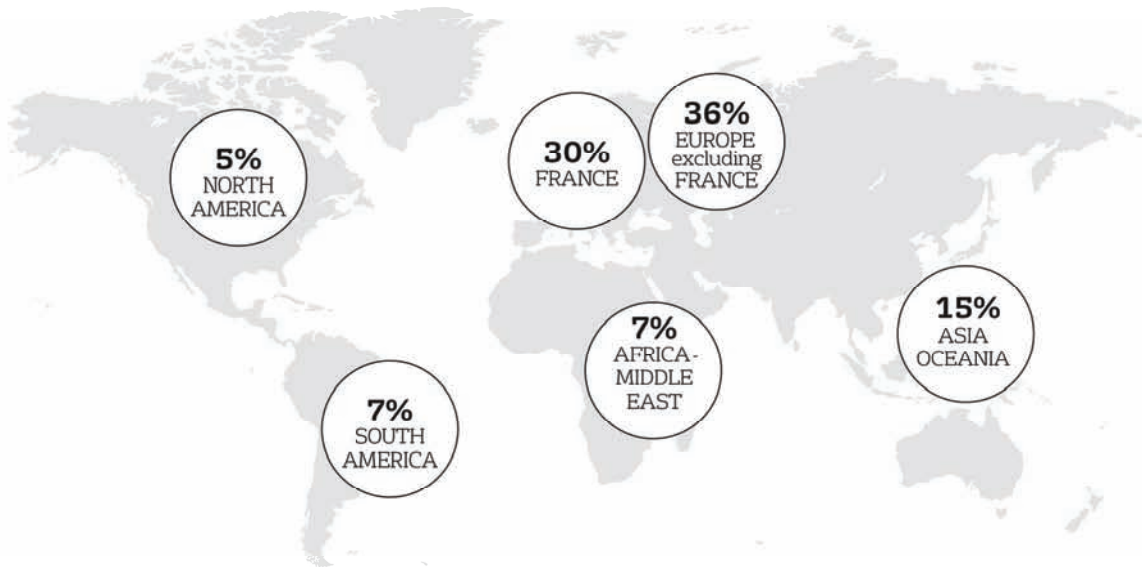
(2) Adjusted operating income

(3) Adjusted net income

173,959

employees

Worldwide employee breakdown



16

million metric tons of CO₂
equivalent of reduced emissions

6

million metric tons of CO₂
equivalent of avoided emissions

75.5

% of employees
received training

83.9

% of the spending
reinvested locally

Selected financial information **AFR**

Figures presented in accordance with IFRS

(in € million)	12/31/2015	12/31/2014 ⁽¹⁾
Revenue	24,964.8	23,879.6
EBITDA ⁽²⁾	2,997.2	2,692.2
Current EBIT ⁽²⁾	1,315.2	1,047.7
Current net income – Group share ⁽²⁾	580.1	333.3
<i>Pro forma revenue ⁽³⁾</i>	24,964.8	24,408.4
<i>Pro forma EBITDA ^{(2) (3)}</i>	2,997.2	2,761.9
<i>Pro forma current EBIT ^{(2) (3)}</i>	1,315.2	1,052.8
<i>Pro forma current net income – Group share ^{(2) (3)}</i>	580.1	314.2
Operating cash flow before changes in working capital	2,390.3	2,204.4
Operating income after share of net income (loss) of equity-accounted entities ⁽⁴⁾	1,122.9	514.3
Net income (loss) – Group share	450.2	241.8
Dividends paid ⁽⁵⁾	384.0	374.2
Dividend per share paid during the fiscal year (in euros)	0.70	0.70
Total Assets	35,888.6	34,724.5
Net financial debt ⁽⁸⁾	8,170	8,311
Industrial investments (including new operating financial assets) ⁽⁶⁾	(1,484)	(1,533)
<i>Pro forma industrial investments (including new operating financial assets) ^{(3) (6)}</i>	(1,484)	(1,568)
Net free cash flow ⁽⁷⁾	856	309

(1) As stated in paragraph 3.2.1, IFRIC 21 is applicable on a retrospective basis on first-time application. The consolidated financial statements as of December 31, 2014 have then been represented accordingly

(2) As stated at the time of the Group's 2014 annual results communication, the Group decided to introduce new financial indicators starting fiscal year 2015 that will now be used in the communication of its financial results. These financial indicators are defined in paragraph 3.8.3 of this document. These new indicators are: EBITDA, Current EBIT, and Current Net Income. Refer to section 3.8.2 for the reconciliation between these new Group financial indicators and the previous ones.

(3) Pro forma scope figures include Dalkia International fully consolidated, and exclude Dalkia France.

(4) Operating income after share of net income of equity-accounted entities does not include capital gains or losses on financial divestitures, booked in other financial income and expenses.

(5) Dividends paid by the parent Company.

(6) Industrial investments excluding discontinued operations

(7) Net free cash flow corresponds to free cash flow from continuing operations, and is calculated by: the sum of EBITDA, dividends received from joint ventures, operating cash flow from financing activities, and changes in working capital for operations, less net industrial investments, current cash financial expense, cash taxes paid, cash restructuring charges, acquisition and disposal costs, and renewal expenses.

(8) Net financial debt (NFD) represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents, liquid assets and financing-related assets, including fair value adjustments to derivatives hedging debt. Liquid assets are financial assets comprised of funds or securities with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.

1

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1.1 History and general introduction

1.1.1 HISTORY AND DEVELOPMENT

The Company traces its roots back to the creation of Compagnie Générale des Eaux by Imperial Decree on December 14, 1853. During the same year, Compagnie Générale des Eaux won its first public service concession for the distribution of water in the city of Lyon, France. It went on to expand its activities in France in the cities of Nantes (1854), Nice (1864), Paris (1860) and later in the Greater Paris region (1869).

In 1980, Compagnie Générale des Eaux merged all of its subsidiaries involved in design, engineering and operating activities relating to drinking water and wastewater treatment within Omnium de Traitement et de Valorisation (OTV). It expanded with the acquisition of Compagnie Générale d'Entreprises Automobiles (CGEA) (which would become CONNEX and ONYX, and later Veolia Transport and Veolia Propreté), as well as Compagnie Générale de Chauffage and Esys-Montenay (which would later merge to form Dalkia). During this period, it also began to expand significantly into other countries.

In 1998, Compagnie Générale des Eaux changed its name to “Vivendi” and renamed its main water subsidiary “Compagnie Générale des Eaux”.

In April 1999, Vivendi established “Vivendi Environnement” to consolidate all of its environmental services activities, which at that time were delivered through the Vivendi Water (water), ONYX (waste), Dalkia (energy) and CONNEX (transportation) brands.

Vivendi Environnement shares were admitted for trading on the Euronext Paris primary market on July 20, 2000.

In August 2001, Vivendi Environnement shares were included in the CAC 40, the main equity index published by Euronext, and in October 2001 were listed on the New York Stock Exchange in the form of American Depositary Receipts (ADRs).

Between 2002 and 2004, Vivendi Universal gradually decreased its stake in Veolia Environnement through successive disposals and dilution. By December 2004, it held only 5.3% of Veolia Environnement shares and by July 6, 2006 held none at all.

In April 2003, Vivendi Environnement became Veolia Environnement.

Between 2002 and 2004, Veolia Environnement carried out a major restructuring to refocus on its core environmental services activities. This process ended with the sale of the US subsidiaries in the Water business line and of Veolia Environnement's indirect interest in the Spanish company Fomento de Construcciones y Contratas (FCC).

Since November 2005, Veolia⁽¹⁾ has implemented a new branding strategy in order to strengthen the Group's shared identity and culture on the basis of its values and services. Since 2013, the Water, Waste and Energy activities have been united under the single “Veolia” brand.

On March 3, 2011, Veolia Environnement and the Caisse des dépôts et consignations merged their respective transport subsidiaries (Veolia Transport and Transdev) to create the 50/50 joint venture Veolia Transdev (now Transdev Group).

At the Investor Day held on December 6, 2011, the Group presented its strategic plan and midterm outlook. These were based on a refocusing of its activities and business portfolio, including €6 billion in asset divestitures over the following two years, a renewed focus on its three main business lines and the sale of regulated Water activities in the United Kingdom and solid waste activities in the United States. These activities were sold, respectively, on June 28, 2012 and November 20, 2012 and the divestiture program continued throughout the 2013 and 2014 fiscal years.

In July 2013, the Group embarked upon a significant organizational change, which was implemented and fully rolled out in early 2014. Since then, the Group's activities have been based on a geographical organization, rather than on business lines and divisions, as had previously been the case.

On July 25, 2014, Veolia Environnement and EDF finalized the agreement relating to their joint subsidiary, Dalkia. Under the terms of this agreement, EDF took over all of Dalkia's activities in France and retained the Dalkia brand, while Veolia Environnement assumed control of the international business activities.

Veolia Environnement American Depositary Receipts (ADRs) have not been listed on the New York Stock Exchange (NYSE) since December 23, 2014. The American Depositary Receipt Facility program managed by Deutsche Bank has been maintained as a sponsored level 1 facility. ADR holders were thus able to retain their securities, which are now traded on the US over-the-counter market. At the same time, Veolia Environnement also filed a 15F form, thus suspending its obligations to report to the US Securities and Exchange Commission (SEC).

(1) In this Registration Document, unless otherwise indicated, the term Company refers to the limited liability company Veolia Environnement, and the terms Group and Veolia refer to Veolia Environnement and all consolidated companies.

The Group unveiled its strategic plan for the 2016-2018 period at the Investor Day held on December 14, 2015. The plan focuses on two key areas: (i) increasing revenue by achieving a better balance of municipal and industrial contracts and strengthening the Group's position outside of Europe, and; (ii) pursuing its strategy of reducing costs and improving its operating efficiency.

1.1.2 GENERAL INTRODUCTION

Natural resources are becoming increasingly scarce as demand for them increases in a world that has a growing population, is becoming more urbanized and is facing climate change. Humankind must completely rethink its relationship with resources and come up with a new model of economic and social development that is more efficient, balanced and sustainable.

To support this transition from a model based on consumption of resources to a circular economy based on use and reuse, Veolia develops and deploys solutions that improve access to resources, while at the same time preserving and replenishing them. The Group uses its capacity for innovation to further human progress and enhance the performance of businesses and municipalities, as well as human well-being.

This is Veolia's contribution to resourcing the world.

Veolia is a world leader in environmental services and offers a complete range of solutions for managing water, waste and energy on five continents.

In 2015, the Group operated in 46⁽¹⁾ countries, generated revenue of €24,964.8 million and employed 173,959 people.

Veolia Environnement is included in the Euronext Paris CAC 40 index.

Veolia's organization is divided into 10 geographic zones (Water France, Waste Solutions in France, central and eastern Europe, Northern Europe, the United Kingdom and Ireland, Africa/Middle East, North America, Latin America, Asia and Australia and New Zealand) and an additional worldwide zone for Global Enterprises (Veolia Water Technologies, Sade, etc.). The organization is structured by country (Business Units), with the director for each country responsible for the Water, Waste and Energy business lines within their geographic zone.

A detailed description of the geographic organization of the Group's businesses can be found in Section 1.4.2 below.

1.2 Strategy

The management of environmental issues is becoming increasingly important and complex in both rapidly developing and developed countries. Access to water is a key factor in the growth of entire economies, cities and many different industries. Pollution is becoming increasingly difficult to treat, energy resources and raw materials are growing scarcer and regulations are becoming more and more stringent. Energy efficiency and the circular economy are becoming critical issues.

The 21st century is therefore seeing a radical change in the role played by cities in the global economy, where growth, prosperity and social welfare have become priority issues. Faced with growing international competition and increasingly stringent environmental regulations, industrial companies are finding that they need support to be more competitive and implement their growth strategies.

Against this backdrop, demand for environmental services that offer significant added value is increasing and can be seen in the many growth opportunities opening up around the world. Veolia is therefore offering expert, innovative solutions that enable it to position itself as a "value creator".

To achieve a strong position in these markets, between 2012 and 2015, the Group embarked upon a process of transformation during which it refocused on its most important growth zones and business lines, significantly reduced its debts, restructured its organization to make it simpler, better integrated and more responsive and implemented a major savings program to restore its margins.

The 2016-2018 period will therefore see a revived Veolia achieving profitable, targeted and consistent growth by capitalizing on the achievements gained through this process of transformation.

Veolia has drawn up a new business plan for the next three years, which focuses on two key areas:

- **Achieving targeted growth, with the aim of:**
 - increasing revenue by 2 to 3% per year on average;
 - continuing to work towards a balanced 50/50 split between municipal and industrial customers;
 - strengthening its position outside France.

(1) Countries where Veolia has a permanent establishment, employees and capital employed in excess of €5 million.

- **Continuing to improve operational performance**, making cumulative savings of at least €600 million over the 2016-2018 period from:
 - actual operations;
 - better management of selling, general and administrative costs;
 - a more effective purchasing policy.

1.2.1 GROWTH IN THE MUNICIPAL MARKET

1.2.1.1 Cities in developed countries

Cities in developed countries, including France, England, Germany, Northern European countries, the United States and Australia, represent a mature market where customers' needs are now turning towards:

- more efficient services (lower costs, lower prices, improved service quality) in the face of pressure on public finances and increased public pressure;
- making cities more attractive and finding solutions that differentiate them from other cities in the same region (e.g. "smart cities");
- increased demand for transparency;
- social solutions for vulnerable groups;
- promoting sustainable development through environmental solutions;
- improving resilience to combat the risk of natural disasters.

Furthermore, regulations are increasingly favoring the development of solutions that promote a circular economy and energy efficiency, particularly in Europe.

Against this backdrop, Veolia's strategy is to establish its role as a catalyst in making cities more attractive and promoting their economic and social development. It will achieve this by, among other things, building on the strengths that set it apart and developing its contractual models, as follows:

- **Capitalizing on the added value offered by Veolia and on the factors that set it apart**

Veolia is committed to supporting the economic and social development of cities by offering new services that meet its customers' needs. For example, Veolia works with external partners to develop solutions that create digital "smart cities" or improve cities' resilience. The Group has already entered into a strategic partnership with IBM to offer digital services and is a partner of the Rockefeller Foundation's "100 Resilient Cities" initiative, a global platform dedicated to promoting action and innovations that improve urban resilience in 100 cities around the world. Veolia is also drawing on the synergies that exist between its three business lines (Water, Waste and Energy) to develop innovative cross-functional services in such areas as sludge management and urban planning more generally;

- **Developing innovative models for cities**

In addition to its traditional concession-type models, Veolia also helps cities to create value in areas such as resilience, the circular economy, inclusiveness, digitalization and quality of life. This change is based on the principle of co-construction and on new models that can be adapted to reflect the type and level of involvement that customers want from Veolia. Veolia also has a tailored governance system for managing its contracts that responds to its customers' need for transparency.

- **Improving the standardization of processes to lower costs and offer competitive solutions to cities' efficiency needs**
- **Improving customer relations and services for consumers, in particular through new services based on digital technologies.**

For example, in 2015, *Lille Métropole* (public inter-municipal cooperation establishment) awarded Veolia a public service concession contract to manage the supply of drinking water to more than a million citizens in 62 different communes. Veolia has put in place a number of innovative solutions as part of this contract, including:

- "Smart Water Box", a state-of-the-art integrated control center for managing networks and facilities, which serves as a dynamic link between drinking water production and distribution, plus a network of local smart sensors that continually monitor and check water in order to guarantee traceability;
- an environmentally responsible pricing policy and a reduction in standing charges for domestic customers;
- a drive to reduce leaks, particularly those occurring within the network itself, with the aim of saving nearly three million cubic meters of water in the long term;
- introduction of a new governance system where users, elected representatives and citizens are all involved in defining a strategic approach that will allow more effective decision-making and greater engagement with service users.

1.2.1.2 Cities in emerging countries

Cities in emerging countries, particularly those in Central and Eastern Europe, Asia, Latin America, Africa and the Middle East offer many opportunities for growth. This is explained by, firstly, the rapid population growth seen in such cities and, secondly, the toughening of regulations designed to protect the environment. These countries have a growing need for new infrastructure and require support with operating and managing Water, Waste and Energy. As in developed countries, municipalities are also keen to improve the resilience of their area and in doing so combat the risks posed by natural disasters.

Veolia's strategy in these countries is to support the development of their cities while at the same time carefully deciding which opportunities to pursue:

- selecting target cities on the basis of their potential and the level of risk they present;
- adapting contractual models to take account of the risks posed by different countries, with the aim of creating new models, partnerships and alliances that enable Veolia to operate in these countries without being exposed to risky concessionary models;
- capitalizing on the social dimension of Veolia's business lines and their role in supporting the economic and social development of cities;
- developing Veolia's positioning in relation to making cities more resilient.

For example, in certain target African countries (including Gabon, Niger, etc.), Veolia is currently developing performance and operating contracts enabling significant improvements to be made to the quality and efficiency of Water, Waste and Energy services. In Latin America, Veolia is focusing on its core business activities (concession or Build-Operate-Transfer (BOT) water contracts and landfill) to improve access to these services by offering socially responsible pricing solutions. Finally, in Central and Eastern Europe, Veolia is targeting concession contracts for Water and Energy granted by large and medium-sized cities.

1.2.2 GROWTH IN THE INDUSTRIAL MARKET

Industrial companies around the world face growing public, media, regulatory and economic pressure:

- Multinational companies' rights to operate have been called into question in various regions where there is competition over the use of natural resources. In Chile, for example, there has been significant public pressure on mining companies whose industrial activities could impact upon the use of local water resources. The need for these companies to be accepted by the local population has led them to adopt policies that promote environmental responsibility and find solutions that reduce their ecological footprint;
- Pollution linked to industrial activity is also the subject of widespread media attention, as was the case with the explosions that shook the port and industrial area of Tianjin on August 12, 2015, and the environmental disaster that occurred in the state of Minas Gerais in Brazil on November 5, 2015, where a mining company was implicated in a toxic mudslide that jeopardized the future of the entire region;
- Regulations are becoming increasingly stringent. In China, for example, the government has passed laws that prioritize environmental concerns over economic ones and give it the power to take action against polluting industries and company directors;
- Finally, volatility in the price of natural resources and the desire to improve efficiency and reduce operating and reputational risks, coupled with a slowdown in growth in various industrial sectors (including oil, gas and mining) and geographic regions (such as Brazil, China and Australia), all pose significant challenges for industrial companies.

Veolia's strategy for the industrial market is to support companies facing these key issues of the right to operate, the drive for efficiency and maximum yield, corporate social and environmental responsibility and risk reduction, by:

- positioning Veolia as a "consultant" to industrial companies through a more comprehensive and global "expert" approach;
- offering services that help industrial companies to improve their efficiency and get more out of their assets (the circular economy, local environmental considerations, performance and value-sharing models);
- reinforcing Veolia's positioning in relation to pollution that is difficult to treat, including hazardous waste, where we can bring significant added value in terms of technical knowledge and support;
- sharing Veolia's expertise on all environmental issues.

Veolia has decided to focus its strategy for expanding in the industrial market on six growth markets and areas, where the needs of customers and the environmental challenges involved are of particular importance and where the Group is capable of offering differentiated solutions :

- **The oil and gas industry.** Veolia offers solutions that respond to this industry's water, waste processing and performance needs by positioning itself as the unique long-term partner to which companies can turn to address all their environmental and efficiency issues. For example, in 2015, the US company Antero Resources, which is active in the field of shale gas extraction, awarded Veolia a 10-year contract to build and operate a facility to treat the water produced during the extraction process, with the aim of reducing the costs involved in discharging its effluents into deep wells and removing the environmental risk over the long term (see Section 1.4.2.3 below). Thanks to its ability to incorporate cutting-edge proprietary technologies and offer guaranteed operational reliability and performance over the long term, Veolia is ideally placed to respond to the needs of this market;
- **Mining, metal and energy industries.** Thanks to its extensive portfolio of technologies, operational experience and global network (thanks to which it can offer its best services around the world), coupled with its ability to operate at remote sites and to provide or propose funding, Veolia is able to meet these industries' compliance and operational performance requirements at a time when they are facing falling prices for raw materials and growing public and regulatory pressure over their environmental impact. In 2015, Veolia renewed its contract with the Harjavalta industrial park in Finland, one of the country's largest concentrations of metallurgical companies, which is home to companies such as Norilsk Nickel (nickel and palladium) and Boliden (copper). Under this contract, Veolia is responsible for managing, optimizing and modernizing the supply of energy to the various users based at the site, with a view to helping them become more competitive and promote sustainable development. To this end, Veolia will install a new biomass boiler that will reduce energy consumption and CO₂ emissions;
- **The food and beverage and pharmaceutical/cosmetics industries.** Veolia supports the growth of companies in these sectors by offering solutions that enable them to use water, materials and energy more efficiently. It brings together cross-functional solutions that safeguard these companies' right to operate, performance and brand image. As with the other industries, Veolia's strategy is to work with its customers to co-develop innovative solutions that help create economic, social and environmental value. For example, in December 2015, Danone and Veolia announced the creation of a strategic partnership focused on managing the water cycle, waste and energy efficiency. This partnership forms part of Danone's climate policy, in which the company set itself the target of achieving net zero carbon emissions by 2050 within its full (direct and shared) scope of responsibility. Both groups have committed to growing the circular economy and will use this unique partnership to share their expertise and explore innovative solutions for managing water, plastics and waste;
- **The circular economy** (see Section 1.3.2.3 below). Pressure on resources, increasingly favorable regulations and the movement of society towards a circular, sharing and functional economy make this a key issue on which both industrial and municipal customers have high expectations. Veolia has set itself the aim of strengthening its leadership in this area by deploying existing technologies, innovating and positioning itself as a stakeholder that creates shared value. The services offered by the Group in relation to the circular economy are twofold: (i) supplying materials and products that are manufactured or repaired using waste materials, wastewater and unavoidable energy, and; (ii) developing and implementing bespoke solutions to help industrial companies and municipalities to preserve and replenish their resources. In 2015, Veolia strengthened its positioning in relation to the circular economy by acquiring AKG Kunststof Groep, a Dutch company that specializes in recycling high-quality plastics for use in the automotive, electronics and cosmetics industries;
- **The treatment of difficult types of pollution.** The tightening of local regulations and the increase in the volumes of waste being produced (particularly that from the chemical, oil, metallurgy and nuclear industries and electrical and electronic equipment waste) both support Veolia's decision to further develop its positioning in relation to the treatment of difficult types of pollution, particularly hazardous waste – a market with high growth potential. Veolia has capitalized on its range of technologies, expertise and unique organizational structure to develop innovative treatment methods that produce high-quality raw materials. The Group's strategy consists of developing new facilities in developing countries (in Africa, the Middle East, Latin America and Asia) and consolidating its existing facilities (in Europe, the United States and China) by expanding its network of treatment plants and saturating its assets. To this end, Veolia acquired an incinerator for hazardous waste in Constanti, Spain, in late 2014. By incorporating this facility into its European platform for the treatment of hazardous waste, Veolia is now able to extend its range of services to industrial companies in southern Europe, where there is a shortage of specialized facilities;
- **Management of end-of-life industrial facilities and equipment.** The increase in the number of industrial facilities and obsolete equipment that have either reached the end of their service life, sustained damage as a result of natural disasters or industrial accidents or pose a risk of contamination offers significant opportunities for growth for Veolia. Industrial customers must prevent the risk of contamination, recycle materials and reuse equipment as much as possible, locally and at low cost and may even be required to decontaminate sites before starting new business activities there. Veolia is expanding its operations in this new area by focusing on key accounts and positioning itself throughout the entire value chain, from dismantling services to upgrading equipment to ensure that it complies with current regulations and materials recovery. The Group is renowned for its skills and cutting-edge technologies for decontaminating land, recycling waste and treating hazardous pollution (such as nuclear waste and asbestos), as well as for its ability to offer high-quality project management throughout the entire value chain, thereby guaranteeing, among other things, traceability and responsible waste management. In this area, Veolia is active in the dismantling of offshore oil rigs, trains and boats, as well as in the characterization of nuclear waste.

1.2.3 EFFICIENCY PROGRAM

The cost savings program implemented during the 2012-2015 period was a success, with gross savings of more than €800 million achieved over the four-year period, compared with an initial target of €450 million (which was later increased to €750 million in 2013).

Veolia is implementing a new efficiency plan for the 2016-2018 period, which uses a similar method to the previous one, namely, developing improvement plans for each country and monitoring these centrally. The aim this time is to make further gross savings⁽¹⁾ of more than €600 million by 2018.

This new plan covers three key areas for improvement, relating to:

- purchasing (rationalizing subcontracting arrangements, optimizing purchasing of energy and chemical products,...);
- organizational costs (reducing real estate costs, particularly by establishing a single headquarters in Aubervilliers, reducing costs associated with information systems,...);
- operations (improving yields from drinking water networks, optimizing sludge management, improving the energy efficiency of facilities,...).

The “operations” component will account for a higher proportion of the total savings to be made than in the previous plan.

The plan for improving the Group’s operating efficiency is based on the operational benchmark and performance standards developed by Veolia’s Centers of Excellence (which bring together experts from all of the different regions in which the Group operates to define fundamental principles and best practices for key activities), as well as on an internal platform that allows information to be shared across different departments and entities. An optimization plan will be drawn up for each Veolia site and contract.

1.2.4 CLIMATE STRATEGY

As one of the leading providers of environmental services, Veolia partners with many municipalities. Cities account for 70% of global CO₂ emissions⁽²⁾, so the drive to reduce greenhouse gas emissions relies upon the engagement of municipalities. The Group also designs, supplies and operates solutions that aim to effectively reduce the greenhouse gases produced by industrial companies.

Veolia’s proposals for reducing greenhouse gas emissions and adapting to climate change are as follows:

Changing how we use natural resources

The “extract-manufacture-discard” approach advocated under a linear economic model is costly in terms of energy, whereas the circular economic model for using natural resources is less wasteful and more efficient. Veolia’s services are helping to develop a new model for using resources that is based upon recycling and recovering waste, producing renewable energy and energy efficiency. These solutions lie at the heart of our partnerships with metropolitan regions, cities and industrial companies.

More specifically, Veolia offers the following services:

- Recycling and waste recovery (production of secondary raw materials), helping to reduce greenhouse gas emissions linked in particular to the extraction of raw materials. For example, manufacturing a plastic bottle by recycling used bottles produces 70% less CO₂ than making it from oil products.
- Producing renewable energy, e.g. heat and electricity produced from waste, biomass as a source of fuel for power plants, heat from data centers, wastewater calories and unavoidable energy from factories.
- Energy efficiency and heating networks.

Between 2015 and 2020, Veolia will help to limit emissions by committing to:

- reducing emissions produced by facilities managed by the Group by 100 million tons of CO₂ over the period;
- preventing the Group’s customers from producing 50 million tons of CO₂ over the period through the recovery of energy, water and materials.

(1) Before implementation costs.

(2) Cities and Climate Change: Global Report on Human Settlements 2011 – Abridged.

Veolia also develops solutions to help customers adapt to climate change and improve their resilience.

The Group co-develops solutions with its customers and partners at local level, based on an approach that advocates short distribution channels and local loops. The Group also uses its expertise and research and development resources to innovate, in terms of both its technologies and contracts, by promoting new business models and a more socially responsible approach to tackling issues such as employment, welfare-to-work training, access to key services, vulnerable groups, etc.:

- water recycling solutions that help to reduce pressure on resources and conflicting usages in areas exposed to water stress;
- solutions for managing sewerage during periods of heavy rainfall to prevent flooding;
- continuity plans setting out how essential services will be provided following extreme events.

Tackling short-lived climate pollutant emissions

The second measure in winning the battle against climate change is to tackle short-lived greenhouse gases with high global warming potential, such as methane (CH₄). When calculated over a 20-year period, the global warming potential of methane is 80 times higher than that of CO₂. According to this calculation, methane has accounted for 40% of global greenhouse gas emissions over the past 20 years (almost equivalent to CO₂ emissions). 23% of methane emissions worldwide are produced by landfill sites and wastewater treatment plants.

Veolia has been a pioneer in capturing methane at its landfill sites and converting it into heat, biofuel or electricity, particularly in Latin America, where the Group has expanded its activity in this area.

Veolia has committed to capturing more than 60% of methane emissions from landfill sites managed by the Group by 2020.

Factoring the rising price of carbon into its strategic decisions

CO₂ pricing involves treating climate change as an externality to make the cost of pollution higher than that of cleaning it up. This principle of putting a price on pollution – of whatever kind – has proven fruitful. With half a century of experience in providing wastewater treatment services in France and three decades of providing waste solutions in both France and the United Kingdom, Veolia is ideally placed to judge the effectiveness of this approach in the fields of water, wastewater treatment and waste management. Veolia has set itself a rising carbon price internally to reflect its vision and changes in the regulations that govern the markets in which it operates.

Making methodological decisions by which the Group's overall contribution to reducing greenhouse gas emissions can be measured

Methodological decisions play a key role in calculating greenhouse gas emissions and the strategic decisions that are made on the basis of these calculations. Veolia has decided to make them a catalyst for action and dialog with its customers by:

- disclosing the emissions produced by sites operated by the Group, irrespective of whether they are consolidated for accounting purposes;
- calculating the contribution made by different gases on the basis of their global warming potential over 100 years, as defined in the most recent report published by the Intergovernmental Panel on Climate Change (IPCC), in which the global warming potential of biogenic methane was revised upwards from 25 to 28, resulting in a 12% increase in the methane emissions produced by the Group's activities.

The table below shows the direct and indirect greenhouse gas emissions produced by facilities operated by Veolia. These have been calculated on the basis of the different global warming potentials of methane used by industrial companies⁽¹⁾:

Emissions produced by Veolia, based on the global warming potential of biogenic methane used in the calculation	1995 IPCC benchmark used by the US Environmental Protection Agency (EPA) Global warming potential over 100 years = 21	2007 IPCC benchmark used in the 2015 French National Waste Inventory Global warming potential over 100 years = 25	2013 IPCC benchmark (used by Veolia in 2015) Global warming potential over 100 years = 28	2013 IPCC benchmark Global warming potential over 20 years = 84
2013	34.8	36.1	37.1	55.8
2014	32.7	33.8	34.7	51.1
2015	33.1	34.2	35.0	49.9

In million tons of CO₂e - total greenhouse gas emissions (scope 1 and 2).

(1) IPCC – Fifth Assessment Report: Chap. 8-Anthropogenic and Natural Radiative Forcing Appendix 8.A.

1.3 The Group's business lines and markets AFR

Veolia has three main business lines (Water, Waste and Energy) and operates in two key markets (the municipal market and the industrial market, which includes the service sector).

1.3.1 BUSINESS LINES

Veolia operates on five continents as a world leader in providing water management services on behalf of municipal and industrial customers. It is an expert in developing technological solutions and carrying out the construction work needed to operate its services. In 2015, Veolia provided drinking water to 100 million people and wastewater services to 63 million people worldwide.

The Group sets the global standard for all waste solutions, from recycling to processing and recovery. It manages 601 processing facilities (excluding post-operational landfill sites) on behalf of municipalities and collects the waste produced by nearly 39 million people worldwide.

A world leader in energy, Veolia operates 779 heating and cooling networks and is a key player in the field of energy efficiency solutions for buildings and industrial utilities, managing over 2,000 industrial facilities.

The revenue generated by the various business lines in 2015 can be broken down as follows:

- the Water business line accounted for 45% of the Group's consolidated revenue, or €11,347.7 million;
- the Waste business line accounted for 35% of the Group's consolidated revenue, or €8,692 million;
- the Energy business line accounted for 20% of the Group's revenue or €4,925,1 million.

1.3.1.1 Water

Thanks to its entities and subsidiaries located around the world, Veolia is a leading expert in water cycle management, from producing and supplying drinking water to collecting, treating, recovering and recycling wastewater. The Group manages 4,245 water production plants and manages 3,303 wastewater treatment plants on five continents, on behalf of municipalities, industrial customers and citizens.

These services are normally delivered under different types of long-term contracts (see Section 1.3.2.4 below), with municipal contracts lasting between eight and twenty years on average and industrial ones between three and ten years, depending on the customer's aims and preferences. Contracts may take the form of public-private partnerships, BOT contracts, operation and maintenance (O&M) agreements or concession/lease contracts forming part of a French public service concession contract.

SUSTAINABLE MANAGEMENT OF WATER RESOURCES

Veolia is active in all stages of the water cycle, from withdrawal through to returning it to the natural environment. The Group has several decades' experience of managing all of these key phases, thanks to which it has acquired specialized knowledge and expertise in managing this resource.

The Group is committed to optimizing how the water cycle is managed, as well as to saving this increasingly scarce resource, guaranteeing its quality and ensuring that it is replenished. The Group helps its customers to develop holistic, integrated policies for managing water resources that emphasize the need to preserve ecosystems and biodiversity. Around the world, Veolia is providing solutions such as desalinating seawater, recycling and reusing wastewater and developing piping systems that help to optimize how this precious resource is managed.

WATER SUPPLY

Veolia offers a range of solutions for supplying drinking water and collecting wastewater, including:

- designing and installing water and sanitation networks;
- operating and maintaining water and sanitation networks;
- distributing drinking water;
- collecting wastewater.

At each stage of the water cycle, Veolia:

- ensures water traceability to guarantee that the quality of drinking water is preserved from the moment it leaves the plant to the point at which it reaches the consumer;

- monitors and measures the quality of effluents collected to ensure that the treatments carried out at the wastewater treatment plants operated by the Group are as effective as possible;
- provides asset management for networks to ensure that they deliver outstanding performance and that money spent on them delivers optimal value (replacement and operating costs).

WATER TREATMENT

Veolia's expertise in water treatment allows it to develop solutions that respond to the needs of municipalities and industrial companies, including:

- engineering, designing and building treatment plants;
- producing drinking and industrial process water;
- decontaminating wastewater;
- recycling wastewater and industrial effluents;
- operating, maintaining and optimizing treatment plants;
- producing "green" energy from wastewater and sludge (e.g. through anaerobic digestion, cogeneration and micro turbines).

The Group has a portfolio of more than 350 proprietary technologies (including physicochemical, biological, membrane and bio membrane, membrane desalination, thermal and hybrid treatments) to tackle the challenges of managing water in all its forms (drinking water, industrial process water, ultrapure water, wastewater and seawater). Veolia has significant expertise in monitoring water quality at every stage of the process, from withdrawal through to returning it to the natural environment.

Innovation is also a key area of the Group's strategy. For example, Veolia is currently developing solutions in areas such as recycling and reusing wastewater, producing "green" energy (e.g. by installing micro turbines at specific locations within its networks, using heat pumps to capture the calories found in wastewater and producing biogas from the anaerobic digestion of wastewater sludge), recovering materials for use in fertilizers and producing new materials such as bioplastics.

As well as helping to develop the circular economy and preserve water resources, these initiatives also serve to reduce the energy costs associated with water services, thus enabling municipalities and industrial companies to control their costs.

CUSTOMER SERVICE

Veolia has developed a range of multichannel customer relationship management tools to ensure that it maintains excellent relations with its customers. These include: customer service centers, where Veolia can respond to a range of consumer inquiries; local and "mobile" branches; web portals; mobile applications that customers can download onto a smartphone and use to carry out key transactions relating to their water service; and a range of payment and social support solutions.

SMART SERVICES

Veolia has used automated meter reading technology as a basis for developing digital monitoring services that allow domestic end consumers, municipalities and industrial customers to manage their water consumption more effectively.

Veolia has integrated control centers into its operations, from which services can be monitored in real time. These are permanently connected to Veolia's customer service centers, making it easier to coordinate operational responses on the ground.

Finally, Veolia has developed an energy management system that monitors in detail the energy used at sites operated by the Group, which can be used to continually improve performance.

PLANNING AND IMPLEMENTATION OF CONSTRUCTION WORK

Veolia Water Technologies (VWT) offers industrial companies and municipalities a comprehensive range of solutions and services designed to optimize their water usage, from supplying drinking and industrial process water to treating wastewater, managing wastewater sludge and recycling and reuse solutions (including the recovery of byproducts, raw materials and energy).

Veolia combines technology and engineering services to develop complete water treatment solutions, which may take the form of either packaged products or bespoke turnkey systems. VWT designs and builds drinking water production and wastewater treatment plants around the world for a range of industrial and municipal customers. Through its subsidiaries, VWT also offers water treatment equipment and technology, as well as mobile operational response solutions.

VWT's sanitation services transform wastewater into a resource. Using its technologies, it helps municipalities to produce reusable water, fertilizers, nutrients and thermal and electrical energy from wastewater.

VWT also works with mining, exploration, operating and engineering companies to respond to all their water needs, from producing drinking or desalinated water at remote sites to treating industrial process water and wastewater.

1.3.1.2 Waste

Veolia is one of the leading players in the management of liquid, solid, non-hazardous and hazardous waste. The Group boasts expertise in the entire waste life cycle, from collection to recycling, to material and energy recovery and landfill.

The term of Veolia contracts usually depends on the nature of the services provided, the applicable local regulations and the level of investment required. Waste collection contracts normally last between one and five years, while processing contracts can range from one year (for services provided on sites owned by Veolia) to 30 years (for services involving the financing, construction, installation and operation of new waste processing facilities, generally on behalf of municipalities). See Section 1.3.2.4 below for further information about contracts.

WASTE COLLECTION

Collection is the first stage of the waste management process and is evolving more and more into a logistics service. Veolia provides door-to-door household waste collections, as well as collecting waste from communal disposal points, commercial and non-hazardous industrial waste and green waste (keeping green spaces clean), as well as hazardous waste from industrial and service sector customers, including biomedical waste from hospitals and laboratories and waste oil (e.g. from boats and gas stations). It also handles dispersed hazardous waste, which must be separated during collection, either in individual containers or mixed with other recyclable materials.

Waste of the same type is taken either to transfer stations, where it is picked up by larger trucks, or to sorting centers, where it is separated by type and then sorted before being sent to the appropriate processing center.

Veolia develops innovative technical solutions to offer its customers a range of collection systems that can be adapted to suit their specific economic and regional requirements. New technologies have been developed in France, such as vehicles powered by biofuel, hybrid vehicles and alternative methods of transporting waste (e.g. by river or rail).

RECOVERING MATERIALS FROM WASTE

Veolia's goal is to process waste with a view to reintroducing it into the industrial production cycle and achieving the highest possible rate of recovery.

Solid waste is then transferred to specialized centers. In 2015, Veolia had 225 sorting centers and 395 transfer stations.

Veolia works upstream in partnership with industrial companies and the Group's research center to develop recycling activities. Veolia manages high-performance sorting centers for non-hazardous industrial waste and waste from selective collections, which guarantee recovery rates of over 50%. TSA2, Veolia's patented automated sequential technology for industrial applications, enhances the performance of its sorting facilities and enables the production of high-quality secondary raw materials. Thanks to a remotely operated sorting procedure, it is now possible to refine the sorting process even further to achieve recovery rates of over 95%.

Veolia also provides recycling services for complex waste, such as electrical and electronic devices and fluorescent bulbs.

Composting and recovery of organic material from fermentable waste

Through its subsidiary SEDE, Veolia is able to recover components from urban and industrial sludge from wastewater treatment plants. Part of this sludge is subsequently reintroduced into the agricultural cycle through land spreading, for which Veolia offers a traceability service.

WASTE-TO-ENERGY RECOVERY

Veolia's innovative technical solutions mean that it plays a key role in the circular economy. It has become a leading producer of renewable resources by developing recovery solutions that provide secondary raw materials to its customers. Veolia has a wide range of waste processing and recovery centers, including composting units, hazardous waste-processing facilities, incineration units and landfill sites.

Incineration and waste-to-energy recovery

Veolia operates 63 municipal solid waste incinerators (MSWI) fitted with a waste-to-energy recovery system designed to process non-hazardous (mainly urban) waste.

The heat produced by these units during the incineration process is subsequently converted into energy that can be used to power urban heating networks or sold on to electricity distributors.

Landfill and waste-to-energy recovery

At its landfill sites for non-hazardous waste, Veolia has developed unique expertise in processing waste using methods that reduce emissions of liquid and gas pollutants. 55 facilities are equipped with systems for converting biogas into a source of alternative energy.

DISMANTLING

The dismantling of end-of-life industrial equipment and mobile items (such as airplanes, boats, trains and oil rigs) combines Veolia's expertise in, firstly, dismantling equipment and, secondly, doing so in a way that makes it possible to manage and recover the resulting waste more effectively and decontaminate land. Veolia's extensive experience in both of these areas means that it can manage its customers' dismantling projects in a way that guarantees the best possible environmental, health and economic outcomes.

PROCESSING OF HAZARDOUS WASTE

In 2015, Veolia had 25 incineration units for hazardous industrial waste, 46 plants carrying out physicochemical and stabilization treatments, 14 hazardous waste landfill sites and 36 specialized recycling centers.

The main methods used to process industrial hazardous waste are incineration (for organic liquid waste, salt water and sludge), solvent recycling, stabilization of waste for subsequent processing at specially designed landfill sites and physicochemical processing of inorganic liquid waste.

Through its specialized subsidiaries, SARP Industries and VES Technical Solutions (in the United States), Veolia boasts a global network of experts who have helped it to become a world leader in processing, recycling and recovering hazardous waste and decontaminating land.

URBAN AND INDUSTRIAL CLEANING SERVICES AND SANITATION

The cleanliness of streets and public areas is an important factor in cities' attractiveness. Veolia develops services based on specific performance commitments. These can be provided 24 hours a day, seven days a week, and cover the upkeep of public spaces, urban cleaning and mechanical street and facade cleaning solutions.

In the industrial sector, Veolia provides site cleaning and maintenance services for its industrial and service sector customers, including the upkeep and maintenance of production lines and/or office cleaning. These services cover a range of facilities, from food and beverage processing plants to the sites of customers in the heavy and high-tech industries. Veolia also provides specialized services such as high-pressure cleaning and hydro blasting, dry-ice blasting and robotic tank cleaning for refineries and petrochemical facilities. The Group has also developed emergency services to treat site contamination in the event of an accident or other incident.

Through its specialized subsidiary SARP, Veolia provides liquid waste management services that largely involve pumping and transporting sewer network liquids and oil industry residues to treatment centers. The Group has developed a range of environmentally friendly procedures for managing liquid waste, including on-site collection and the recycling of water during processing. Used oil, which is hazardous for the environment, is collected by SARP Industries, a Veolia subsidiary that specializes in managing hazardous waste, before being processed and re-refined.

Land redevelopment and the expansion of residential and business zones may require the use of sites where soil has previously been contaminated. SARP Industries uses specific techniques to deal with difficult cases, such as treating contaminated sites and remediating industrial wasteland, reducing accidental spills and bringing active industrial sites into line with applicable environmental regulations.

1.3.1.3 Energy

Veolia is one of the key players in the fields of energy efficiency, managing heating and cooling networks effectively and producing green energy, where it can contribute its unique expertise towards building a more sustainable world.

Its energy solutions encompass the entire conversion cycle, from purchasing energies entering a site (fuel oil, gas, coal, biomass and biogas) to building new facilities or modernizing existing ones and selling the electricity produced on the market. Veolia works with its customers to help them optimize their energy purchasing and upgrade their facilities to improve their energy efficiency, both in terms of cost and atmospheric emissions.

Its solutions may involve renewable or alternative energy sources such as geothermal energy, biomass (organic material), heat generated from household waste incineration or recovered from industrial processes and cogeneration. Wherever possible, energy sources are combined to capitalize on their synergies.

Contracts for managing urban heating and cooling networks are long-term agreements that can be put in place for up to 30 years, while those for operating thermal and multi-technology power plants on behalf of either public or private sector customers can last up to 16 years. Industrial service contracts are generally shorter (lasting between six and seven years on average – see Section 1.3.2.4 below).

HEATING AND COOLING NETWORKS

Veolia is one of Europe's leading companies for managing urban heating and cooling networks, particularly in Central and Eastern Europe, and enjoys a strong position as an operator in the United States. These networks supply heating, hot water

and air conditioning to a wide range of public and private facilities, including schools, health centers, office buildings and apartment blocks. In addition to this, plants often generate electricity that can be sold, either to operators or on the market.

Veolia uses its unique expertise to design, build, operate and maintain heating and cooling networks, to which it can bring its extensive experience of innovative technologies, managing energy supplies (particularly those from renewable sources) and delivering services to end customers.

Hundreds of cities around the world have placed their trust in Veolia and count on its expertise to develop an energy mix that suits the needs of their particular region (including coal, gas, biomass and geothermal energy). Veolia works in partnership with municipalities, not only to support them in developing their energy strategy and urban planning, but also in the fight against fuel poverty.

ENERGY SERVICES FOR BUILDINGS

Whatever their purpose, supplying buildings with heating, air conditioning, lighting and hot water consumes a significant amount of energy. Veolia develops energy services for buildings that enable their owners to ensure the comfort of occupants, while at the same time reducing their energy consumption and making them more environmentally friendly. Veolia carries out energy audits of buildings, which are then used as a basis for developing and implementing improvement plans that meet customers' needs in terms of comfort and reducing energy consumption and CO₂ emissions. These plans may involve carrying out work on the building in question, installing simpler, more efficient energy equipment or tools for monitoring consumption, managing the building's performance or putting measures in place that encourage occupants to save energy. In several regions, the Group has set up "Hubgrade" control centers to manage the energy performance of buildings, allowing both public and private sector customers (including those in the industrial and service sectors) to benefit from Veolia's breadth of expertise in managing energy services for buildings.

INDUSTRIAL UTILITIES

Energy has become a key factor in industrial companies' competitiveness. Veolia's energy solutions offer such companies significant added value and respond to their need for reliability, quality, availability and value for money:

- optimizing industrial utilities: steam, electricity and compressed air;
- optimizing the use of process energy (aligning use with needs and identifying sources of unavoidable energy and recoverable byproducts);
- optimizing the energy consumption of industrial buildings;
- reducing greenhouse gas emissions.

Veolia offers its customers:

- **a secure supply** and effective mix of energy in terms of quantity, quality and cost;
- **a reduction in the energy and carbon footprint** of their industrial processes;
- **a guarantee that their facilities will remain operable**, in the form of specific service commitments.

1.3.1.4 Multi-business contracts with industrial customers

INDUSTRIAL OUTSOURCING AND INTEGRATED SERVICES

One of the main characteristics of the industrial outsourcing market is the increase in requests for integrated services from technical and multi-services business lines, often accompanied by a demand for environmental optimization services. Another is that this market has a large service scope and offerings must be international, or at the very least continent-wide, the industrial sector customers adopting increasingly multi-site and/or multi-country approaches.

From an operational standpoint, there are necessary changes to the customer relationship underway: the service provider is becoming the industrial sector customer's sole point of contact and a dialog is developing to seek solutions which satisfy the interests of both parties. By outsourcing the management of technical and multi-services to a specialist, the customer can refocus on its core business and benefit from best practices on service concessions. The combination of these two factors helps improve the performance and competitiveness of industrial sites.

By placing its business synergies, its know-how, its international spread and its solid reputation for services to industrial sector customers, Veolia has established itself as the benchmark for multi-business integrated offerings in industrial markets.

Veolia's organizational structure for the provision of multi-business services

Veolia Industries Global Solutions (VIGS) enables the Group to provide integrated solutions for industrial sector customers. Created in 2002, this subsidiary enables Veolia Environnement to better meet the expectations of customers wishing to outsource a range of services across several industrial sites to a single service provider.

The offering of Veolia Industries Global Solutions combines the Group's services and skills in a single contract, to contribute to the overall competitiveness of customers' industrial sites. This competitiveness is achieved by emphasizing operational synergies between the various services – water, energy, discharge treatment and waste management – and by providing technical and technological solutions intended to improve environmental performance.

In addition to economic performance, Veolia Industries Global Solutions also guarantees uniform operational management of sites and operating processes, a unique and comprehensive reporting process to measure performance between sites, and the transfer of best practices between multiple sites belonging to a single customer or industrial sector.

Multi-business contracts

The Group's operations in the multi-business field are mainly represented by some 15 major contracts, totaling an average annual revenue of approximately €400 million.

Multi-business operations also have a significant international dimension, particularly when industrial customers invest in the construction of new plants abroad ("greenfield" plants). This is particularly the case for Arcelor in Brazil, PSA Peugeot Citroën in Trnava (Slovakia) and Renault in Tangier (Morocco).

The reference points of Veolia Industries Global Solutions give it a unique position in the industrial outsourcing market and include:

- Solvent recycling combined with the sale of energy at the Novartis sites in Basel;
- The design, construction and operation of the first automobile plant with zero carbon emissions and zero water discharges, for Renault in Tangier, which mobilized the expertise and know-how of the Group's various business lines;
- The ability to assist leading pharmaceutical customers throughout Europe with applying the same standards, as demonstrated by contracts with Bristol Myers Squibb and Novartis.

Veolia Industries Global Solutions operates mainly in Europe. The experience built up over the course of recent years has enabled VIGS to develop unique know-how in the management of complex projects/contracts, which now enables it to support Veolia's geographic zones with the development of highly technical multi-business projects.

1.3.1.5 Another business: transportation of people

In 2011, Veolia Environnement and the Caisse des dépôts et consignations merged their respective subsidiaries, creating Veolia Transdev (now known as Transdev Group), owned 50/50 by Veolia Environnement and the Caisse des dépôts et consignations. The same year, Veolia Environnement announced its decision to withdraw progressively from transport operations. Accordingly, from fiscal year 2013, the Group has accounted for its investment in the Transdev Group, within "Investments in joint ventures" (continuing operations), using the equity method. Given the Group's reaffirmed desire to continue its withdrawal from transport operations, its investment in the Transdev Group does not represent an extension of the Group's operations within the meaning of the French Accounting Standards Authority's recommendation of April 4, 2013.

DESCRIPTION OF THE BUSINESS

Transdev Group (hereinafter "Transdev") is an international leader in mobility management. The group has partnerships with municipalities for designing and implementing high-performance safe mobility solutions. Transdev has developed significant expertise with multimodal transport, covering thirteen different types, from railroads to bicycles; it covers every stage in the mobility process, from designing and operating services to maintenance.

The bulk of Transdev's public transport operations are management concessions, under whatever different conditions, systems and regulations are in force in the various countries in question. These contracts, which have terms of between five and twelve years, are awarded via competitive bidding processes.

Transdev's operations fall into four main categories:

- *urban and intercity public transport by road*

In cities, Transdev operates bus and tram networks. Transdev is one of France's leading intercity transport companies, the group's traditional business, with a fleet of over 12,000 vehicles.

Transdev operates ferry and river shuttle services in tandem with its bus services in various urban areas, in France, the Netherlands, Australia and Sweden.

Transdev also operates commercial intercity bus services through its Eurolines and Isilines brands.

- *mass rail transport*

Transdev has been a rail operator for many years. It currently has a presence in eight countries and enjoys a solid reputation in Europe and worldwide.

- *commercial on-demand transport* (unsubsidized, B2C or B2B): taxis, French private passenger vehicles with drivers (VTCs), limousines, airport shuttle buses;
- *on-demand transport for frail or vulnerable people*: transportation of disabled or ill people (ambulance services in the Netherlands).

OPERATIONS IN 2015

In 2015, Transdev(at 100%) reported revenue of €6,634.3 million.

In 2015, in France, Transdev renewed its contracts for operating intercity transport services in the following French departments (*départements*): La Manche, La Seine-Maritime, Le Lot-et-Garonne and Les Côtes d'Armor, as well as the public service concession for managing transport in Arcachon, Beauvais and Chamonix. The call for tenders for operating the automatic shuttle rail service at Roissy Airport, won by Transdev, has also been put into effect.

In Sweden, Transdev has been awarded the contract for operating the Malmö-Lund bus network for ten years.

What is more, Transdev has been awarded the contract for operating the railway network in *Mittelsachsen*, Germany for ten years, and that of the *Hoeksche Waard* bus network in the Netherlands, for eight years.

In the United States, Transdev has won calls for tenders for operating the Phoenix transport network for five years, and for operating that of San Diego for eight years.

In 2015, Transdev sold its Israeli subsidiary charged with operating and maintaining the Jerusalem tram.

1.3.2 MARKETS

Environmental management services provided by Veolia include drinking water treatment and distribution, wastewater and sanitation services, and waste management and energy services. This market also encompasses the design, construction and, where applicable, financing of necessary facilities to supply such services. These services are intended for:

- municipalities and private individuals (municipal market);
- industrial or service companies (industrial market).

Environmental services are a growing market, driven by:

- population growth and increasing urbanization (70% of the world population will live in cities by 2050)⁽¹⁾;
- still-significant requirements worldwide regarding access to drinking water and wastewater systems (some 700 million people still do not have access to drinking water and over 2 billion have no access to wastewater systems)⁽¹⁾;
- increased awareness among municipalities, industrial companies and end-consumers of the need to take steps to protect the environment, with a regulatory framework that is becoming more stringent throughout the world and giving rise to investment and operational requirements;
- service cost restraints associated with performance requirements for state bodies and industrial companies, which encourage the outsourcing of services to specialists;
- significant changes in public behavior: increasingly knowledgeable about health, environmental protection and lifestyle changes aimed at a higher standard of living; increasingly sensitive to the functions of recycling and the collaborative economy; and wanting greater transparency in service governance.

1.3.2.1 Introduction to the municipal market

For Veolia, the municipal market encompasses services in the Water, Waste and Energy business lines aimed at users, performed under contracts with municipal governments, groups of municipal governments, or regional or national governments.

Cities' planning policies have to take into account three factors: the public (health, well-being and social justice), regional development (creation of economic value) and the planet (environmental protection).

Global warming, natural disasters, pollution, economic crises, social inequality, rocketing populations, increased mobility, accelerating urbanization (particularly in coastal zones), stress on resources and infrastructure, digitalization, and the vulnerability of information systems are some of the challenges to which cities must respond for high-performance and sustainable solutions.

Municipalities are required to manage – as cheaply as possible, yet in a smart and innovative way – water-, energy- and waste-management services, with solutions adapted to whether they are located in a developed or emerging country. With the centers of economic growth shifting from mature economies toward emerging economies, cities are playing a key role and the economic issues are becoming increasingly complex. The concessions market is being exhausted in well-established regions and is risky in some emerging regions, yet the traditional concession model has not been abandoned by municipalities. At the same time, municipalities not served by private operators are seeking new momentum in mature economies and are faced with growing urbanization, which increases the need for essential services in emerging countries.

(1) According to a United Nations report dated March 31, 2015.

Developed countries have put in place a regulatory framework that favors the circular economy, stringent measures, such as the announced end of waste disposal via landfill, resource protection, energy efficiency and energy decarbonization. Moreover, growing competition between territories means that “municipal” customers are seeking solutions to set themselves apart, requiring that operations be optimized and that new services be developed that emphasize environmental management and sustainable development know-how, while also incorporating social value.

In emerging economies, the demographic explosion in cities is leading to growing infrastructure needs, and to the emergence of a need to make use of run down or unadapted infrastructure.

Finally, in every city in the world, resilience is at the heart of all concerns and is becoming a major theme for a large number of stakeholders (institutions, municipalities, non-profits, etc.). The recent examples of Katrina in New Orleans, 2005, the earthquake in Christchurch, 2011, Sandy in New York and the repeated flooding in Montpellier, 2015, have reinforced the collective awareness that resilience has become necessary for cities.

In this context of rapid change, Veolia’s ambition is to help cities. Therefore, to complement its traditional offerings of guaranteeing reliable and efficient urban services, Veolia is developing an integrated approach to its Water, Waste and Energy business lines, as well as city solutions resting on major value-creation pillars, which can be deployed on the basis of specific situations and in all regions.

For example, the approach of the systemic and proactive city positions Veolia as a designer: a strategic partner in urban resilience that provides a comprehensive, ecosystem-style response to the issues of the city and region.

In particular, Veolia’s solutions cover:

- **City-planning** for better control of urban development over time;
- **Resilient infrastructure** that stands up to unpredictable weather better and lasts longer;
- **Water resource preservation** by reducing cities’ water usage, thereby guarding against increasingly frequent water stress;
- **Flood management** to reduce cities’ exposure to flooding, better anticipate events, manage crises and encourage a faster return to normal;
- **Decentralized energy supplies** to ensure power supplies are not cut off during critical situations, thereby guaranteeing that the city’s main functions keep running;
- **Urban heat islands** to reduce the impact of heatwaves by cooling some sensitive districts of the city;
- **Management of critical situations** to help the city set out emergency measures;
- **Bringing urban services back online** to enable the city to return to a satisfactory level of operations as quickly as possible.

Another example, in order to satisfy customer expectations in cities that are “attractive places to live” where quality of life is the urban policy motto, Veolia’s value propositions revolve around health, well-being and the sustainable environment:

- Improving **water resource quality, air quality and cleanliness**;
- Specific solutions **improving urban quality of life**;
- Solutions for **reducing greenhouse gas emissions**;
- Development of **sustainable districts**.

Other expectations of cities that are “inclusive and participatory”, “committed to the circular economy” and “digital”, enable Veolia to propose innovative offerings for creating value around the environmental footprint, the circular economy and smart infrastructure management services.

1.3.2.2 Introduction to the industrial market

For Veolia, the industrial market covers Water, Waste and Energy management services, offered to industrial or service sector customers.

Industrial firms are faced with challenges that are critical to their growth: increasingly stringent regulations, diminishing resources (water stress) in the zones where their production sites are located, the acceptability of their operations and social and media pressure on the right to operate and the need to control production costs (the raw materials used in processes). They are seeking partners able to take charge of all of these issues and provide them with solutions for sustainable, profitable growth.

In the service sector, energy efficiency regulations for buildings are becoming tougher, for example Europe’s Energy Efficiency Directive of 2012 (Articles 4 and 5), which requires a strategy for mobilizing investment renovating residential and commercial buildings, China’s 12th Five-Year Plan, or Canada’s National Energy Code for Buildings. Increasingly, customers demand sustainable initiatives.

Veolia offers industrial and service customers a full range of work and/or services to improve their competitiveness, and their environmental and social impact: improving facilities, producing the utilities necessary for the industrial process (steam,

industrial heating and cooling, process water, demineralized water, compressed air, etc.), optimizing consumption, reusing process water, limiting and recovering byproducts (treatment of effluents, recycling and recovery of waste, the competitiveness and durability of the disposal sectors, etc.), and improving observance by stakeholders and local people.

1.3.2.3 The Group's priority growth areas

Faced with the structural changes to its markets and the competitive environment for its operations, the Group has to select its projects in traditional markets carefully, offer innovative business models, and focus its operations on growing industrial markets and regions. Veolia strives for thorough and methodical identification of the sectors offering the greatest potential for its operations, remaining attentive to the issues faced by its industrial and municipal customers, and its staff in all regions and at all levels of the organization. Seven key growth areas have thus been identified as priorities:

INNOVATIVE MODELS FOR CITIES

Historically, Veolia's value proposition has consisted of ensuring the reliable, efficient and sustainable operation of urban utilities, and managing their development as economically as possible. It has traditionally been expressed through operation contracts, in a variety of legal forms, or construction contracts (networks, treatment plants, ...).

Beyond that, Veolia helps cities with the value creation that its business lines and solutions can contribute: resilience, the circular economy, inclusiveness, digitalization, quality of life, etc. This development is based on new models adjusted to the ways in which customers wish to be involved and the level of commitment they want, based on the idea of joint development:

- **Contracts that include the sharing of the value created** with the customer, whether that is based on financial or environmental performance (resource or energy savings, improved performance of facilities, etc.), on the creation of new revenues (mutualization of facilities, resale of electricity to the grid for cogeneration, recovery of byproducts, etc.) or on risk reduction (partnerships with insurers). A proportion of Veolia's remuneration is linked to achieving the expected results. The contract can include operating utilities (e.g. energy performance or resources contracts) or simply consultancy and management services (peer performance solutions contracts, like the one Veolia implemented in New York).
- **Financial partnerships** (AssetCo/OpCo models): contracts that include a third-party investor financing the investments necessary for optimizing the municipality's utilities, with Veolia guaranteeing the performance of the facilities over the amortization period.
- **Provision of specialist services:** this is a case of offering the customer the benefit of Veolia's expertise on targeted services (automatic meter reading, organization of operations, help with billing recovery, operating data analysis and consultancy, etc.) traditionally incorporated into comprehensive contracts.

In the digital field, in particular, Veolia makes use of infrastructure and systems that are enabling the emergence of the smart city, while making available the associated business models. These elements relate to:

- Operational efficiency gains (improved network performance, asset management, operation optimization, etc.);
- Improved service quality (transparency, interaction with the city's other service providers, communication with the end-customer, crisis management, etc.);
- New services and usages: services to end-customers, equipment, supervision, performance contracts, consultancy and targeted services.

Thus, Veolia is positioning itself along the full length of the value chain for the smart city:

- **Internet of things:** Veolia is a facilitator of the urban IoT (Internet of Things) and is one of the leaders in smart-metering, with over 4.5 million sensors / meters fitted ;
- **Digitalization of operations:** Veolia sets the standard for digital in its business lines. In partnership with IBM, the Group has developed a hypervision platform for water services that offers an overview of activity (Smart Water Box), great responsiveness, information transparency, operational efficiency and critical event management;
- **Overall vision of the city:** with a partner with the Smart City, Veolia is developing a real-time portal for the city, which will offer interaction with the members of the public who are consumers of the urban services.

OIL AND GAS INDUSTRY

The oil and gas market covers both upstream activities (exploration/production) and downstream activities (refining, petrochemicals, chemicals).

Upstream exploration/production operations are highly dependent on oil prices and have been experiencing a slowdown in the development of new projects since early 2015. However, industrial companies continue to explore and exploit new resources sustainably, seeking to extend the productive lives of mature sites and limit their environmental impact. Oil and gas production sometimes takes place in regions of water stress and unconventional extraction techniques consume large amounts of water.

The downstream refining and petrochemicals market is driven by the development of refining capabilities, particularly in Africa, the Middle East, Asia and Latin America, and by the dynamism of petrochemicals businesses in the United States, the Middle

East and Asia. These industries have growing needs for operational excellence and compliance with increasingly tough regulation of pollutant discharges.

Thus, the needs of customers in this industry are focused on the right to operate, on maximization of customer asset availability and output, on reduction of costs and risk, on resource and water efficiency, and on regulatory compliance.

Veolia is able to offer a range of services adapted to the needs of the two market segments:

- for the upstream market (exploration/ production): the construction and operation of facilities for treating injection water and produced water, mobile water treatment solutions, management of waste, including hazardous waste, industrial services, and the decommissioning of oil rigs;
- for the downstream market (refining, petrochemicals, chemicals): the treatment of process water, used water and cooling water, industrial services (surface treatments, robotic tank cleaning), treatment of hazardous waste, energy optimization of facilities, recovery of byproducts and hazardous waste (solvents, oily sludge, KOH, ...).

MINING, METALS AND POWER INDUSTRY

Mining is the sector with the second-highest water consumption (equivalent each year to the domestic consumption of the United States), and it needs to expand its fields of exploration in zones of water stress (70% of the projects of the six largest mining companies) to compensate for the depletion of the most easily accessible ores. However, like the metals industry, the mining sector is currently in a weakened state because of low commodity prices, reducing mining companies' margins and capacity for investment. Also under pressure from the public and regulators, these industries now need to limit their ecological footprint to ensure their production operations are sustainable.

In the power generation sector, lower consumption in mature economies and the sustained development of renewable energy sources have contributed to falling prices on the electricity market, jeopardizing the model of the "traditional" energy companies, which are taking a double hit on volumes and price.

The needs of the mining, metals and power industries, therefore, are focused on cutting costs (in particular, reducing energy bills, which account for 10-15% of average operating costs for mining and 20-40% for steel), increasing returns on output, reducing their ecological footprint, controlling emissions, cutting decommissioning costs, and reducing environmental liability risk.

Veolia offers industrial companies in these sectors a full range of services:

- Installation and operation of water treatment plants (e.g. desalination) and wastewater (industrial effluent) treatment and reclamation plants, acid mine drainage treatment, waste management...;
- Optimization of operational performance thanks to a range of services for utility efficiency and waste recovery;
- Soil recovery and improvement, site recovery;
- Financial engineering.

Veolia has a portfolio of technologies covering the needs of these industries – e.g. making zero liquid discharge plants possible – and the know-how to improve returns from operations by recovering byproducts. These services reduce the ecological footprint, and voluntarily give these operations an approach characterized by social responsibility and sustainable development.

FOOD AND BEVERAGE, AND PHARMACEUTICAL/COSMETICS INDUSTRIES

The food and beverage industry, which is the world's largest industrial sector, needs to respond to population growth, especially in high water stress regions, and the increasingly stringent demands of consumers and industry stakeholders in terms of environmental and social responsibility. It is a very fragmented industry (tens of millions of producers worldwide) with a presence in every country in the world.

Growth in the pharmaceutical and cosmetics market is being driven, in particular, by access to medicine in emerging countries (where the main players in the sector are creating new production capabilities); in mature countries the companies in the sector are subject to efficiency constraints and cost reductions because of the increasing effectiveness of generic drugs.

In mature countries, the needs of industrial food and beverage, and pharmaceutical/cosmetics firms are focused on overhauling and optimizing existing assets, complying with environmental requirements, improving the traceability and quality of products, limiting operational risk, and brand recognition and image. In growing markets, companies in these industries need support with their development through the construction of the associated production plants and treatment facilities, but also through the use of resources that do not put them in competition with the community they serve (right to operate), for example through minimal water usage, particularly in the beverage sector.

Veolia enables industrial food and beverage, and pharmaceutical and cosmetics firms to adopt an approach of reducing their environmental impact by improving their operational performance for water and energy cycle management, and by recovering the byproducts of their operations. Veolia has a real competitive advantage in this market, thanks to its comprehensive, integrated offerings, and its proprietary water, waste and energy management technologies (such as organic waste anaerobic digestion).

THE CIRCULAR ECONOMY

The circular economy aims primarily to implement solutions to extend the life of resources (materials, water and energy) in response to their increasing scarcity and the volatility of commodity prices. The circular economy is driven by regulation across the globe that is becoming favorable to recovery and recycling (in Europe, with the end of landfill and the enforcement of extended producer responsibility; in the United States, where there is a noticeable increase in uptake of new value creation models; and in China, a country that is moving its regulation towards fostering a sustainable economy), and by changes in behavior and patterns of consumption. Cities and industrial firms are thus becoming producers of alternative resources and local supply loops are emerging.

Veolia helps its customers to create value by:

- supplying materials and manufactured goods produced from waste, from wastewater and from unavoidable energy: technical and special waste (e.g. plastics, paper, card, rare earth metals from electrical and electronic equipment, solvents, etc.) organic matter (e.g. compost, fertilizers, etc.), refuse-derived fuels (solid recovered fuel, biogas, biomass, ...);
- offering bespoke solutions for preserving and renewing resources in a circular economy model: comprehensive resource management, mutualization of multi-customer platforms (territorial ecology, green district heating, industrial wastewater reuse, etc.), and energy and electricity efficiency.

DIFFICULT-TO-TREAT POLLUTION AND HAZARDOUS WASTE

Some complex waste and effluent is hazardous to health and the environment, so it requires high levels of expertise and nonstandard equipment. There is a general awareness of the risks (health, ecological, environmental, etc.) of difficult-to-treat pollutants, which are subject to increasingly restrictive regulation.

A limited number of operators are currently capable of managing hazardous waste and complex effluent (discharges and waste from the chemical, oil, metals and nuclear industries; electrical/electronic waste; hospital waste; soil remediation;...), and of meeting customers' needs: cost optimization, reduction of environmental liability risk, appropriate and complete treatment facilities compliant with regulations, and improved ecological footprint.

Veolia has a worldwide network of experts and resources that have been developed gradually over years and are easily mobilized, a full range of technologies and services for processing difficult-to-treat effluents (Veolia Water Technologies subsidiary) and hazardous waste, and for soil remediation (GRS-Valtech subsidiary). They meet the highest standards and are supported by cutting-edge research.

MANAGEMENT OF ENDING INDUSTRIAL CYCLES

The number of industrial facilities and equipment that are obsolete or at the end of their life, or that have suffered natural or industrial disasters, is growing year by year. Management of the end-of-life of these industrial assets (oil rigs, ships, trains, aircraft, power stations and brownfield sites) must comply with various restrictions or goals: preventing contamination risk (presence of asbestos, oil, chemicals, etc.), optimizing materials recycling and equipment reuse, and remediating polluted soil so the land can be put to new use.

The Group offers a full range of services, with treatment of waste (including hazardous waste), recycling to maximize asset value, soil remediation, the minimizing of safety and environmental risk (back fitting facilities), and the turnkey management of projects to decommission facilities throughout the value chain (inventory and categorization of the elements to be decommissioned, demolition, and recovery or disposal of waste, including its traceability).

1.3.2.4 Contracts

The variety of the business models implemented by the Group results in diverse contract forms tailored to suit local legal systems, customer type (public vs. private), requirements (in terms of financing and performance) and size.

Veolia therefore strives to take its customers' expectations into account in its contract negotiations, building a partnership-based relationship that is attentive to the customer's concerns, and a shared approach to improvement and productivity. It sets out clearly defined commitments to performance and sharing the value created, while meeting regulators' transparency requirements, from the tendering stage, throughout performance of the contract.

CONTRACTUAL RELATIONSHIPS WITH MUNICIPALITIES

Contractual relationships with municipalities for services to local inhabitants ("public services" or "services of general economic interest", for which the municipality is responsible), vary with the level of involvement of the municipality and the contractor.

Most often, these public services fall under the responsibility of the competent municipalities, which are directly involved in their management in various ways. They may:

- **Operate the service themselves** (direct or internal management by a state-owned enterprise) using their own resources or resources entrusted to a body that the municipality completely controls, similarly to the way it controls its own departments (or “in-house” under EU regulations);
- **Engage the services of private, part-public or public companies**, which operate all or part of the service on their behalf (in its entirety, for support assignments related to the service, or within a limited scope) and for which they form the customer base;
- **Transfer or delegate**, to a private, part-public or public company, responsibility for operating all or part of the service, allocating the human, material and financial resources and, where applicable, designing, building and financing the facilities needed to operate the service.

In certain cases, service users may directly form the customer base of the Group’s entities.

The variety of approaches to managing “public services” thus gives rise to contractual mechanisms that Veolia adapts to suit each customer, depending on whether or not the company is made fully responsible for providing the service, how it is funded and the relationship with end-users.

Contracts generally fall into one of three categories:

- **Public contracts:** the public entity charges the contractor with delivering supplies, work and/or services in exchange for payment by the former as the services are performed. These contracts may have a limited purpose (e.g. operating a heat production plant, a waste treatment facility, a sewage treatment plant, ...). Increasingly, however, municipalities are turning to comprehensive public procurement contracts, whereby the company is tasked with designing, building, operating and maintaining facilities; these may include remuneration mechanisms (particularly Design, Build, Operate, Maintain (DBOM) procurement contracts) or Design, Build, Operate (DBO) contracts for international markets, including design but no financing;
- **Partnership contracts** on the basis of Build, Operate, Transfer (BOT), or Build, Own, Operate (BOO) contracts with financing for international markets: contracts whereby the public entity assigns the overall task of designing, building and/or operating facilities, which may include partial or total financing and an end-of-operations asset transfer clause. These contracts may be performed by Group companies acting alone or as part of a consortium with third parties or, where facilities are subject to financing, through *ad hoc* companies that conclude the contract and take on the debt, without the lenders being able to launch proceedings against the borrower’s shareholders. In this type of contractual arrangement, it is also common to create an operating company to operate and maintain the facility. Group companies may, for a single project, invest to varying degrees in the construction consortium, in the capital of the *ad hoc* company awarded the main contract or in the capital of the operating company;
- **Public service concession contract:** the public entity grants the contractor the concession to manage a public service, taking on all or part of the operating risk. It is most common for this to result in remuneration paid for, in whole or in part, by the service user.

Although some established models still dominate, depending on the country and the operations carried out by the Group, contractual models may evolve to address new priorities faced by municipalities, providing them with innovative financing solutions and remuneration mechanisms based on the savings achieved and/or the performance of the service. The term of these contracts varies with the task assigned: they are often medium- or long-term contracts. Long-term contracts may include a periodic review of financial terms and conditions.

PARTNERSHIPS WITH INDUSTRIAL- AND SERVICE-SECTOR COMPANIES

Partnerships with industrial and service sector businesses can also take a variety of contractual forms; the minimum these include is a service of limited scope, but they can also cover the design, financing, construction and full operation of a facility. These contracts are customized because they seek to address exactly the specific issues facing each customer:

- **Outsourcing a group of services** not included in its core business, such as site management (steam, compressed air, electricity, cooling towers, cooling unit, heating, ventilation, air-conditioning, etc.), the water cycle (drinking water, process water and effluents) and waste management. More broadly, the Group can manage the full range of production support services at industrial sites: building maintenance, lifting equipment, fire detection, mechanical and electrical maintenance, calibration, instrumentation ...;
- **Exploring and implementing innovative or hi-tech solutions** to address complex problems: e.g. in the fields of remediation, of hazardous waste recovery, of greenhouse gas emission reductions through projects with a significant environmental component (biomass or solar facilities), of purification of the water used in the customer’s industrial process, and of the treatment or reuse of industrial wastewater by zero wastewater discharge projects.

In most cases, the contracts set performance targets, on which Veolia’s remuneration is partly based.

The Group is also very careful to strive for economic balance in its contract portfolio, particularly when investments need to be financed. The contracts managed are complex and long-term, so the Group is skilled in analyzing and monitoring contracts. The content of tenders is approved by Veolia's Investment Committee (for the most important ones), or by the regional or country investment approval committees. The Group's central operational departments are involved in the process of negotiating and drawing up tenders for major contracts, launched by the operational companies. Controls are put in place covering the implementation of tenders and contracts. Each year, the Veolia Internal Audit Department's schedule includes a review of the contractual and financial challenges of the Group's most significant contracts.

1.3.2.5 Factors that could influence the Group's business lines

The Group's main business lines could be influenced by the following key factors:

WATER MANAGEMENT

- changes to billed volumes (particularly weather variations, which could influence domestic water consumption; see below);
- the ability to achieve, within the planned timeframe, rate increases in line with Group targets;
- the ability to implement cost-cutting programs;
- the pace of the projects of municipal customers and some larger industrial customers (for designing and implementing installations);
- the ability to meet service commitments negotiated with customers or regulators;
- continued technological leadership (for designing and implementing installations);
- a full grasp of the constraints and technical solutions in relation to contract performance;
- the ability to renew existing contracts under satisfactory conditions in a very competitive environment;
- the ability to control costs and impose favorable conditions for sharing risks and profits;
- thoroughness in negotiation and performance (particularly as regards the ability to respect deadlines and the costs budgeted for designing and implementing installations).

WASTE MANAGEMENT

- a presence at all points of the waste value chain, from pre-collection through all aspects of treatment and recovery, in a representative range of geographic zones, in order to identify and manage innovative, tailored solutions that set the Group apart from its competitors in the market;
- the management of risks relating to environmental protection, and to the safety of individuals and facilities;
- the quality of employee management in sectors that are often labor-intensive (limiting absenteeism and strikes, and developing skills and training);
- the ability to innovate using new technologies (treatment and mobile equipment) and processes (sorting/recycling), founded on an effective technology-, regulator- and competition-monitoring system;
- operating efficiency (procurement, sales, logistics and maintenance management) to optimize unit costs and the utilization rate of equipment, while ensuring the high level of quality required for the products and services delivered;
- investment management in certain capital-intensive businesses (selectivity, risk analysis and facility size);
- the quality of contractual management for long-term contracts (major clauses, price review formulae, guarantees and sureties, etc.);
- the management of economic and financial risk: in particular, volume fluctuations, reduced exposure to volatility in raw material prices (fuel, and secondary raw materials, such as paper and metals), see below.

ENERGY SERVICES

- public policies supporting energy transition (energy efficiency, the development of renewable energy sources, ...) and the reduction of pollutant emissions;
- changes in the energy market, particularly in terms of the selling price of electricity and heating, the accessibility and production cost of fuels, and CO₂ quotas (see below);
- urbanization dynamics and climatic variations from year to year, which can affect sales of heating and cooling;
- the economic environment and its influence on the activity levels of industrial sites.

Seasonal variations and fluctuating raw material prices can impact the Group's businesses.

The Water and Energy business lines are subject to seasonal changes and weather uncertainty (see Chapter 5, Section 5.1.1.5, below).

Moreover, changes in the prices of primary raw materials (particularly fuel, coal and natural gas) and of secondary raw materials (paper, cardboard, ferrous scrap and non-ferrous metals) can have varying effects on Veolia's businesses (see Chapter 5, Section 5.1.1.3, below).

The prices of energy and raw materials experience variations, which are very often pronounced. For example, in 2015, the price of a barrel of North Sea Brent crude fluctuated around an average of \$52 (47% lower than the average for 2014); it started out increasing for the first three quarters of the year, relative to the late-2014 level, at least, before dropping again very sharply in the final quarter of 2015. The average price, in euro, of a barrel of Brent crude fell by 36% year-on-year.

As for gas prices, they change with the weather and how competitive gas is with coal, which explains the major price variations from one year to the next. Average gas prices for the main European interconnection points fell by some 6% in 2015 compared with 2014 (the price in 2014 was 22% lower than in 2013).

Thus, the low average fuel price in 2015 compared with 2014 had a positive impact on the fuel expenses of the Waste business, of around €28 million in 2015.

The general consensus among product analysts is that oil prices will keep rising in the long-term, owing to the increasing scarcity of known oil reserves, and the need to adopt new sources of energy in response to growing environmental demands. However, the timeline for this trend is difficult to forecast because of the limited visibility that market participants face in terms of economic growth. A further drop in commodity prices can therefore not be ruled out. At any rate, as in recent years, energy prices are expected to remain volatile in 2016.

A significant portion of the revenue of the Waste business line is generated by its sorting/recycling and trading businesses, which are particularly sensitive to fluctuations in the price of recycled materials (paper, cardboard, ferrous scrap and non-ferrous metals). In 2015, annual averages for two representative price benchmarks (Copacel 1.05 for recycled paper and E40 for ferrous scrap) reported a 15% increase for recycled paper and a 21% drop for ferrous scrap, compared with the 2014 averages. On that basis, the drop in the price of recycled materials compared with 2014 reduced the revenue of the Waste business line by €38 million in 2015 compared with 2014.

1.3.2.6 Competition

Most markets for environmental services are very competitive, and are characterized by increasing technological challenges due to changes in regulation, as well as by the presence of experienced competitors. The competitive landscape is very diverse, but there are few players that are comparable to Veolia at global level.

Veolia's competitors can be broken down into four broadly homogeneous categories, in terms of their geographic footprint and extent of their range of services:

"GLOBAL MULTI-SERVICE COMPANIES"

"Global multi-service companies" have both a global geographic footprint and an extensive range of services in the Water, Waste and Energy business lines. Veolia belongs to this category, as do Suez Environnement and Remondis, although neither of these has a presence outside Water and Waste. These different players share the same springboards for growth: emerging economies, industrial markets, the circular economy, new technologies and high value-added services. Suez Environnement's strategic focus and range of services in Water and Waste make it Veolia's closest competitor.

What sets Veolia apart are its larger geographic footprint; its more extensive range of services, including Energy; the synergies between its Water, Waste and Energy business lines; its portfolio of technologies enabling it to tackle all water treatment problems; and its huge portfolio of industrial customers.

"GLOBAL SPECIALISTS"

Global specialists are companies that specialize in one of Veolia's business lines and have a worldwide geographic presence. This category includes, in particular, major players in the energy market, such as Engie or Eon, global equipment manufacturers, such as General Electric, Evoqua Water Technologies, Doosan or Schneider Electric, oil and gas specialists, and specialists in energy efficiency and facility management:

- In a context of declining electricity prices and expanding renewable energy sources, particularly in Europe, energy companies have been repositioning themselves into the renewables and "downstream" sectors in recent years, energy efficiency services in particular. Moreover, these companies are professionalizing their approach through innovations in the digital field (control centers, network optimization, the Internet of Things, etc.);
- The major equipment manufacturers, such as General Electric, Evoqua Water Technologies and Doosan, have a presence in both the municipalities and industrial markets. Focused on equipment sales, their growth strategies are also based on developing digital offerings, such as control centers and the Internet of things. In emerging countries , Veolia faces off

against Spanish and Brazilian civil-engineering firms (ACS, Sacyr, Acciona, Odebrecht, etc.), particularly in seawater desalination projects, or Asian equipment manufacturers, such as Hyflux (based in Singapore) and Wabag (based in India), which are gradually moving into operations;

- In the field of oil and gas, the competition is relatively fragmented. In addition to the large equipment manufacturers cited above, this competition comprises engineering companies, service providers and equipment manufacturers (Ecosphere), as well as energy companies, especially in the United States, where oil service operators (Schlumberger, Halliburton, Fractech and Baker Hughes), engineering companies (Worley Parsons, Kellogg Brown Root and Mustang) and other subcontractors (Bechtel, Technip and Aker Solutions) have a presence;
- Many companies operate in the decommissioning market, owing to the variety of industrial infrastructure reaching the end of its working life: oil rigs (Stork, Cape, Hertel and Bilfinger), petrochemical plants (Amec, AF Group, Aker Stord and Able UK), nuclear reactors (Areva, Onet, Bouygues, Vinci, Westinghouse, Amec, Nukem, Iberdrola, Ansaldo and Tractebel), and transportation, such as ships, trains and aircraft (TarmacAeroserve-SITA);
- In the service sector, competition takes many forms, and also comes from specialized companies (cleaning, food services, etc.) seeking to expand their offering into energy, from technical maintenance companies focusing on areas such as electrical facilities and which are increasingly forming partnerships with major construction and public works groups (Vinci, Bouygues, etc.), or from groups specializing in facility management (Sodexo, JLL, etc.).

Veolia sets itself apart from all these companies through its very broad positioning on the value chain of the Water, Waste and Energy business lines, through synergies between these three, and through its ability to guarantee its customers long-term reliability and performance, thanks to its combined engineering/construction and operational capabilities.

“LOCAL SPECIALISTS”

Unlike the “global specialists”, the “local specialists” have a geographic footprint limited to one country or region of the world. They set the standard in their market, with a range of expert offerings positioned in specific business lines. This category remains perhaps the largest in the market. In fact, Veolia faces a multitude of local specialists in the various countries of the world:

- In the United States, Veolia’s competitors in Waste are: Waste Management, which is developing circular economy offerings; Clean Harbors, which specializes in services to industrial firms and treatment of hazardous waste (acquired TFI in 2015); and Stericycle, which is a specialist in hospital waste that is expanding internationally (Latin America, Europe, Japan, Korea);
- In France, Dalkia which is part of the EDF Group, is established in energy efficiency, and is expanding into renewable energy and specialist technical sectors, as well as into countries where EDF operates (e.g. Poland, with the acquisition of ZEC in 2015), Saur focuses on Water operations;
- In the majority of countries, there are municipalities managing Water, Waste or Energy within well-defined geographic boundaries.

Veolia sets itself apart from these companies through the effects of scale, linked to its size, its ability to offer comprehensive services (multi-site and multi-business), the synergies between its business lines, and its ability to integrate construction and operation, thereby guaranteeing long-term reliability.

“LOCAL/REGIONAL MULTI-SERVICE COMPANIES”

In some developing countries, private or public/private companies have a large local footprint and are the leading players in local markets where Veolia also operates. For example, Beijing Capital Group, is expanding in the Water and Energy business lines. Backed with significant funding, the company is investing in the circular economy, desalination and incineration, and is diversifying its portfolio of technologies, particularly in sludge treatment. Another example is Singapore-based Sembcorp Group, which is Veolia’s competitor in the Water and Energy business lines, and is focused on the areas of construction and operation in emerging countries.

Veolia sets itself apart from these companies through the effects of scale, linked to its size, its ability to offer comprehensive services (multi-site and multi-business) and the synergies between its business lines.

1.4 Organization of the Group and other information relating to its operations AFR

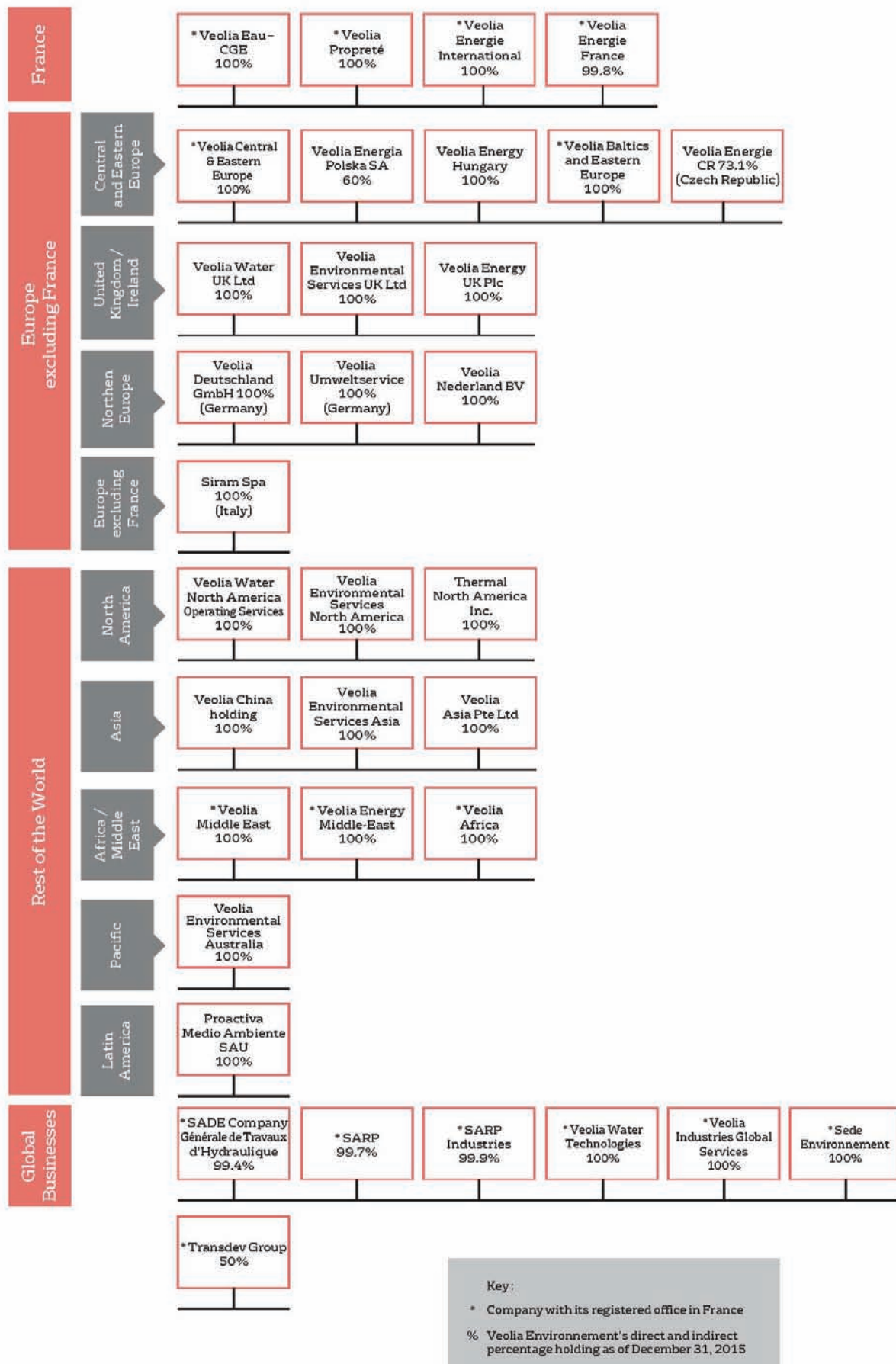
1.4.1 ORGANIZATIONAL CHART

The following organizational chart is a simplified chart of the main subsidiaries owned by Veolia Environnement, directly and/or indirectly, on December 31, 2015, categorized by geographic zone.

Its purpose is to present the organization of the Group by geographic zones through the main subsidiaries controlled directly and/or indirectly by Veolia Environnement, and not to reflect the Group's organizational structure in legal terms.

The list of the main companies included in the 2015 consolidated financial statements is included in Note 15 to the consolidated financial statements below.

VEOLIA ENVIRONNEMENT



Companies are included in the segment where most of their activities are carried out.

1.4.2 GEOGRAPHICAL ORGANIZATION OF ACTIVITIES

The following table sets out the geographic spread of Veolia Environnement 2015 revenue by operating segment.

Following the application of IFRS 10, 11 and 12, the Group's joint ventures are consolidated using the equity method. Therefore, their revenue (and particularly the revenue of the main joint ventures, that is the Water concessions in China and Transdev Group) are not included in the table below.

2015 revenue

<i>(in millions of euro)</i>	Total
France	5,471.5
Water France	2,922.3
Waste Solutions	2,549.2
Europe excluding France	8,574.7
Central and Eastern Europe	2,876.6
United Kingdom and Ireland	2,444.9
Northern Europe	2,201.5
Iberia	338.6
Other Europe excluding France	713.0
Rest of the world	5,926.1
North America	1,880.4
Latin America	654.7
Asia	1,242.6
Pacific	996.8
Africa / Middle East	1,151.6
Global business	4,881.0
SARP	361.8
SARP Industries	473.6
Veolia Water Technologies	2,253.1
SADE CGTH	1,261.2
SEDE Environnement	123.7
VIGS	368.1
Veolia Énergie France	39.5
Other	111.4
TOTAL GROUP	24,964.8

1.4.2.1 France

France is Veolia's historical market and represents a major part of the Group's activities in the areas of water and waste. The two Business Units in France are Water France and Waste Solutions (*Recyclage et valorisation des déchets*). These two Business Units represent consolidated revenue for 2015 of €5.5 billion, or 21.9% of the Group's total business activities.

Comments on revenue trends and results for this segment may be found in Chapter 3, Section 3.2.3.1 below.

In the context of energy transition in France, during the course of 2015 Veolia acquired Altergis (now Veolia Énergie France), a specialist in energy services. Veolia is therefore now able to provide new and different offers to its customers and to benefit from the Group's full expertise in the area of energy services.

WATER FRANCE

The Water France Business Unit manages water and wastewater treatment and recovery services, primarily for municipalities (largest operator in France) but also for industrial customers, throughout France. A range of integrated services also permits it to meet every requirement of the water cycle:

- the resource and its conservation;
- large-scale management and operation of water production and treatment plants;

- recovery of materials or products contained in effluents;
- reuse of treated effluents;
- nature conservation.

Water France's activities are carried out by its subsidiary Veolia Eau-Compagnie Générale des Eaux and some of its French subsidiaries, the largest French operator of water and wastewater treatment and recovery services⁽¹⁾.

Water France supplies drinking water to around 23 million people and wastewater systems to 16 million.

The French public service concession (DSP) market for water and wastewater services is currently a mature but stable market following many years marked by a return to municipal control and significant reductions in prices. In addition, the DSP's contract model remains increasingly restrictive (duration – Olivet ruling, safety, transparency, Brottes Law, etc.) resulting in growing costs to the concession holder.

Even in this restrictive environment, however, Water France continues to stand out thanks to its mastery of a wide range of important technologies, tools and know-how which allow it to provide services with significant added value, in particular:

- **Network management:** Water France uses modeling systems that allow it to optimize the performance of its networks and the overall costs allocated to them;
- **Customer relations:** Water France develops systems to manage contracts and consumption (online services, mobile apps, local help desks, etc.) for the individuals it serves;
- **Smart Water Box:** a global partnership between IBM and Veolia which has facilitated the development and use of a solution to analyze data from water management systems, provide global oversight of operations and predict events. This new solution is currently in use in Lyon.

In search of new growth drivers, Veolia created Nova Veolia, a company tasked with developing new and innovative services for the Group. This subsidiary invests in start-ups, develops partnerships with groundbreaking companies or establishes service companies with major digital components.

One of the first subsidiaries thus created is Majikan, which offers a digital planning and monitoring system for multi-business line technical operations. It has mobile tools and a dedicated support app to help field teams carry out their operations and allow them to benefit from feedback and improve their know-how and expertise on the subject. Majikan also offers platforms able to manage subcontracting, appointments and raising alerts.

Another subsidiary is Payboost, which offers a powerful and innovative mass invoicing and collections service (rents, taxes, water bills). This market-pioneering company offers an original approach to managing receipts and collections, intended to shorten payment periods by offering innovative payment solutions to the most fragile customers. Another Veolia Eau - Compagnie Générale des Eaux subsidiary is M2Ocity, specialized in smart and connected objects and working to develop a remote meter reading capability. Its objective is to integrate smart and connectible objects to allow simpler urban and building management.

Revenue for this Business Unit in 2015 amounted to €2,922.3 million and represents 11.7% of Group revenue as of December 31, 2015.

Comments on revenue trends and results for this Business Unit may be found in Chapter 3, Section 3.2.3.1 below.

Taken together, the public service concession contracts renewed in 2015 represent estimated cumulative annual revenue of €710 million, all in what is still a very competitive market. Successes during the period include 28 new public service delegation contracts in water and wastewater, and 497 new service agreement with municipalities with the most significant being the contract to operate wastewater treatment plants of the Agglomération Orleans Val de Loire and the customer operations contract with the local public company in Rennes. In addition, over 104 new industrial market contracts were signed.

The following table presents revenue generated by the main municipal contracts in France which are to be renewed or renegotiated during the period from 2016 to 2021.

City	Estimated annual revenue (in million euro)	Contract expiry date
Toulouse – Wastewater systems	55	2020
Toulouse – Drinking water	39	2020
Toulon	20	2019

(1) According to the 2015 Global Water Market report published by Global Water Intelligence.

WASTE SOLUTIONS (RECYCLAGE ET VALORISATION DES DÉCHETS)

In a mature waste market, marked by a decrease in tonnage directly linked to sluggish economic growth, there is a move towards a concentration of customers (agglomerations, joint commissions, etc.) for collection and processing activities.

While market actors are looking for resource-saving methods of production and consumption as well as innovative and economically-efficient collection and recovery services, recent changes to the legal and regulatory framework of the waste market offer a context favoring a transition towards a circular economy. The circular economy package adopted by the Juncker Commission and the energy transition law establish ambitious goals for reducing the tonnage of waste taken to landfills (-30% by 2020 and -50% by 2050) and replacing it with recycling and the use of waste recovery as a source of energy.

As a partner to many industries and communities, the Waste Solutions Unit is seeking to make Veolia the producer of reference for secondary raw materials and green energy. The company offers a complete range of innovative solutions for every stage of the waste cycle, from collection to recovery as either materials or energy.

Waste Solutions operations are carried out by Veolia Propreté and some of its French subsidiaries.

Upstream of the waste cycle, Waste Solutions offers its industrial and municipal customers:

- **integrated offers for the maintenance of production equipment** and the management of waste flows from industrial sites;
- **innovative collection** solutions tailored to municipalities' specific local circumstances (economic, social, environmental).

Downstream, Waste Solutions provides treatment operations intended to eliminate pollutants and transform waste into resources:

- **sorting, recycling and recovery** of household waste and non-hazardous industrial waste by means of dedicated facilities with high performance powerful technologies;
- **dismantling industrial sites** and materials at the end of their useful lives (ships, planes, trains, vehicles, etc.) with the expertise of the company Bartin Recycling;
- **developing systems** to reintroduce secondary raw materials into production systems, for example via its Triade network, which recycles and recovers e-waste, or VPFR, which deals in secondary raw materials (paper/cardboard and plastics);
- **transformation of organic matter** into compost to return it to the earth;
- **production of refuse-derived fuels (RDF) as well as heat and electricity** from landfilled or incinerated waste or RDF.

Revenue for this Business Unit in 2015 amounted to €2,549.2 million and represents 10.2% of Group revenue as of December 31, 2015.

Comments on revenue trends and results for this Business Unit may be found in Chapter 3, Section 3.2.3.1 below.

VEOLIA ÉNERGIE FRANCE

In June 2015, Veolia acquired Altergis (now Veolia Énergie France), a specialist in energy services in France. This Business Unit is intended to offer French municipal and industrial customers comprehensive offers relating to energy efficiency. Veolia Énergie France achieved annual revenue of €72.7 million as of December 31, 2015.

Veolia Énergie France proposes three types of offer:

- *an energy efficiency and multi-technology maintenance offering*, provided by the subsidiaries Gestion Technique Énergie Climatique (GTEC) and PROSERV, dedicated to the maintenance of thermal and climate engineering facilities, multi-technology maintenance, energy management and thermal operation;
- *a building performance and emergency energy offering*, provided by the subsidiaries Façade Ingénierie (FI) and Façade Ingénierie Construction (FIC), dedicated to the performance of service sector buildings and POSITIF, dedicated to maintaining electrical energy systems in service and industrial buildings;
- *an engineering offering provided by Altergis Ingénierie*, dedicated to energy performance engineering.

Each of these subsidiaries has its own areas of expertise and allows Veolia Énergie France to offer a comprehensive energy offering:

- from draft projects to design;
- from execution to commissioning;
- from maintenance to a total guarantee for installations;
- from technical assistance to specialized training.

Veolia Énergie France offers its customers services for every area of activity:

- Municipalities (municipal buildings, elementary and high schools, swimming pools);
- Health (hospitals, assisted living and retirement homes, ...);
- Defense (army, police, ...)

- Industry (agribusiness, labs, cosmetics, ...);
- Living (condominiums, social housing, hotels, luxury residences);
- Service (buildings, offices, movie theaters, wholesalers, shopping malls ...).

The major contracts signed in France in 2015 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue (in million euro)	Services provided
Water France					
European Metropolis of Lille	May	New	8	458	Public service concession contract for the management of drinking water distribution
Communauté de Lorient	(1)	New	7	21	Contract for the operation of Municipal wastewater facilities and networks
Communauté d'agglomération Marne la Vallée/Val Maubuée	May	Renewal	10	56	Public service concession contract for drinking water distribution
Communauté d'agglomération de la presqu'île Guérande-Atlantique	July	New	8	51	Public service leasing contract for municipal wastewater systems
Communauté d'agglomération du bassin d'Arcachon	December	Renewal	12	78	Public service concession contract for drinking water production and distribution
City of St Malo	November	Renewal	7	38	Public service concession contract for wastewater and rainwater collection and treatment
Communauté d'agglomération Grand Paris Seine Ouest	December	Renewal	12	52	Public service delegation contract for municipal wastewater services
Communauté d'agglomération du Boulonnais Boulogne-sur-Mer	December	Renewal	8	53	Leasing contract for the operation of 11 municipal wastewater treatment units
Waste solutions					
Ecocis	December	New	5	150	Paper recycling and recycled paper fiber supply contract
Syndicat Intercommunautaire du Littoral Rochefort 1	July	New	12	68	Energy recovery unit operation contract
Syndicat Intercommunautaire du Littoral Rochefort 2	July	Renewal	12	37	Energy recovery unit operation contract
Communauté agglomération de Limoges	September	Renewal	7	48	Household waste collection contract
Communauté d'agglomération de la Plaine St Denis	September	New	6	26	Waste collection services contract
SIEVD Rungis	December	Renewal	6	58	Energy recovery unit operation contract
Point P	May	Renewal	3	13	Waste treatment contract for waste from treatment centers
Communauté d'agglomération de Sophia Antipolis	September	New	5	29	Household waste collection services contract

(1) Contract signed in December 2014.

* Revenue from the contracts indicated represents the portion due to Veolia under these contracts. As a result, the sums indicated might be different from the figures provided in the press releases issued by the Group.

1.4.2.2 Europe excluding France

The Europe excluding France segment consists of three zones: Central and Eastern Europe, United Kingdom and Ireland and Northern Europe. Furthermore, Spain, Portugal and Italy are included in “Other European countries”.

Revenue for this Europe excluding France segment in 2015 amounted to €8,574.7 million and represents 34.3% of Group revenue as of December 31, 2015.

Comments on revenue trends and results for this segment may be found in Chapter 3, Section 3.2.3.1 below.

CENTRAL AND EASTERN EUROPE

Veolia is mainly present in Central Europe in the water and energy markets, where the Group manages municipal drinking water and/or wastewater systems for major cities including the capital cities Prague, Sofia, Bucharest and Budapest. Veolia also supplies around 40% of the Czech population. In the energy market, the Group is well known for its operation of heating networks (production and/or distribution), in particular in Poland (dominant position due to its presence in Warsaw, Poznan and Lodz), in the Czech Republic (Ostrava), Slovakia (Bratislava), Hungary (Pecs) and Romania (Ploesti and Iasi).

Most of Veolia's activities are public service concessions for municipalities carried out under concession contracts or infrastructure leasing/operation contracts or through regulated activities in the Energy business line. The portfolio also includes service contracts for companies and municipalities, as well as for the supply of energy and fluids (heat, cold, hot water, chilled water, etc.). Veolia offers innovative contractual models tracking energy performance (like the energy performance contract with the Kosice university complex in Slovakia) and/or environmental performance.

In Central Europe, the Group's actions are driven by European policies and associated regulations relating to the environment, energy (energy efficiency, support for renewable energies and high-efficiency cogeneration) and addressing climate change, resulting in a need to improve and modernize services and infrastructures (bringing them up to current standards).

UNITED KINGDOM AND IRELAND

In the United Kingdom and Ireland, Veolia provides services to four types of customer:

- municipal customers, primarily for energy recovery and waste recycling;
- industrial customers for water, energy and waste activities in order to reduce their resource consumption and ensure their security of supply of water and energy;
- regulated water companies to reduce their water consumption and produce energy from wastewater;
- finally, commercial customers thanks to tailored solutions minimizing the amount of waste sent to landfills and creating energy and recycled materials.

As municipalities are subjected to growing budgetary constraints (investment reduced by 40% since 2010) and industrial customers face global competition, these environmental services markets are currently under quite a bit of pressure.

Nevertheless, the Private Finance Initiative (PFI) structure which Veolia has championed and regulations favoring the circular economy open up numerous avenues for growth, in particular via combined circular offers, either waste-energy or water-waste, as well as specific solutions such as the treatment of hazardous waste or the anaerobic digestion of industrial effluents.

NORTHERN EUROPE

In Northern Europe, the regulatory framework relating to the environment and the encouraging business climate benefit Veolia's business lines, with the notable exception of public water supply services, which municipalities rarely delegate. Opportunities for Veolia relating to utility infrastructure exist in particular in the implementation of innovative environmental solutions in these countries.

In Germany, the Group is focused on three business lines: Water, Waste and Energy. In the paper sector, for example, Veolia processes 1,800 million metric tons of paper in partnership with major industrial companies such as Propapier and Smurfit Kappa.

Throughout the rest of Northern Europe, Veolia is present in the Benelux states and Nordic countries (Sweden, Norway and Finland) in the Energy and Water business lines. For example, Veolia provides energy management for the primary hospitals in Belgium and Sweden. Since September 2015, Veolia has also been active in plastic recycling in the Netherlands.

Veolia in Northern Europe offers a wide and varied range of offers relating to the circular economy – recycling, sludge recovery, biogas, performance contracts for Water and Energy (e.g.: building energy efficiency), resilience offers for managing rainwater in Germany; multi-business line contracts for municipalities intended to reduce their environmental footprint, with localization permitting various combinations of the three business lines.

OTHER EUROPEAN COUNTRIES

Veolia's activities in Portugal and Spain are managed by the Latin America zone.

In Portugal, Veolia's activities include energy recovery from solid municipal waste and energy efficiency solutions for thermal systems in buildings and industries for public and private customers, such as the hospitals of Loures and Ilha Terceira, as well as the service sector with Primark for seven shopping malls. Veolia Portugal also manages fifteen thermal facilities under performance contracts.

Veolia's business line in Spain is focused on energy. Veolia Spain manages more than 8,265 thermal facilities for public and private customers (industry and service).

In Spain, Veolia offers solutions for cities and companies for the operation and management of urban heating and cooling networks (e.g.: biomass networks for Barcelona and Ribes de Freser) and industrial utilities and energy for buildings (e.g.: Basurto hospital or the Reina Sofia Hospital complex).

In Italy, Veolia is active throughout the Energy sector. It manages more than 1,200 thermal facilities for public and private customers. Veolia offers multi-service and energy performance contracts for the service sector with a strong market presence in hospitals and public universities (e.g.: the University of Parma), industrial utility contracts for industry like the multi-technology contracts with Finmeccanica Group or General Electric.

The major contracts signed in the Europe excluding France segment in 2015 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue (in million euro)	Services provided
City of Sokolov, Western Bohemia-Czech Republic	December	Renewal	5	29	Public service concession contract for drinking water production and distribution
Southend-on-Sea Borough Council UK	May	New	15	202	Household waste collection and treatment and street cleaning contracts
Hampshire County Council UK	July	Extension	<5 ⁽¹⁾	680	Waste treatment services contract
Danderyds Hospital Sweden	April	Renewal	5	21	Building energy services contract
Stockholm Southern Hospital Sweden	April	New	5	21	Building energy services contract
Norilsk Nickel Finland	March	New	10	131	Energy performance contract
Sklejka-Eko SA Ostrow Wielkopolski-Poland	August	New	15	15	Industrial utility supply contract
UAB "Telsiu silumos tinklai" Telsai-Lithuania	June	Extension	10	38	Concession contract for a heating network for production and distribution
Indra Sistemas- Spain	January	New	5	34	Building energy efficiency supply services contract
La Paz Hospital- Madrid-Spain	February	New	15	15	Building energy efficiency supply services contract
Bee Power Ghent N.V Ghent Belgium	July	New	15	129	Biomass facility operation and maintenance contract
Office National des Pensions (ONP)-Tour du Midi Belgium	February	Renewal	10	30	Building energy efficiency supply services contract
Mayo Renewable Power Ltd Ireland	June	New	15	450	Biomass cogeneration operation and maintenance contract
Municipality of Pesaro Italy	April	New	9	15	Multi-technical services contract

(1) Three contracts expiring in 2023, 2024 and 2025 were renegotiated and extended to 2030.

* Revenue from the contracts indicated represents the portion due to Veolia under these contracts. As a result, the sums indicated might be different from the figures provided in the press releases issued by the Group.

1.4.2.3 Rest of the world

The Rest of the world segment consists of five zones: Africa/Middle East, North America, Latin America, Asia, Pacific.

Revenue for this Rest of world segment in 2015 amounted to €5,926,1 million, and represents 23.7% of Group revenue as of December 31, 2015.

Comments on revenue trends and results for this segment may be found in Chapter 3, Section 3.2.3.1 below.

NORTH AMERICA

In the United States and Canada, Veolia's activities are divided equally between industrial and municipal customers.

Involved with public agencies, cities, municipalities, hospitals and a wide range of urban university campuses, Veolia North America is active in water, energy and waste management. Veolia offers operation and maintenance solutions for the energy sector to municipal and commercial customers. An important part of Veolia's Energy activities is based on the concession model for heating networks, and it also offers energy efficiency services and consulting solutions.

The Group is a leading provider of management and maintenance services for drinking water distribution and wastewater systems in the North American sector via public-private partnerships with cities, towns and public bodies. In addition to these traditional models, Veolia has developed an innovative contract model to help cities identify efficiency opportunities and implement improvements. The model, called Peer Performance Solutions, is based on a combined consultancy and business line expertise offering and has been successfully introduced in cities such as New York, Washington DC and Pittsburgh. The Group also provides circular economy solutions via the collection and treatment of hazardous municipal or commercial waste and resource recovery. Veolia has also developed offerings in biogas and "smart" cities and buildings to extend its range of services, not only to benefit its current customers, but also to break into new markets such as universities, hospitals and federal government agencies.

Regarding its industrial customers, Veolia is primarily involved in the Water and Waste business lines, with a significant portion of its revenue coming from the oil and gas industry (primarily in refineries: treatment of oil sludge, industrial cleaning of tanks, hazardous waste treatment, etc.), chemicals, mining and metals and the pharmaceutical industry. Circular economy solutions, in particular in the form of resource recovery, are one of Veolia's primary areas of development in North America following its recent success in potash recovery and the cleaning and recycling of water. In coming years, Veolia intends to expand its range of Water, Energy and Waste services by leveraging its substantial customer site-based presence to cross sell across all sectors.

ASIA

In Asia, Veolia operates in its three major business lines. The main drivers of development in Asia are hazardous waste treatment, the circular economy, services in the oil and gas industries, chemicals and dismantling and soil rehabilitation services. In Japan, Veolia is primarily focused on concession-model water services or performance contracts and energy production on the basis of renewable resources.

In China and Hong Kong, in addition to the traditional concession contracts which the Group operates via joint ventures for drinking water production and wastewater systems (e.g.: Shenzhen, Shanghai Pudong, Haikou, Changzhou) and Waste business lines, in particular hazardous waste management throughout the country, Veolia is involved in the Energy sector with heating networks (Harbin, Jamusi) and industrial utilities (CTC and SanWaYao) contracts as well as services for buildings under development. In Korea, Veolia is primarily focused on the industrial services market, historically on water treatment and supply and more recently on the supply of steam produced using alternative fuels. Veolia's Asian markets are driven by economic growth, a growing middle class, urbanization (64% of the population will live in urban areas by 2025), and regulatory policies (e.g., China's 13th Five-Year Plan sets out ambitious environmental goals, particularly in terms of carbon impact).

AFRICA/MIDDLE EAST

In the municipal market, Africa and the Middle East are very dynamic markets driven by demographic growth, urbanization and social aspects (access to services, price of services). The Middle East has seen major infrastructure projects emerge, such as Dubai 2020 or Qatar 2022, which have been accompanied by growing environmental awareness in relation to resource protection. In Africa, a growing number of external financing solutions are available for the development of new projects.

Veolia is very present in Africa, and in particular in three countries: Morocco, Gabon and Niger. In Morocco, Veolia provides electricity, water distribution and wastewater treatment services for the cities of Rabat, Tangier and Tetouan through three concession contracts. In Gabon, Veolia provides drinking water production and distribution and electricity for the entire country through a concession contract. Lastly, in Niger, Veolia supplies the country's urban centers with drinking water under a lease contract.

In the Middle East, the Group operates mainly in Saudi Arabia and the United Arab Emirates, working in all three business lines with municipalities, industrial companies and the service sector, as well as in Qatar and Oman. Developments in our traditional business lines remain the primary driver for growth in this geographic zone.

In this zone, Veolia is also seeking to develop in the areas of hazardous waste management, with suitable contractual models, as well as in the mining and oil and gas sectors (in particular in the treatment of mining sludge).

PACIFIC

In Australia, Veolia's business is split between the industrial (77%) and the municipal (23%) markets, with the latter primarily involving Waste business lines. The oil and gas, mining and food and beverage industries are buoyant markets as regards energy efficiency and waste treatment and recovery. The traditional water market remains a development opportunity for Veolia, as municipalities come under regulatory pressure and look to long-term or performance contracts in their need to improve service efficiency.

LATIN AMERICA

In Latin America, Veolia operates its Water and Waste business lines in Brazil, Argentina, Chile, Colombia, Peru, Mexico and Ecuador. Business in these countries was initially geared towards municipalities. Since its total takeover of Proactiva in 2013, Veolia's aim has been to roll out high-added-value solutions, such as hazardous waste management via the Mexican subsidiary (RIMSA), or industrial process water recycling in all South American countries.

The confirmed intent for "green" growth on the part of many countries in the zone has meant a tightening of environmental restrictions, leading industrial companies to implement recycling and recovery solutions and control their environmental footprint more effectively. In addition, Latin American metropolitan authorities are working to support urban growth by developing high-performing, efficient and sustainable public services. The main focus areas for progress are: optimizing public services, creating waste recovery solutions, rational water resource management and protecting the natural environment.

Veolia's current portfolio of activities provides an excellent basis for development in order to supply the Group's traditional range of offers to municipalities (e.g.: extending the water concession for Monteria, Colombia) and expand into the mining and oil & gas sectors by providing offers with significant added value for industrial customers (e.g.: operating a water production factory for a mine in Peru).

The major contracts signed in the Rest of world segment in 2015 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue (in million euro)	Services provided
City of Freeport-USA	September	Renewal	10	43	Drinking water management services contract
Fulton County Georgia-USA	August	Renewal	5	50	Drinking water management services contract
International Boundary and Water Commission-USA	September	Renewal	5	40	Drinking water management services contract
Kenner, Louisiana-USA	July	Renewal	4.5	21	Drinking water management services contract
Sydney Water Corporation Australia	September	Renewal	15	250	Water treatment facility operation and maintenance contract
NSROC-Australia	August	New	10	61	Waste collection and treatment services contract
Woodside Offshore Services – Australia	April	Renewal	2	34	Contract for industrial waste treatment services – oil and gas
Minara Resources – Australia	July	New	5	16	Contract for industrial waste treatment services – mining
Wesfarmers (Coles) – Australia	December	Renewal	1.5	24	Waste collection and treatment services contract
Hydro Quebec-Canada	(1)	New	20	62	Cooling network operation contract
EDG Guinea	July	New	4	11	Electricity management contract for Guinea
Hongda-China	August	New	6	11	Contract for energy performance for industrial utilities

(1) Contract signed in December 2014.

* Revenue from the contracts indicated represents the portion due to Veolia under these contracts. As a result, the sums indicated might be different from the figures provided in the press releases issued by the Group.

1.4.2.4 Global Businesses (Global Enterprises)

The Global Enterprises bring together the Veolia business lines that need to be run and managed on a worldwide scale. These include the following Group activities: water and network engineering and construction, hazardous waste collection and treatment activities, sludge treatment and recycling and multi-business line activities.

Revenue for this Global businesses segment in 2015 amounted to €4,881 million, and represents 19.6% of Group revenue as of December 31, 2015.

Comments on revenue trends and results for this segment may be found in Chapter 3, Section 3.2.3.1 below.

VEOLIA WATER TECHNOLOGIES

Veolia Water Technologies (VWT) is responsible for the Groups' design and execution offers dealing with Water. The subsidiary designs and builds drinking water production facilities (in particular for desalination) and wastewater treatment plants around the world for municipal and industrial customers (e.g.: a contract for around €200 million for a facility to treat process water produced by the shale gas extraction process in the United States). Via its subsidiaries, VWT also offers solutions, equipment and technologies tailored to water treatment and mobile solutions.

SARP – SARP INDUSTRIES

While SARP is specialized in wastewater systems and industrial maintenance via its Sodi subsidiary, SARP Industries (SARPI) is specialized in the treatment and recovery of hazardous waste, landfilling, soil remediation and soil storage and depollution. SARPI in particular expanded its European hazardous waste treatment platform in 2014 via the acquisition of the sole specialized incinerator facility in Catalonia, Spain, at the heart of Tarragona's chemical sector.

With the integration of the Constanti facility in Spain, Veolia is expanding its service offer to industry in the South of Europe, a region lacking in dedicated treatment facilities. The hazardous materials treatment market is one with great potential for development, and Veolia has acquired very innovative recovery processes allowing it to produce high quality raw materials while controlling the health and environmental risks relating to hazardous waste. The Group possesses the technologies, know-how and unique organization necessary to drive its growth in the treatment of hazardous waste.

VEOLIA INDUSTRIES GLOBAL SOLUTIONS

Veolia Industries Global Solutions (VIGS) is responsible for industrial service contracts, generally multi-business line and multi-country. Particularly involved with customers from the automotive (Renault, Peugeot) and pharmaceutical (e.g.: Novartis, Bristol Myers Squibb) markets, VIGS operates production sites and utilities on behalf of industrial companies. The subsidiary is expanding into other sectors, including metallurgy (cf. Section 1.3.1.4 above).

SEDE ENVIRONNEMENT

Sede Environnement offers a range of sludge treatment and recovery services, primarily via composting, anaerobic digestion and dehydration. Its subsidiary Angibaud has developed a range of very specialized organic fertilizers and expertise in this area.

SADE

Sade is specialized in the design, construction, renovation and maintenance of networks and facilities for the conveyance and distribution of drinking water for its public sector customers. This subsidiary has expanded its activities to industrial customers to supply their production sites with raw and drinking water.

Veolia began the process of selling the company in 2015.

The major contracts signed in the Global Businesses segment in 2015 with municipalities or with companies in the industrial and service sectors were as follows*:

Municipality or company and location thereof	Month of signature of contract	New contract, or extension or renewal	Contract term	Estimated cumulative revenue (in million euro)	Services provided
Water					
Antero Resources-USA	August	New	-	353	Design and construction contract and wastewater treatment
FIBRIA-Brazil	August	New	-	38	Design and construction contract
Upper Egypt Electricity Production Company Egypt	November	New	-	29	Design and construction contract
Waste					
Andra-Morvillers – France	July	Renewal	-	20	Industrial operator contract
INB 35 du CEA Saclay – France	January	Renewal	-	19	Industrial operator contract
Multi-business line					
Bristol-Myers Squibb Europe	August	Renewal	5	100	Utility, multi-technology and multi-services outsourcing contract

* Revenue from the contracts indicated represents the portion due to Veolia under these contracts. As a result, the sums indicated might be different from the figures provided in the press releases issued by the Group.

1.5 Other activities

1.5.1 RESEARCH AND INNOVATION

If technology never advanced, the modern world would never be able to overcome the challenges facing it. The Group is therefore fully leveraging the inventive capacity of its teams and of its research and innovation network to meet these challenges by proposing solutions that combine innovation, performance and accessibility and by providing its customers with long-term support.

Veolia works every day to develop technological, contractual, social and managerial innovations in order to offer its municipal and industrial customers services with great added value. Innovation drives Veolia, allowing it to seize opportunities for growth and reinforce its development.

The Group's recent commercial successes have been supported by innovation, an inherent part of the Group's innovative entrepreneurial DNA, to achieve its growth goals and fulfill its mission of "resourcing the world".

In 2015, the total budget for research and innovation was approximately €71 million.

1.5.1.1 Research and innovation in support of Veolia's development

Research and innovation (or "R&I") reports to Veolia's innovation and markets department and is coordinated by Veolia Recherche et Innovation (VERI).

VERI works on behalf of all of the Group's activities and uses its scientific excellence to aid in the development of its business lines, improving the performance and productivity of the activities while anticipating Veolia's future needs.

2015 was marked by further alignment of the research and innovation activities with the Group's strategy.

Research and innovation has therefore benefited from the structuring of the Group's offers to orient each research program according to the Group's primary growth areas, the global performance and productivity of the activities and the development plans for Veolia's different zones.

This has resulted in a portfolio of research and innovation projects aligned with the Group's strategy and optimized to support its rapid growth.

This strategic alignment was bolstered by the implementation of a new governance structure. The launch and progress of research and innovation projects, regardless of the geographic zone or business concerned, is now subject to approval and

guidance by three committees bringing together the innovation and markets and technical and performance departments and the zones of the Group.

All research and innovation projects are therefore evaluated according to six criteria:

- three exclusionary criteria based on strategic orientation, technological feasibility and impact on the Group's activities; and
- three prioritization criteria based on appeal, return on investment and improvement of profitability.

1.5.1.2 Three pillars of research and innovation

Veolia's research and innovation is based on three complementary pillars:

RESEARCH AND INNOVATION CARRIED OUT WITHIN VERI

To guide and carry out these research programs, the Group relies on methodological rigor, internationally-recognized scientific excellence and the expertise of VERI's teams.

VERI has adopted an organization bringing together five specialized departments and four major research programs, including one so-called "incubator" which specifically includes the projects anticipating the Group's future needs.

It relies on six research and innovation centers, with the three main ones in Maisons-Laffitte, Limay and Saint-Maurice working together as a single research center, as well as test platforms and research pilots.

At the international level, Veolia has three specialized research centers. (i) in China, where Veolia has since 2010 worked closely with the first-rank Tsinghua University to open a joint research center, (ii) in Poland since 2012 with Heat Tech Center, in Warsaw, to establish a partnership of excellence for heating networks intended to reinforce the Group's position of reference in this area, and (iii) in Singapore since 2014 with a center of excellence for urban modeling.

Veolia's research activities are also supported by three test facilities for wastewater and drinking water treatment as well as seawater desalination, along with 250 research pilots to validate these technologies and ensure their reliability.

"VIBE" – A GLOBAL INTERNAL INNOVATION NETWORK

The objective of the Group's internal innovation network is to encourage every employee's innovativeness to achieve improvements in productivity and performance. It also seeks to develop relations and foster exchanges of information between all Veolia's innovation players. The network supports and encourages the development of local innovation initiatives by sharing best practices or making available specific tools. It contributes to increasing total innovation capability and fosters momentum for generating, sharing and applying innovations.

In 2015, Veolia launched its first internal global innovation challenge -"VIBE 2015"- to stimulate innovation within the Group.

Each of Veolia's zones was invited to select and submit innovative projects, accompanied by a commercial case study, which adhered to the Group's strategy and had a positive effect on the efficiency, productivity, quality or competitiveness of its activities. More than 40 innovative projects were presented to a jury consisting of Group managers and tasked with choosing the five most innovative and promising solutions. The final round of VIBE 2015 took place on April 27, 2015, at the Campus Veolia in Jouy-le-Moutier (France), in the presence of the CEO, with three projects being selected by the members of the jury and the public present at the ceremony.

"OPEN INNOVATION" APPROACH TO IDENTIFY AND INTEGRATE INNOVATIONS FROM OUTSIDE OF THE GROUP

Launched in 2010, Veolia's *Open Innovation* approach accelerates and amplifies the Group's innovation capability.

This approach makes it possible for any external company (mainly startups and SMEs) to propose innovations of potential interest to Group business lines through an online platform. The dedicated program – VIA– is able to identify startups in order to accelerate the roll-out of the most innovative technologies for the environment.

2015 saw the revision and simplification of access to the dedicated VIA program on the www.veolia.com site. The development of regional *Open Innovation* initiatives and the launch of multiple calls for external solutions continued this year as a follow-up to the actions initiated in 2014.

The goal of the *Open Innovation* challenges is to identify innovative solutions which can have an immediate operational effect on Veolia's business lines. For example, the humidity of solid matrices is a key parameter for the management of operations. Therefore the quality of measurements (speed and precision) represents a challenge in the execution and optimization of industrial processes. The objective of one of such challenges initiated by Veolia was to identify solutions able to provide online measurement of the humidity of matrices with high organic content (biofuels, household waste, anaerobic digesters, etc.). Two candidates were auditioned following the conventional stages of the challenge. The evaluation criteria included metrological performance, the type of measurement, measurable products, the maturity of the technology as well as its conditions of operation and maintenance. The chosen solution was then tested on the matrices in question. An initial portable

device was tested in Vannes (France) on various matrices (residual household waste, RDF biofuels, anaerobic digesters), and the results of this first test were convincing. A second online measurement device was tested on biomass in Poznan (Poland).

Another call for solutions was launched for the detection of sulfides. Water-borne sulfides are major causes of problems in wastewater systems and wastewater treatment plants: odors, employee safety issues, environmental damage. An increase in these problems has been noticed in recent decades. Various types of treatment exist to reduce the production of sulfides. Nevertheless, these are frequently not used because of the difficulty inherent in continuously monitoring sulfide concentrations in wastewater. In this context, a call was issued for innovative solutions for the online measurement of sulfides in wastewater.

Bolstered by these complementary pillars, Veolia's research and innovation activities involved nearly eight hundred and fifty experts around the world in 2015, including more than three hundred and thirty within the Group's internal research and innovation structure. Veolia has also called upon more than two hundred partners around the world, both academics recognized for their scientific excellence and industrial customers or municipalities at the forefront of their areas of activity.

1.5.1.3 Success and progress in 2015

The research projects carried out in 2015 and presented below have enabled successes and progress along the lines of the Group's strategic aims, and are excellent examples of Veolia's research and innovation at the cutting edge of technological advances, customer services and value creation.

THE CIRCULAR ECONOMY

I-SORT₃R

Remotely-operated sorting, a technological innovation resulting from Veolia's research and innovation, is a major change in sorting activities: the operator sorts via a touchscreen, entirely avoiding any need to come into contact with the waste. By improving the working conditions for the operator and supporting his or her quality control work, remotely-operating sorting seeks to make employment more worthwhile and durable. I-SORT₃R is the application of remotely-operated sorting to quality control of selective collection packaging. The result of five years of multidisciplinary development and close cooperation between research teams and the Technology and Performance Department, the industrial prototype has been in use since 2013 in a sorting center in Amiens, in Picardy. The remotely-operated sorting process' performance and impact on the health and working environment of its operators was monitored and analyzed over a period of eighteen months. I-SORT₃R is currently entering series production and will be initially rolled-out in a sorting center in Ile-de-France in early 2016. This innovation clears the way for a new generation of sorting centers which combine technological innovations and human expertise. The remote operation principle can then be expanded to a range of solutions tailored to various applications: sorting packaging, fibrous waste, bulky waste, hazardous waste, etc.

The SMART Agriculture application for compost recovery

New ground has been broken in this research project aimed at developing a commercial tool improving the recovery of residual organic products from waste and wastewater treatment networks: composts, digesters, recycled fertilizers. The tool includes an *in situ* assessment of the soil quality and a module to optimize the fertilization solution. The prediction and optimization steps are based on agronomic models which chart the evolution of soil parameters as a function of time, agricultural practices and climate conditions. More developments and tests are needed before general release, but results have already been very promising.

SMART CITY

E2District Project: an opportunity to demonstrate the feasibility of combined control of heating and cooling networks.

In late 2015, E2District was selected by the European Commission in the context of the EE-13-2015 "Technology for district heating and cooling" call for projects under its HORIZON 2020 program. With the highest grade, it will be one of the two projects selected for funding out the thirty-two submitted. It brings together a consortium of five partners and seeks to develop and test a management and information platform for heating networks. The tools thus developed will be tested and proven using the heating network of an Irish university, with two Veolia sites taking part as reference sites for replication tests. The project will be closely linked to two others currently being carried out by research and innovation: "Smart District Heating project", aimed at developing an information platform for dispatchers (load prediction, electrical sale optimization and production prioritization tools), and the "Smart Substation" project, which is intended to detect faults using systems diagnostics at the substation level.

CARTOMETALLO

Using metallographic analyses of pipes during casting, the CARTOMETALLO asset management tool for drinking water networks offers an interpretation of these analyses across the entire network, identifying the causes and risks of degradation and offering solutions (repair, replacement, etc.). The solutions are presented in the form of maps and reports, and can be used alongside existing asset management tools.

CITY

ANITA™ Mox for the mainstream is an increasingly important topic for the municipal market. Promising results from R&D tests at Saint-Thibault-des Vignes (in France) and beginning of industrialization tests

The goal of the project is to develop the ANITA™ Mox process to treat municipal wastewater (or *mainstream*) in innovative treatment facilities. Recent pilot tests carried out using the R&D platform in Saint-Thibault (France) have produced low concentrations of total nitrogen following the process while removing significant loads. The next steps of the study relate to new configurations for treatment lines, optimizing treatment performance (outgoing nitrogen concentrations and loads removed), and examining the impact of temperature. On the basis of the results obtained by VERI, the Technology and Performance Department will begin industrialization tests for the ANITA™ process for the “mainstream” at a wastewater treatment plant near Toulon en France.

“Stripping H2S” and “Sulfide modeling” tools for wastewater networks

These tools developed in the context of the “New Tools H2S” project have been delivered to different entities of the Group. They are, respectively, a calculation tool for H2S stripping in a pumping station and a tool for modeling the generation of sulfurs in a pressing pipe. They will permit:

- H2S emissions to be predicted in a pumping station with a waterfall in order to design the air treatment process;
- the main locations of the wastewater network which are the origin of sulfide production to be predicted in order to optimize sulfite treatment in wastewater.

1.5.2 INTELLECTUAL PROPERTY

The Group is committed to protecting its intellectual property rights – particularly trademarks and patents – and its know-how, as they set it apart from the competition and contribute to its reputation as a reference for environmental services.

The Company owns a number of trademarks including and the “Veolia” brand. The Group applies a brand strategy that brings together the Water, Waste and Energy businesses under a common brand name, “Veolia”.

Innovation is a key factor in the growth and profitability of Veolia, combining the expertise and know-how of its businesses. Veolia capitalizes on its know-how primarily through the creation of technical, digital and IT tools that it seeks to protect using suitable methods.

In Veolia’s opinion, its business is not dependent on the existence or validity of one or more of these patents, or on any contract covering one or more intellectual property right(s).

1.5.3 PROPERTY, PLANT AND EQUIPMENT

The Company uses various assets and equipment in the conduct of its activities, over which it exercises extremely diverse rights.

The total gross value of Group non-current assets (excluding concession assets) as of December 31, 2015 was €24,753.5 million (net value of €11,513.2 million, or 32% of total consolidated assets), compared with €23,546.3 million as of December 31, 2014, represented (net value of €11,397.7 million, represented).

In the conduct of its concession management business, Veolia Environnement provides collective services (distribution of drinking water and heating, household waste collection, etc.) to local authorities in return for remuneration based on the services performed. These collective services (also known as services of general interest or general economic interest, or public services) are generally managed by Veolia under contracts entered into at the request of public sector bodies, which retain control over the assets associated with these services. Concession agreements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities built by Veolia, or made available to it for or without consideration. Facilities mainly consist of pipelines, water treatment and purification plants, pumps etc. in the Water business, incineration plants in the Waste business, and urban heating networks and heating and co-generation plants in the Energy business.

With respect to these assets, Veolia Environnement is generally subject to contractual obligations under public service contracts to maintain and repair the facilities that it manages. Where necessary, related repair and maintenance costs are

provided for in contractual commitments in the event of delays in the performance of work. The nature and extent of the Group's rights and obligations under these different contracts vary according to the type of public service performed by the different Group business lines.

Under outsourcing contracts with industrial customers, BOT (Build, Operate, Transfer) contracts, or incineration or cogeneration contracts, the Group may grant customers the right to use a group of assets in return for lease payments included in the total contract remuneration. Pursuant to IFRIC 4, the Group thus becomes a lessor with respect to these customers. The corresponding assets are therefore recorded in the consolidated balance sheet as operating financial assets.

The Group is also the outright owner of industrial facilities, in particular for activities conducted outside comprehensive contracts in the Waste business (landfill sites and hazardous waste processing plants) and the Energy business (cogeneration). These assets are classified under property, plant and equipment in the consolidated balance sheet. The Group's property, plant and equipment are subject to maintenance and repair costs and may also be subject to obligations relating to dismantling and to closure and post-closure costs.

Overall, the Group has approximately 10,000 production sites, including:

- 4,525 drinking water production plants managed;
- 3,303 wastewater treatment plants managed;
- 601 waste processing facilities operated ; and
- 2,027 industrial sites managed.

There are relatively few real estate assets legally owned by the Group without any return obligations. Where possible, the Group does not own its office buildings.

Finally, assets purchased under finance leases which fall into one of the three asset categories detailed above had a net value of €222 million as of December 31, 2015.

The main insurance policies subscribed by the Company are described in Chapter 5, Section 5.2.3 of this Registration Document.

Environmental issues may also influence the Company's use of property, plant and equipment, as detailed in Chapter 1, Section 1.6 of this Registration Document.

1.6 Environmental regulation

The Group's activities are subject to extensive, evolving and increasingly stringent environmental regulations, in particular in the European Union, North America, Australia and China but also in emerging countries. These regulations are generally technical and complex and impose significant constraints.

1.6.1 CROSS-CUTTING REGULATIONS

The majority of the Group's activities require operating permits or authorizations that define the rules governing the operation of facilities. These operating permits are issued by public authorities pursuant to authorization procedures encompassing the performance of specific studies presenting, in particular, the environmental footprint of the facilities.

The Group's activities are subject to a wide range of international, European and national regulations, the most important of which are presented below.

IN EUROPE

Environmental regulation in European Union countries is primarily tied to European directives and regulations.

With regard to reducing pollution, Directive 2010/75/EU of November 24, 2010 on industrial emissions (known as the IED Directive) sought to overhaul the 1996 Integrated Pollution Prevention and Control (IPPC) Directive and six sector-based directives. The scope of this directive has now been extended to new activities, and administrative permits should be issued based on the implementation of "Best Available Techniques" (BAT) for reducing pollution and on an integrated approach, taking into account emissions into air, water and soil, waste management and energy efficiency. Obligations to monitor emissions likely to contaminate soil and groundwater have been introduced (new emission limit values). The IED Directive also provides for the preparation of a "baseline report" on the state of the site before the commissioning of the facilities or before a permit for facilities is updated for the first time, and redefines the requirements to restore the site once activities cease.

With respect to chemicals, Regulation (EC) 1907/2006 of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), seeks to reduce the health and environmental risks associated with the manufacture and use of chemical substances. It introduces a range of procedures across Europe to better understand the health and environmental risks associated with the chemicals market, together with the management of these risks

throughout the life cycle of the chemicals, in order to ensure better health, safety and environmental protection. For the Group, as a user and producer of such substances, this involves greater cooperation and a better exchange of information with suppliers and customers. It also involves enhanced risk management at all stages of the chemicals life cycle and improved chemical risk prevention in terms of Group employees.

With the same purpose as the REACH regulation, Regulation (EC) 1272/2008 of December 16, 2008 on Classification, Labeling and Packaging (CLP), harmonized the existing provisions and criteria concerning the classification, packaging and labeling of hazardous substances taking account of the adoption of the United Nations' Globally Harmonized System (GHS).

The relevant legal entities are in compliance with the schedule set by the REACH Regulation for chemicals requiring registration within the Group. After the systematic pre-registration of all substances that may be concerned, and compliance with the first two registration deadlines, forthcoming deadlines are being monitored along with changes to the regulation and updates to its annexes.

With respect to biocides, which are another type of chemical substance used by the Group, Regulation (EU) 528/2012 of May 22, 2012 concerning the making available on the market and use of biocidal products strengthened the control of biocides and harmonized authorization procedures.

As regards greenhouse gases in the atmosphere, their increase has led certain countries, as well as the international community, to implement regulatory measures in order to limit this trend.

At international level, the Kyoto Protocol set a 2008-2012 greenhouse gas reduction target of 8% for the European Union, based on 1990 emission levels. Directive 2003/87/EC of October 13, 2003 amended Directive 96/61/EC and created an emissions trading system (EU ETS) that came into force in 2005 and resulted in the creation of national quota allocation plans (NQAPs) for an initial trading period (2005-2007), followed by a second period (2008-2012) corresponding to the commitment period of the Kyoto Protocol. Directive 2009/29/EC of April 26, 2009 extended the EU ETS to cover a third period (2013-2020), providing for a gradual reduction in the quotas allocated and new allocation procedures in order to achieve a 20% reduction in greenhouse gas emissions by 2020 (compared to 1990 levels)

The European Commission's decision of December 15, 2010 sets out the rules for allocating free quotas for the period 2013 to 2020, which decrease for the heating sector from 80% of standard allocations in 2013 to 30% in 2020. In order to attain the 20% target reduction in 2020, the authorized emissions cap decreases by 1.74% each year. European Regulation 1123/2013 of November 8, 2013 amended Directive 2003/87/EC with regard to the use of international credits in the EU ETS. This regulation allows operators to continue to benefit from this concession in Phase III (2013-2020) and specifies that the maximum percentage use of such international credits is equal to: (a) the national and sector-based use limit applied to the operator by the national regulator for Phase II; (b) 11% of the free allocation received for Phase II; or (c) 4.5% of actual verified emissions for the whole of Phase III (2013-2020), whichever is highest.

Regulation 1031/2010 of November 12, 2010 established a scheme for auctioning greenhouse gas emission quotas for the 2013-2020 period. This regulation was amended by Regulation 176/2014 of February 25, 2014, which introduced the postponement of a volume of 900 million metric tons to be auctioned between 2014-2016 and 2019-2020. This measure, called back-loading, seeks to temporarily reduce the quota supply in the EU ETS and thereby encourage an increase in the price of emission rights.

Despite the adoption of back-loading, the price of European emission rights (known as European Union Allowances, or EUA) remained low in 2014, at an average of €6.41 per metric ton. This pushed the EU to propose a further amendment to the EU ETS: the Market Stability Reserve. Decision 2015/1814 of the European Parliament and of the Council came into effect on October 6, 2015 and requires the implementation of a mechanism, from 2019, that will take 12% of allowances off the market and place them in a reserve. 900 million metric tons of allowances initially intended to be auctioned will also be placed in this reserve through back-loading in 2019 and 2020. Should the number of allowances on the market fall below 400 metric tons, 100 metric tons of emission allowances will be released for auction.

EUCO conclusions 169/14 of the European Council of October 24, 2014 provide for a 40% reduction in greenhouse gas emissions in the European Union by 2030 compared to 1990 levels. This represents a 43% reduction compared with 2005 levels for sectors subject to the EU ETS, or a reduction of 2.2% per annum in the emissions cap between 2021-2030 (Phase IV) instead of 1.74% in Phase III. The legislative mechanism which will govern free allocation rules proposed by the European Commission on July 15, 2015 (proposal for a directive 2015/148 COD) will be debated by the European Parliament in 2016 and 2017.

With respect to biodiversity, the Rio Convention on Biological Diversity signed in 1992 sought to protect the diversity and wealth of ecosystems. In October 2010, the 10th Conference of Parties (COP) to this convention adopted the Nagoya Protocol. Specifically, this protocol provides for the adoption of a strategic plan covering the 2011-2020 period and an agreement to create the IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services). In order to guarantee the application of this protocol at European level, Regulation 511/2014 of April 16, 2014 established new rules governing compliance with obligations concerning access to genetic resources and the sharing of benefits arising from their utilization.

With respect to major risks, Directive 2012/18/EU of July 4, 2012 on the control of major accident hazards involving dangerous substances (Seveso III) repeals the Seveso II Directive with effect from June 1, 2015. It establishes new prevention rules primarily integrating the changes introduced by the Classification, Labelling & Packaging (CLP) regulation.

With respect to energy efficiency, Directive 2012/27/EU of October 25, 2012 on energy efficiency set a common framework of measures aimed at improving energy efficiency in the European Union by at least 20% by 2020. In particular, it proposed the implementation of energy audits for large companies, as well as efficiency measures with regard to energy supply.

Strictly speaking, there are no European regulations on the **circular economy**; in December 2015, the European Commission published the Circular Economy Package comprising (i) an action plan of measures aimed at “closing the loop” of product lifecycles, from production and consumption to waste management and the development of a market for secondary raw materials, and (ii) proposed revisions to waste legislation and primarily the Waste Framework Directive, the Landfill Directive and the Packaging and Packaging Waste Directive.

In France, European regulations, which significantly influence French law, are enacted into law through legislative texts and regulations, codified in particular in the French Environmental Code but also the Public Health Code, the Energy Code and the General Local Authorities Code.

An environment charter was promulgated by Constitutional Law 2005-205 of March 1, 2005. This charter has constitutional standing and forms part of the body of constitutional rules of French law, acknowledging the fundamental rights and duties relating to protecting the environment.

The planning law aimed at implementing the *Grenelle de l'environnement* decisions (taken in fall 2007), known as the “Grenelle 1 Law” of August 3, 2009, was supplemented by a law comprising national environmental commitments, known as the “Grenelle 2 Law” of July 12, 2010. These laws seek to implement six major projects, which have significant implications for each of the Group's business lines. The construction, transport, health and waste, water and biodiversity, and energy sectors were all affected, as were environmental governance and information transparency.

In application of the Grenelle 2 law, the decree of April 24, 2012 clarified the non-financial reporting obligations of both listed and non-listed companies and, in particular, disclosures to be provided on social and environmental issues and corporate commitments to sustainable development.

On the same basis as the *Grenelle de l'Environnement*, Environmental conferences held in September 2012, September 2013 and November 2014 discussed issues such as ecological transition, the circular economy, national mobilization in preparation for the COP 21 on climate and biodiversity issues, sustainable transport and mobility, and finally the environment and health.

In application of the Energy Efficiency Directive and the Grenelle 2 law, respectively, Veolia subsidiaries, in the same way as their industrial and municipal customers and above certain thresholds, must perform energy audits and produce greenhouse gas emission reports, every four years, presenting energy consumption and their greenhouse gas emission footprint.

The law on access to housing and town planning reform (known as the “ALUR” law) of March 24, 2014 and the related application decrees issued in 2015, amended the law on polluted sites and soil by improving the information available to local populations and clarifying the responsibilities of stakeholders particularly by introducing a third-party request procedure, in order to promote the redevelopment of industrial wasteland.

The Law of August 17, 2015 on energy transition for green growth significantly amended French environmental legislation by covering a much wider range of issues than energy. It seeks to enable France to contribute more efficiently to the fight against climate change and to strengthen its energy independence through a better balance between supply sources. The eight chapters cover the main energy transition objectives: renovating buildings to save energy, clean and sustainable transport to reduce air pollution, waste recycling and the circular economy, renewable energies, nuclear energy, simplifying and clarifying procedures and empowering citizens, businesses, regions and the government.

In application of this law, the decree of November 18, 2015 sets national carbon budgets and adopts the national low carbon strategy (NLCS). The NLCS (200 page document) contains guidelines for the implementation of the greenhouse gas emissions reduction policy. These documents apply to the government, local authorities and legal entities under public law which must take account of the NLCS in their planning and scheduling documents having a material impact on greenhouse gas emissions. Carbon budgets are national greenhouse gas emission caps set for the periods 2015-2018, 2019-2023 and 2024-2028. The objectives of the NLCS are presented by major sector (transport, construction, agriculture, industry, energy, waste).

The majority of facilities operated by the Group fall under the scope of the **“ICPE” regime (Facilities Classified for Environmental Protection)**. This central regime for environmental law lists facilities that are likely to present disadvantages or dangers to the environment as a result of their activities or the substances handled and subjects them to a range of different requirements (such as declarations, registration and authorizations).

The most recent development concerning Classified Facilities is the new financial guarantees regime extending the facilities concerned by the requirement to establish such guarantees for the protection of sites in the event of cessation of activity and, where applicable, the implementation of accidental pollution management measures (Decree of May 3, 2012 and application orders).

The Order of January 5, 2012 and the Decree of May 2013 transposed the Industrial Emissions Directive (IED) into law by creating Section 3000 for facilities covered by the ICPE classification. The conditions governing the installation and operations of these facilities are set forth to ensure they are operated using Best Available Techniques (BAT) and with reference to the conclusions of these BATs.

With regard to so-called “Seveso” facilities, the texts transposing the Seveso III Directive, which were published in 2014 (Decrees of March 3 and Order of May 26, 2014) amended the applicable requirements and the list of ICPEs by creating a new “4,000” category.

The management of the risk of Legionnaires' disease, is governed at global level by the World Health Organization, as well as at European level and within several countries. In France, for example, prevention primarily involves the regulation of cooling towers.

IN THE UNITED STATES

With regard to water, the main federal laws concerning the distribution of water and wastewater treatment services are the Water Pollution Control Act of 1972, the Safe Drinking Water Act of 1974 and related regulations enacted by the Environmental Protection Agency (EPA). These laws and regulations establish standards for drinking water and liquid discharges. Each US state has the right to introduce criteria and standards that are stricter than those set up by the EPA, and a number of states have done so.

The main statutes governing the Group's **waste** management activities include the Resource Conservation and Recovery Act of 1976, the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (also known as CERCLA or Superfund), and the Clean Air Act, all of which are administered either by the EPA, or state agencies to which the EPA delegates enforcement powers. Each state in which the Group operates also has its own laws and regulations governing the production, collection and processing of waste, including, in most cases, the design, operation, maintenance, closure and post-closure maintenance of landfill sites and other hazardous and non-hazardous waste management facilities.

The majority of the Group's **energy** activities in the United States fall into two categories: (a) activities relating to the ownership of energy production plants and trading on the electricity wholesale market and (b) activities relating to the production and distribution of thermal energy. Under US law, the federal government has jurisdiction over inter-state commercial activities (involving parties from different federal states), including in the electricity wholesale market. Accordingly, as an owner of electricity production facilities, the Group is subject to Federal Energy Regulatory Commission (FERC) regulations pursuant to the Federal Power Act, the Public Utility Regulatory Policies Act of 1978 and the Public Utility Holding Company Act of 2005. With regard to its US thermal energy activities, the Group is subject to the laws of the federal states in which it operates, including regulations issued by certain public service local commissions. Applicable local law varies from state to state and may comprise no thermal energy regulations or, conversely, set-out a precise and restrictive regime. Finally, these two activities involve atmospheric emissions and the consumption of water for industrial purposes and as such require the Group to comply with the majority of the above water and waste regulations.

IN AUSTRALIA

Federal, state and local governments jointly administer environmental protection laws through bilateral agreements.

The 1999 Environment Protection and Biodiversity Conservation (EPBC) Act is the keystone of the Australian government's environmental legislation. It provides a legal framework protecting and controlling plants, wildlife and the environment in the widest sense, at national and international level. Nonetheless, the most critical environmental regulations are administered at state level by the Environmental Protection Authorities. State and Territory laws apply to specific economic activities and are administered by the State and local authorities through licenses and permits.

Overall, Australia has more than 300 laws (and numerous associated application regulations) governing environmental issues. Environmental legislation regulates the way land may be acquired and used. Federal and state legislation also requires the performance of an environmental impact assessment for all major projects. The construction of buildings, pollution, contamination and waste production is also regulated. The authorities ensure compliance with legislation by applying fines and penalties or by imposing the strict liability of companies or management at a personal level.

Each territory has legislation establishing an Environmental Protection Authority (EPA) which is the statutory decision-maker for environmental regulations and policy issues. The EPA administers legislation covering air and water quality, waste, contaminated land, noise, pesticides and hazardous waste. The EPA and industrial companies also play a role in the drafting of voluntary codes of practice concerning the impact of industry on the environment.

The 2007 Water Act, enacted at federal level, is the keystone of legislation governing the treatment of water and wastewater. However, in terms of controls on the quality of water, it is the EPA in each state or territory that is responsible for enforcing water quality regulations. In New South Wales, for example, where the headquarters of the Waste solutions business are located, the 1997 Protection of the Environment Operations (POEO) Act defines the legal framework for the management of water pollution and quality. It is supplemented by the 2009 Protection of the Environment Operations Regulation, which among other things, lays down certain points for the application of the water pollution definition.

The EPA of each territory is responsible for waste and landfill regulations. In New South Wales, waste is regulated by the NSW Environment Protection Authority (NSW EPA) using tools and programs to prevent pollution, reduce the use of resources, improve material recovery from waste flows and ensure the appropriate elimination of waste. The NSW EPA also controls the regulatory framework which establishes a level playing field for waste and recycling operators. This framework includes the obligation to hold an environment protection license, if certain thresholds are reached and the obligation to register and inform the EPA of the type and quantity of waste that transits via the facilities.

In July 2014, the Australian Senate repealed the 2011 Clean Energy Act which provided a legal framework for an emissions trading system. Other fundamental reforms concerning carbon emissions and renewable energy projects are still under review.

IN CHINA

China has passed several environmental protection laws such as the 1989 Environmental Protection Law (EPL), the 1984 Water Pollution Law (amended in 1996 and 2008), the 2002 Environmental Impact Assessment Law, the 1987 Air Pollution Law (amended in 1995 and 2000), the 1995 Solid Waste Law (amended in 2004) and the 1996 Environmental Noise Prevention and Control Law.

The Chinese Ministry for the environment and its counterparts at provincial and city level and the environmental protection offices are responsible for applying and administering environmental regulations.

The 1989 Environmental Protection Law was significantly overhauled by the Law of April 24, 2014, which came into effect on January 1, 2015. Sustainable development and ecological civilization were added as objectives to be attained and environmental protection was incorporated into China's fundamental principles. This law strengthens public authority powers with regard to controls and sanctions. Regulatory violations may be made public and, in the event of pollution, companies may be subject to daily fines. The most polluting companies must publish the main pollutants emitted along with emission volumes and the design and operating status of equipment intended to prevent and treat pollution.

This law also introduced improvements to transparency and encouraged public participation. It created a general interest judicial procedure which confers on certain groups, such as NGOs (under certain conditions), the ability to bring legal proceedings where loss is suffered as a result of pollution, ecological damage or an action against the general interest. Finally, there is a system of financial and tax incentives for environmentally responsible companies.

The Air Protection Law of August 29, 2015 (amending the 1987 Law) came into effect on January 1, 2016 and introduced more severe sanctions.

In September 2015, China announced the launch in 2017 of a national carbon emission trading scheme concerning highly polluting heavy industries.

1.6.2 WATER REGULATIONS

At international level, World Health Organization directives on health and water are issued for countries to help them draft internal regulations governing water quality. These directives set guidelines for the quality of drinking water and emphasize the importance of the preventive management of health risks. Compliance with these recommendations guarantees the production of water which is safe for human consumption. The right of access to water is recognized by the majority of countries, and access to clean water and sanitation was recognized by the United Nations as a human right on July 28, 2010.

At European level, the objective underlying regulation is the availability of drinking water which complies with the directives, and a satisfactory chemical, ecological and quantitative (the abstraction of available resources must not exceed resource renewal capacity) status for groundwater and surface water by 2015, and a wastewater treatment system that protects the receiving environment.

Drinking water quality is strictly regulated by Directive 98/83/EC of November 3, 1998 on the quality of water intended for human consumption. In addition to quality control measures, this directive introduces the concept of risk assessment.

The objective of attaining a satisfactory chemical state of water by 2015 is the result of several European legislative texts, particularly Directive 2000/60/EC of October 23, 2000, which establishes a framework for community action in the field of water policy (the "Water Framework Directive") that concerns the quality of water (surface and groundwater) more generally. Directive 2006/118/EC of December 12, 2006 on the protection of groundwater (daughter directive of the framework directive) sets up oversight and restrictions on chemical substances in water by this same date.

The framework directive sets objectives for 2015 but the implementation timetable covers the period to 2027.

Directive 2008/105/EC of December 16, 2008 (another daughter directive of the framework directive) sets out environmental quality standards for 33 priority substances and 13 priority dangerous substances that present a major risk to the environment or to public health in the water sector. This directive was amended by Directive 2013/39 of August 12, 2013, which added 12 new priority substances. These texts provide for the elimination of priority dangerous substances in 2021 and other dangerous substances in 2028 from continental and coastal surface water.

To protect the receiving environment, the collection, treatment and discharge of urban, industrial and commercial wastewater is governed by Directive 91/271 of May 21, 1991, as amended, concerning the treatment of urban wastewater. The objectives of this directive were confirmed and extended by the Water Framework Directive.

The treatment of wastewater is also directly affected by Directive 2008/56/EC of June 17, 2008, which establishes a framework for community action in the field of marine environmental policy (the "Marine Strategy Framework Directive") and Directive 2006/7/EC of February 15, 2006 concerning "bathing water" which imposes new restrictions on the monitoring and management of bathing water and information provided to the general public

Public authorities also impose strict regulations concerning industrial wastewater likely to be discharged into collection systems, as well as processed wastewater and sludge originating from urban water treatment facilities.

With regard to radioactive substances in drinking water, Directive 2013/51/EURATOM of October 22, 2013 sets out requirements for the protection of the general public's health with respect to radioactive substances in water intended for human consumption.

Regarding flood risks, Directive 2007/60/EC of October 23, 2007 on the assessment and management of flood risks in Europe requires Member States to identify and map high-risk river basins and coastal areas and to produce management plans.

France has many laws and regulations governing the production of drinking water and the treatment of wastewater and water pollution, as well as numerous administrative agencies to enforce them.

Certain discharges, disposals and other actions with a potentially negative impact on the quality of surface or groundwater sources require administrative authorization or notification. This is known as the "IOTA" (facilities, structures, works and activities) system and is subject to the water policy. For instance, public authorities must be notified of any facility that pumps groundwater in amounts that exceed specified volumes, and French law prohibits or restricts the release of certain substances into water.

Law 2006-1772 of December 30, 2006 on water and aquatic environments (LEMA) addressed EU requirements for high-quality water and significantly amended French water legislation. In addition, water development and management plans (SDAGE) take specific account of this water quality objective and the administrative order of January 25, 2010, as amended, sets out a water quality oversight program.

The Grenelle 2 Law confirms the responsibilities of municipalities with regard to the distribution of drinking water and seeks to improve knowledge of networks and reduce network losses.. The law on the modernization of territorial public action and affirmation of metropolitan areas of January 27, 2014 (known as the "MAPAM" law) gave municipalities and EPCIs (public establishments for cooperation between local authorities) new powers in relation to the management of aquatic environments and the prevention of flooding (known as "GEMAPI"), while at the same time providing them with new tools (taxes and easements). The law on the new territorial organization of the French Republic of August 7, 2015 (the "NOTRE" Law) extends the responsibilities of inter-communal associations: from January 1, 2020, water and wastewater treatment will become a mandatory responsibility of all EPCI.

Special attention is paid to protecting catchment areas and regulation covers specific pollutants such as nitrates, pesticides and micro-pollutants.

Autonomous wastewater treatment is subject to strict regulation to protect the quality of the receiving environment, sanitary conditions and public health. Depending on their size, treatment plants are subject to increasing requirements and particularly for the largest plants, reporting obligations such as an annual declaration of polluting emissions and waste.

The reuse of treated wastewater is regulated to a limited extent and only with respect to the irrigation of crops and green areas (Order of August 2, 2010 as amended by the Order of June 25, 2014).

Sludge produced at wastewater treatment plants to be used in agriculture must comply with strict traceability regulations in respect of the organic materials and trace metals it is likely to contain (heavy metals such as cadmium, mercury or lead). To be recovered as biogas that is likely to be injected into natural gas networks, it must also comply with a list of authorized inputs. Moreover, the NFU 44-095 and NFU 44-051 standards strictly regulate the composting of material produced by the treatment of wastewater and compostable food and/or household waste.

1.6.3 WASTE REGULATIONS

In many countries, waste processing facilities are subject to laws and regulations which require service providers to obtain permits from public authorities to operate their facilities. The permit process requires the Group to complete environmental and health impact studies and risk assessments with respect to the relevant facility. Operators of landfill sites must provide specific financial guarantees (which typically take the form of bank guarantees) that cover, in particular, the monitoring and rehabilitation of sites for a period of 30 years after cessation of operating activities.

In addition, landfill sites must comply with a number of specific standards, and incineration plants are usually subject to rules that limit the emission of pollutants. Waste may also be subject to various regulations depending on the type of waste.

At European level, Directive 2008/98/EC of November 19, 2008 (known as the Waste Framework Directive) establishes a hierarchy of different waste management measures and favors (i) the prevention of production, primarily by requiring Member States to draft national programs, (ii) re-use, (iii) recycling, by defining new objectives to be achieved by Member States by 2020, (iv) other forms of recovery and (v) safe disposal.

It also clarifies the concepts of recovery, elimination, end-of-waste status and by-products. The aim of this directive is to promote recycling, composting and waste-to-energy recovery of household waste.

With respect to ship recycling, Regulation (EU) 1257/2013 of November 20, 2013 seeks to better monitor ship recycling in accordance with hazardous waste standards.

With respect to the cross-border transportation of waste, Regulation 1013/2006 of June 14, 2006 sets out conditions for monitoring and inspecting waste transfers and clarifies current procedures for monitoring the transfer of non-hazardous waste for recycling. It was amended by the Regulation of May 15, 2014, which requires Member States to implement inspection plans by January 1, 2017 with a view to ensuring more effective inspections.

In France, pursuant to the provisions of Articles L. 511-1 et seq. of the French Environmental Code relating to facilities classified for the protection of the environment (ICPEs), a number of decrees and ministerial and administrative orders establish rules applicable to landfill sites for hazardous and non-hazardous waste. These orders govern the design and construction of these waste processing centers, among other things.

Hazardous waste is subject to strict monitoring at all stages of the processing cycle and is tracked using a waste monitoring slip (*bordereau de suivi des déchets*, BSD). Since July 1, 2012, producers/holders of non-hazardous waste, unless exempt, are subject to a traceability requirement and must keep a chronological register in the same way as for hazardous waste.

Waste-to-energy plants are subject to numerous restrictions, including limits on pollutant emission levels.

The Grenelle 2 Law strengthens and widens the Extended Producer Responsibility (EPR) scheme and specific recovery and associated processing sectors. Finally, it provides for the planning of construction and public works waste management and the performance of a pre-demolition appraisal.

The Waste Framework Directive of November 19, 2008 was transposed into French law by Order 2010-1579 of December 17, 2010. This transposition clarified certain definitions, introduced a hierarchy of waste treatment methods (re-use, recycling, recovery and disposal) and clarified the responsibilities of producers and holders of waste.

Chapter 4 of the Law of August 17, 2015 on energy transition for green growth focuses on combatting wastage and promoting the circular economy: it amends waste law principles by introducing new objectives with quantified targets into the national waste policy and includes the definition of the circular economy in the major principles of environmental law. It amends the law governing environmental bodies and creates new Extended Producer Responsibility (ERP) sectors.

Regulatory texts set out a procedure for end-of-waste status, in accordance with European and domestic criteria: this procedure is authorized by the Minister responsible for the environment for waste categories.

The scope of financial guarantees for site restoration has been extended to cover the majority of facilities classified as waste transit, grouping, sorting or treatment facilities under the authorization or registration requirements applicable from July 1, 2012.

1.6.4 ENERGY REGULATIONS

Veolia's energy-related activities in Europe (primarily the supply of energy involving thermal and independent energy) are subject to the application of European and national regulations (enactments of European directives) in order to limit and control environmental impact and risks.

It European level, Directive 2001/80/EC of October 23, 2001 regulating the construction of large combustion plants, imposes compliance with national emission ceilings for certain atmospheric pollutants, such as sulfur dioxide, nitrogen oxides, dust and volatile organic components. This directive is now superseded by Directive 2010/75/EU of November 24, 2010 (the IED Directive) on industrial emissions which imposes, *inter alia*, the systematic application of Best Available Techniques. Directive 2015/2193 of November 25, 2015 regulating medium combustion plants (*i.e.* with a thermal output of between 1 and 50 MW) recently set emission caps for certain atmospheric pollutants.

Pursuant to Directive 2003/87/EC of October 13, 2003, which establishes an allowance trading scheme for greenhouse gas emissions in the European Union, combustion facilities with thermal output greater than 20 MW falling within the scope of the directive are recorded in the national plans for the allocation of allowances introduced since 2005 in all EU Member States. Furthermore, Directive 2012/27/EU of October 25, 2012 on energy efficiency sets a common framework of measures aimed at improving energy efficiency in the European Union by at least 20% by 2020. Following the repeal of Regulation (EC) 2037/2000, Regulation (EC) 1005/2009 of September 16, 2009 requires the strict management of substances that destroy the ozone layer and, in particular, refrigerating fluids such as chlorofluorocarbon and hydro-chlorofluorocarbon that are used in cooling plants. It sets, *inter alia*, rules for the recovery and destruction of fluids and a timetable for the elimination of certain substances.

As a result of the Kyoto Protocol, Regulation (EC) 842/2006/EC of May 17, 2006 introduced strict management and traceability measures for fluorinated greenhouse gases for both HFC refrigerating liquids and SF6 electrical insulators. Regulation 517/2014 of April 16, 2014 reformed this provision by repealing Regulation 842/2006 with effect from January 1, 2015. This regulation seeks to reduce fluorinated greenhouse gas emissions by two-thirds by 2030, as compared with current levels. Three regulations were issued on November 17, 2015 in application of this regulation, setting new labelling, training and certification requirements for these gases.

Since 2002, Directive 97/23/EC of May 29, 1997 (DESP) establishes design and manufacturing requirements for pressure equipment and imposes an inspection of the compliance of this equipment and their housing units.

In France, the majority of installations are subject to the regulations governing facilities classified for the protection of the environment set out in the French Environment Code. The French Energy Code also regulates this activity.

The Grenelle 2 Law boosted the development of energy efficiency and renewable energies.

This continued with the Law of August 17, 2015 on energy transition for green growth which seeks to balance the different energy supply sources in France. Chapter 5 of this law concerns renewable energies and introduces a new purchase contract regime for electricity produced by facilities using renewable energies, while slightly modifying the regime governing anaerobic digestion plants and the law governing hydroelectric concessions. Chapter 8 introduces two major documents for the energy policy: the national low carbon strategy and the energy multi-annual planning document. It modifies the steering and production of electricity and covers energy transition in the territories.

Ministerial orders clarify the technical requirements applicable to combustion facilities according to their size. Similarly, the conditions for marketing, using, recovering and destroying substances used as refrigerating fluids in refrigerating and air-conditioning equipment are also regulated. The legal arsenal of French regulations is completed by numerous other orders clarifying the means of quantifying and handling fluids and the set-up of training and recovery sectors.

Finally, with regard to the production of domestic hot water, the Group is particularly concerned by European Directive 98/83/EC of November 3, 1998 on the quality of water intended for human consumption. Several States, including France, consider that this directive applies to both hot and cold water, as well as all hot and cold water production and distribution management systems.

For all the areas presented above, violation of most of these laws is punishable under both civil and criminal law and a company may even be found criminally liable.

1.7 Main changes in the Group consolidation scope

The main changes in the consolidation scope and Group structure in 2015 are presented in Chapter 3, Sections 3.1.2 and 3.6 below.

2

SHARE CAPITAL AND OWNERSHIP

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2.1 Information on the share capital and stock market data **AFR**

2.1.1 SHARE CAPITAL

As of December 31, 2015, Veolia Environnement's share capital was €2,816,824,115, divided into 563,364,823 fully paid-up shares, all of the same class, with a par value of €5 each (see Chapter 2, Section 2.1.6, below).

As of the date of filing of the Registration Document, the Company's share capital is unchanged.

2.1.2 MARKET FOR THE COMPANY'S SHARES

The Company's shares have been admitted to trading on the Euronext Paris regulated market (Compartment A) since July 20, 2000, under ISIN code FR 0000124141-VIE, Reuters code VIE. PA and Bloomberg code VIE. FP. Veolia Environnement securities are eligible for deferred settlement (*Service de Règlement Différé* or "SRD").

The Company's shares have been included in the CAC 40, the main share index published by NYSE Euronext Paris, since August 8, 2001.

The table below presents high and low share prices and trading volumes in Veolia Environnement shares on the Euronext Paris regulated market over the past eighteen months.

Euronext Paris

Year <i>(month)</i>	Share price <i>(in euros)</i>		Trading volume <i>(in number of shares)</i>
	High	Low	
2015			
December	22.860	20.900	42,545,212
November	22.980	21.045	36,555,797
October	21.630	19.420	49,072,174
September	20.795	18.755	52,494,973
August	21.225	17.825	51,760,618
July	20.660	17.785	50,174,366
June	19.375	17.570	52,606,592
May	19.725	17.730	42,089,404
April	19.675	17.480	46,613,840
March	18.170	16.730	73,622,948
February	17.400	15.890	53,211,389
January	16.570	14.040	62,448,643
2014			
December	15.000	13.540	49,001,118
November	14.720	13.165	44,417,875
October	14.195	11.900	57,349,673
September	14.495	13.315	37,983,482
August	14.100	12.165	36,859,707
July	14.210	12.770	42,812,156

Source: Bloomberg.

Following the delisting by Veolia Environnement of its American Depositary Receipts (ADRs) from the New York Stock Exchange (NYSE), the final listing of the Company's ADRs on the NYSE occurred on December 22, 2014. Since this date, the ADRs are traded on the US over-the-counter market under the code VEOEY.

In addition, on December 12, 2014, Veolia Environnement announced the continuation of its ADR program, which is now managed by Deutsche Bank as a sponsored level 1 facility. ADR holders could therefore choose to retain their ADRs following their delisting from the NYSE and the Company's deregistration with the US Securities and Exchange Commission (SEC).

2.1.3 PURCHASE OF TREASURY SHARES BY THE COMPANY ⁽¹⁾

2.1.3.1 Repurchase plan in effect as of the date of filing of this Registration Document (plan authorized by the Combined General Meeting of April 22, 2015)

During the Combined General Meeting of April 22, 2015, the Company's shareholders authorized a share repurchase plan that allows the Company to purchase, sell or transfer its shares at any time, **except during a public offer**, within the limits authorized by provisions set forth by the law and regulations in force, and by any means, on regulated markets, on multilateral trading systems, with systematic internalizers or over the counter, including through block sales or purchases (with no limit on the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading systems, with systematic internalizers or concluded over-the-counter or through delivery of shares following the issue of securities granting access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider.

Share may be purchased such that the number of shares purchased by the Company throughout the term of the repurchase plan does not exceed at any time whatsoever 10% of the shares comprising the Company's share capital, and such that the number of shares that the Company holds at any given time does not exceed 10% of the shares comprising the Company's share capital.

This authorization allows the Company to trade in its own shares with the following objectives: (i) implementing all Company stock option plans or any similar plan, (ii) awarding free shares, (iii) awarding or selling shares to employees in respect of their profit-sharing plan or the implementation of any company savings plan, (iv) delivering shares on the exercise of rights attached to securities granting access to the share capital via redemption, conversion, exchange, presentation of a warrant or in any other way, (v) delivering shares within the scope of external growth transactions, mergers, spin-offs or contributions, (vi) stimulating the secondary market for, or the liquidity of, Veolia Environnement shares through an investment services provider, as part of a liquidity contract that complies with the ethics charter recognized by the AMF, or (vii) cancelling all or some of the shares thus repurchased.

The Combined General Meeting of April 22, 2015 set the maximum share purchase price at €25 per share and set the maximum amount that the Company may allocate to the share repurchase plan at €1 billion. The General Shareholders' Meeting granted full powers to the Board of Directors, with the option of sub-delegation under the conditions laid down by law, to decide on and implement this authorization.

The authorization described above, which is in force as of the date of filing of this Registration Document, will expire no later than eighteen months from the date of the Combined General Meeting of April 22, 2015, i.e., on October 22, 2016, unless a new plan is authorized at the next General Shareholders' Meeting.

2.1.3.2 Summary of transactions completed by Veolia Environnement on its own securities during the 2015 fiscal year

Percentage of the Company's share capital held as treasury shares as of December 31, 2015	2.45 %
Number of treasury shares held as of December 31, 2015	13,797,975
Carrying value of the portfolio as of December 31, 2015*	€423,808,668
Market value of the portfolio as of December 31, 2015**	€301,692,723
Number of shares cancelled over the last 24 months	0

* Carrying value excluding provisions.

** Based on the closing price as of December 31, 2015 (€21.865).

(1) This section includes the information required in the plan description pursuant to Article 241-2 of the AMF's General Regulations and the information required pursuant to the provisions of Articles L. 225-211 of the French Commercial Code.

It is understood that Veolia Environnement signed a 12-month, renewable liquidity agreement taking effect on September 30, 2014, to be implemented by Rothschild & Cie. An amount of €30 million was allocated to the operation of the liquidity account. The table below details transactions by the Company in treasury shares during fiscal year 2015 under the program authorized by the Combined General Meeting of April 22, 2015:

	Cumulative gross flows as of December 31, 2015		Open positions as of December 31, 2015			
	Purchases ⁽¹⁾	Sales/ Transfers ⁽¹⁾	Open buy positions		Open sell positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	18,266,190	18,266,190	None	None	None	None
Average transaction price (in €)	18.60	18.61	N/A	N/A	N/A	N/A
Average strike price (in €)	N/A	N/A	N/A	N/A	N/A	N/A
AMOUNT (in euros)	339,751,134	329,933,796	N/A	N/A	N/A	N/A

N/A: Not applicable.

(1) Actual flows under the liquidity agreement.

2.1.3.3 Objectives of transactions carried out in 2015 and allocation of the treasury shares held

As of December 31, 2015, Veolia Environnement held a total of 13,797,975 treasury shares, representing 2.45% of the Company's share capital. No shares were held directly or indirectly by subsidiaries of Veolia Environnement. On this date, the portfolio of treasury shares was allocated as follows:

- 5,408,916 shares were allocated to cover stock option programs or other share award programs to Group employees;
- 8,389,059 shares were allocated to external growth transactions.

As of December 31, 2015, Veolia Environnement did not hold any shares under the liquidity agreement established on September 30, 2014.

2.1.3.4 Description of the program submitted to the Combined General Meeting of April 21, 2016 for authorization

The share repurchase authorization described in Section 2.1.3.1 above will expire on October 22, 2016 at the latest, unless the Combined General Meeting of April 21, 2016 approves the resolution adopted in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code and set out below.

This resolution, in consideration of the report by the Board of Directors, authorizes the Company to implement a new plan to repurchase shares under the following conditions:

- This authorization would be intended to allow the Company to trade in its own shares with the following objectives: (i) implementing all Company stock option plans within the scope of the provisions of Articles L. 225-177 et seq. of the French Commercial Code or any similar plan; (ii) awarding or selling shares to employees in respect of their profit-sharing plan, sharing plan, or the implementation of any company or group savings plan (or equivalent plan) under the conditions provided for by law and in particular Articles L. 3332-1 et seq. of the French Labor Code; (iii) awarding free shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code; (iv) in general, honoring commitments relating to stock option plans or other plans involving shares awarded to employees of the issuer or affiliated companies; (v) delivering shares on the exercise of rights attached to securities granting access to the share capital via redemption, conversion, exchange, presentation of a warrant, or in any other way; (vi) cancelling all or some of the securities thus repurchased, pursuant to the twenty-fourth resolution adopted by the Combined General Meeting of April 24, 2014 or to any resolution of the same nature that may follow this resolution during the period of validity of the present authorization; (vii) delivering shares (by way of exchange, payment or otherwise) within the scope of external growth transactions, mergers, spin-offs or contributions; or (viii) stimulating the secondary market for, or the liquidity of, Veolia Environnement shares through an investment services provider, as part of a liquidity contract that complies with the ethics charter recognized by the AMF.

This program is also intended to allow the use of any market practice that might be accepted by the French Financial Markets Authority, and more generally, the completion of any other transaction in accordance with the regulations in force. In such a case, the Company will inform its shareholders by way of a press release.

- Purchases of the Company's shares may relate to a number of shares such that:
 - the number of shares purchased by the Company throughout the term of the share repurchase plan, at any time whatsoever, does not exceed 10% of the shares comprising the Company's share capital (this percentage will apply to the share capital, as adjusted in light of transactions affecting it after this General Shareholders' Meeting), i.e. , 56,336,482 shares as of the date of filing of this Registration Document, it being specified that (i) the number of shares purchased for retention and subsequent delivery as part of a merger, spin-off or contribution may not exceed 5% of the share capital; and (ii) when shares are bought to increase liquidity under the conditions defined by the AMF's General Regulations, the total number of shares taken into account for the calculation of the aforementioned limit of 10% is the number of shares bought, after deduction of the number of shares sold during the period of the authorization;
 - the number of shares that the Company holds at any given time whatsoever does not exceed 10% of the shares comprising the Company's share capital on the date in question;
- Shares may be sold, bought or transferred at any time, within the limits authorized by the legal and regulatory provisions in force, but **not during a public offer, and by any method**, on regulated markets, multilateral trading systems, with systematic internalizers or over-the-counter, including by block purchases or sales (with no limit on the proportion of the share repurchase plan that may be implemented by this method), by public offers to purchase or exchange shares, or through the use of options or other forward financial instruments traded on regulated markets, multilateral trading systems, with systematic internalizers or concluded over the counter or through delivery of shares following the issue of securities granting access to the Company's share capital through conversion, exchange, redemption, exercise of a warrant or otherwise. Transactions may be conducted either directly or indirectly through an investment services provider;
- The maximum purchase price of the shares under this resolution will be €35 per share (or the equivalent of this amount on the same date in any other currency); this maximum price is only applicable to acquisitions decided as from the date of the Combined General Meeting of April 21, 2016 and not to future transactions concluded pursuant to an authorization granted by a previous General Shareholders' Meeting that provides for acquisitions of shares subsequent to the date of this meeting.

In the event of a change in the par value of shares, capital increase via capitalization of reserves, award of free shares, division or regrouping of securities, distribution of reserves or of any other assets, redemption of capital or any other transaction concerning the shareholders' equity, the General Shareholders' Meeting delegates to the Board of Directors the power to adjust the maximum aforementioned purchase price in order to take account of the impact on the share value of these transactions.

The total amount allocated to the share buyback program authorized above may not exceed €1 billion.

This authorization would, as from the date of the Combined General Meeting of April 21, 2016, cancel any as yet unused portion of any prior authorization granted to the Board of Directors to trade in the Company's shares. This authorization is granted for a period of eighteen months from the date of this Combined General Meeting.

The General Shareholders' Meeting would grant full powers to the Board of Directors, including the option of sub-delegation under the conditions provided for by law, to decide on and implement this authorization, to specify, if necessary, the terms thereof and decide on the conditions thereof, to carry out the purchase plan, and, in particular, to place all stock market orders, enter into all agreements, allocate or reallocate the shares acquired to the desired objectives under the applicable statutory and regulatory provisions, determine the terms and conditions under which, if applicable, the rights of holders of securities or options will be protected, in compliance with the statutory, regulatory and contractual provisions, make all declarations to the AMF and to all competent authorities, carry out all other formalities and, in general, do whatever is necessary.

2.1.4 AUTHORIZED BUT UNISSUED SHARES

2.1.4.1 Authorizations adopted by the Combined General Meeting of April 24, 2014

LIST OF AUTHORIZATIONS ADOPTED BY THE COMBINED GENERAL MEETING OF APRIL 24, 2014⁽¹⁾

Securities/transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization <i>(in millions of euros and/or as a percentage)</i>
Issuances with preferential subscription rights (PSR)*		€1.09 billion (par value) representing approximately 40% of the share capital as of the date of the General Meeting (counting towards the overall maximum par value amount of €1.09 billion (hereinafter, the "overall cap")
Issuance of all types of securities (Resolution 16)	26 months June 24, 2016	
Issuances with no preferential subscription rights (PSR)*		€274 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the overall cap)
Issuance of all types of securities by public offer – mandatory priority subscription period (Resolution 17)	26 months June 24, 2016	
Issuances with no preferential subscription rights (PSR)*		€274 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the par value upper limit of €274 million for share capital increases without PSR and towards the overall cap)
Issuance of all types of securities, by way of private placement (Resolution 18)	26 months June 24, 2016	
Issuances of securities as payment for contributions in kind*	26 months June 24, 2016	10% of the share capital (counting towards the par value upper limit of €274 million for share capital increases without PSR and towards the overall cap)
Increase in the number of securities in the event of share capital increases with or without preferential subscription rights (green shoe option)*	26 months June 24, 2016	Extension by no more than 15% of a share capital increase performed with or without PSR (additional issuance counting towards the upper limit of the relevant resolution with or without PSR and towards the overall cap, and where applicable, towards the par value upper limit of €274 million for share capital increases without PSR)
Increase in share capital through the capitalization of premiums, reserves, profits or other items*	26 months June 24, 2016	€400 million (par value) representing approximately 14.6% of the share capital as of the date of the General Meeting (this par value maximum amount counting towards the overall cap)
Issuances reserved for members of employee savings plans with cancellation of preferential subscription rights*		
Share capital increase by issuing shares or securities granting access to the Company's share capital (Resolution 22)	26 months June 24, 2016	€54,887,570 (par value) representing approximately 2% of the share capital as of the date of the General Meeting (this amount counting towards the overall cap)
Cancellation of treasury shares	26 months June 24, 2016	10% of the share capital within any 24-month period

* The total par value amount of share capital increases that may be carried out pursuant to this resolution will count towards the overall cap of €1.09 billion set forth in the 16th resolution adopted by the Combined General Meeting of April 24, 2014.

2.1.4.2 Authorizations adopted at the Combined General Meeting of April 22, 2015

STATUS OF AUTHORIZATIONS ADOPTED BY THE COMBINED GENERAL MEETING OF APRIL 22, 2015⁽¹⁾

Securities/transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization <i>(in millions of euros and/or as a percentage)</i>
Share repurchase program		€35 per share, up to a limit of 54,850,382 shares and €1 billion; the Company may not hold more than 10% of its share capital
Except during a public offer period (Resolution 15)	18 months October 22, 2016	

(1) Authorizations still in effect as of the date of filing of this Registration Document only.

2.1.4.3 Authorizations proposed to the Combined General Meeting of April 21, 2016

Securities/transactions concerned	Term of authorization and expiry date	Upper limit on the use of the authorization (in millions of euros and/or as a percentage)
Share repurchase program Except during a public offer period (Resolution 11)	18 months October 21, 2017	€35 per share, up to a limit of 54,986,684 shares and €1 billion; the Company may not hold more than 10% of its share capital
Issuances with preferential subscription rights (PSR)* Issuance of all types of securities (Resolution 12)	26 months June 21, 2018	€ 845 million (par value) representing approximately 30% of the share capital as of the date of the General Meeting (counting towards the overall maximum par value amount of €845 million (hereinafter, the "overall cap"))
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities by public offer – mandatory priority subscription period (Resolution 13)	26 months June 21, 2018	€281 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the overall cap)
Issuances with no preferential subscription rights (PSR)* Issuance of all types of securities, by way of private placement (Resolution 14)	26 months June 21, 2018	€281 million (par value) representing approximately 10% of the share capital as of the date of the General Meeting (counting towards the par value upper limit of €281 million for share capital increases without PSR and towards the overall cap)
Issuances of securities as payment for contributions in kind* (Resolution 15)	26 months June 21, 2018	10% of the share capital (counting towards the par value upper limit of €281 million for share capital increases without PSR and towards the overall cap)
Increase in the number of securities in the event of share capital increases with or without preferential subscription rights (green shoe option)* (Resolution 16)	26 months June 21, 2018	Extension by no more than 15% of a share capital increase performed with or without PSR (additional issuance counting towards the upper limit of the relevant resolution with or without PSR and towards the overall cap, and where applicable, towards the par value upper limit of €281 million for share capital increases without PSR)
Increase in share capital through the capitalization of premiums, reserves, profits or other items* (Resolution 17)	26 months June 21, 2018	€400 million (par value) representing approximately 14.2% of the share capital as of the date of the General Meeting (this maximum par value amount counting towards the overall cap)
Issuances reserved for members of employee savings plans with cancellation of preferential subscription rights* Share capital increase by issuing shares or securities granting access to the Company's share capital (Resolution 18)	26 months June 21, 2018	€56,336,482 (par value) representing approximately 2% of the share capital as of the date of the General Meeting (this amount counting towards the overall cap)
Issuances reserved for employees with cancellation of preferential subscription rights */** Share capital increase reserved for a category of beneficiary (Resolution 19)	18 months October 21, 2017	€5,633,648 (par value) representing approximately 0.2% of the share capital as of the date of the General Meeting (this amount counting towards the overall cap)
Authorization granted to the Board of Directors to issue free shares, existing or to be issued, to employees and corporate officers of the Company, with waiver by shareholders of their preferential subscription rights. (Resolution 20)	18 months October 21, 2017	0.5% of the share capital as of the date of the General Meeting subject to the following sub-ceilings: (1) 0.3% of the share capital for performance shares granted to corporate officers of the Company and certain employees of the Company or the Group and (2) 0.2% for free shares, not subject to performance conditions, granted to all employees of the Company and French Group companies
Cancellation of treasury shares (Resolution 21)	26 months June 21, 2018	10% of the share capital within any 24-month period

* The total par value amount of share capital increases that may be carried out pursuant to this resolution will count towards the overall cap of €845 million set forth in the 12th resolution presented to the Combined General Meeting of April 21, 2016.

** Capital increase reserved for (i) employees and corporate officers of affiliated companies as provided under Article L. 225-180 of the French Commercial Code and Articles L. 3341-1 and L. 3344-2 of the French Labor Code and/or (ii) share ownership funds (UCITS or similar) invested in the Company's shares and whose share capital is held by the employees and corporate officers referred to in (i), and/or (iii) any lending institution (or subsidiary of such an institution) acting at the request of Veolia Environnement to set up a structured offering of shares to employees and corporate officers of affiliated companies having their registered office in countries where, for regulatory reasons or otherwise, employees may not participate in the usual employee shareholding mechanisms (issuances reserved for employees who are members of savings plans).

2.1.5 OTHER SECURITIES GRANTING ACCESS TO THE SHARE CAPITAL

Potential dilutive effect of stock options and share subscription warrants

On September 28, 2010, the Company granted 2,462,800 share subscription options to Group executives and employees (Plan No. 8). The exercise of these options was subject to a performance condition that was not attained. As of December 31, 2015, 2,127,400 share subscription options remain outstanding. Accordingly, except in the event of a public offer for the Company's shares, these outstanding share subscription options as of December 31, 2015 are not exercisable and do not generate any potential dilution (see Chapter 7, Section 7.4.3.1 below).

2.1.6 CHANGE IN SHARE CAPITAL DURING THE LAST FIVE YEARS

The table below shows the changes in the Veolia Environnement share capital since the start of fiscal year 2011:

Meeting date	Transaction	Number of shares issued	Par value of the shares (in euros)	Par value amount of the share capital increase (in euros)	Issue or contribution premiums (in euros)	Total share capital	Total number of shares
06/21/2000 04/25/2002 05/12/2004 (recorded by the Chairman and Chief Executive Officer on 01/26/2011)	Exercise of stock options	71,113	5	355,565	1,239,807.13	2,495,631,835	499,126,367
05/17/2011 (recorded by the Chairman and Chief Executive Officer on 06/15/2011)	Share capital increase resulting from the payment of scrip dividends	20,462,396	5	102,311,980	281,153,321.04	2,597,943,815	519,588,763
04/25/2002 (recorded by the Board of Directors on 08/03/2011)	Exercise of stock options	64,197	5	320,985	862,347.57	2,598,264,800	519,652,960
05/16/2012 (recorded by the Chairman and Chief Executive Officer on 06/14/2012)	Share capital increase resulting from the payment of scrip dividends	2,433,889	5	12,169,445	12,047,750.55	2,610,434,245	522,086,849
05/14/2013 (recorded by the Chairman and Chief Executive Officer on 06/12/2013)	Share capital increase resulting from the payment of scrip dividends	26,788,859	5	133,944,295	94,028,895.09	2,744,378,540	548,875,708
04/24/2014 (recorded by the Chairman and Chief Executive Officer on 05/26/2014)	Share capital increase resulting from the payment of scrip dividends	13,426,093	5	67,130,465	107,543,004.93	2,811,509,005	562,301,801
04/24/2014 (recorded by the Chairman and Chief Executive Officer on 12/17/2015)	Share capital increase reserved for employees (Group savings plan)	1,063,022	5	5,315,110	12,288,534.32	2,816,824,115	563,364,823

2.1.7 NON-EQUITY SECURITIES

EMTN program

In June 2001, a Euro Medium Term Note (EMTN) program was set-up for a maximum amount of €4 billion.

This maximum amount was raised to €16 billion on July 13, 2009.

The main outstanding bond issues performed under the EMTN program as of December 31, 2015 are as follows:

Issue date	Currency	Nominal issue amount (in millions of currency units)	Additional draw-downs/partial repurchases (in millions of currency units)	Nominal amount outstanding as of Dec. 31, 2015 (in millions of currency units)	Nominal interest rate	Maturity
May 28, 2003	EUR	750				
March 2012	EUR		(130)			
June 2013	EUR		(129)			
December 2013	EUR		(19)	472	5.375%	May 28, 2018
November 25, 2003	EUR	700		700	6.125%	November 25, 2033
December 12, 2005	EUR	900				
December 2012	EUR		(341)			
June 2013	EUR		(103)			
December 2013	EUR		(33)			
November 2014	EUR		(40)	382	4.00%	February 12, 2016
December 12, 2005	EUR	600				
June 2013	EUR		(109)			
December 2013	EUR		(60)	431	4.375%	December 11, 2020
November 24, 2006	EUR	1,000				
March 14, 2008	EUR		140			
March 2012	EUR		(140)			
December 2012	EUR		(256)			
June 2013	EUR		(86)			
December 2013	EUR		(42)			
November 2014	EUR		(10)	606	4.375%	January 16, 2017
May 24, 2007	EUR	1,000				
December 2013	EUR		(150)			
April 2015	EUR		(205)	645	5.125%	May 24, 2022
October 29, 2007	GBP	500				
January 7, 2008	GBP		150	650	6.125%	October 29, 2037
April 24, 2009	EUR	750				
November 2014	EUR		(175)			
Avril 2015	EUR		(113)	462	6.75%	April 24, 2019
June 29, 2009	EUR	250		250	5.70%	June 29, 2017
July 6, 2010	EUR	834				
April 2015	EUR		(196)	638	4.247%	January 6, 2021
March 30, 2012	EUR	750		750	4.625%	March 30, 2027
June 28, 2012	CNY	500		500	4.50%	June 28, 2017
April 9, 2015	EUR	500		500	1.59%	January 10, 2028
November 19, 2015	EUR	350		350	Euribor 3 months + 0.25%	May 19, 2017

As of December 31, 2015, the nominal amount outstanding under the EMTN program total €7,143 million, €6,761 million of which will mature in more than one year.

PUBLIC ISSUE ON THE US MARKET

On May 28, 2008, Veolia Environnement performed a triple-tranche bond issue registered with the US Securities and Exchange Commission for an amount of US\$ 1.8 billion, paying fixed-rate interest. The first tranche of the issue paid interest of 5.25% and matured on June 3, 2013. On December 19, 2014, Veolia Environnement early redeemed the outstanding balance of the second tranche, paying interest of 6.00% and maturing in June 2018. Only the third tranche (US\$ 400 million) which pays interest of 6.75% and matures in June 2038 remains outstanding.

As of December 31, 2015, the nominal outstanding amount totaled US\$ 400 million (367 million euro-equivalent), all of which will mature in more than one year.

COMMERCIAL PAPER

Veolia Environnement has a short-term financing program comprising commercial paper, capped at €4 billion.

As of December 31, 2015, the outstanding amount of commercial paper issued by the Company totaled €2,937 million.

For further details, please refer to Chapter 4, Section 4.1, Note 8 to the consolidated financial statements, below.

2.2 Veolia Environnement shareholders AFR

2.2.1 SHAREHOLDERS AS OF DECEMBER 31, 2015

The table below shows the number of shares and the corresponding percentages of share capital and voting rights held as of December 31, 2015 by Veolia Environnement's principal known shareholders.

Each Veolia Environnement share confers entitlement to one vote. As of the date of filing of this Registration Document, no shares confer double voting rights or are stripped of voting rights (only the voting rights of treasury shares are suspended). Nonetheless, with effect from April 3, 2016, double voting rights will be introduced for shares held in registered form by the same shareholder for at least two years, in accordance with the Florange Law of March 29, 2014 (see Chapter 8, Section 8.1.9, below).

To the best of the Company's knowledge, as of the date of filing of this Registration Document, no shareholder other than those listed in the table below directly or indirectly held 4% or more of the Company's share capital or voting rights.

Shareholders as of December 31, 2015	Number of shares	Percentage of share capital	Theoretical number of voting rights	Number of voting rights that may be exercised	Percentage of voting rights**
Caisse des Dépôts ⁽¹⁾	48,570,712 ⁽⁵⁾	8.62	48,570,712	48,570,712	8.84
Groupe Industriel Marcel Dassault – GIMD ⁽²⁾	26,788,732 ⁽⁵⁾	4.75	26,788,732	26,788,732	4.87
Velo Investissement (Qatari Diar) ⁽³⁾	26,107,208	4.63	26,107,208	26,107,208	4.75
Veolia Environnement ⁽⁴⁾	13,797,975	2.45	0*	0*	0*
Public and other investors	448,100,196	79.55	448,100,196	448,100,196	81.54
TOTAL	563,364,823	100.00	549,566,848	549,566,848	100.00

* As of December 31, 2015, Veolia Environnement held 13,797,975 treasury shares.

** Percentage of voting rights as a proportion of effective voting rights (Veolia Environnement treasury shares do not exercise voting rights).

(1) According to the statement of registered shareholders as of December 31, 2015 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2015. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Caisse des Dépôts et Consignations was filed on June 15, 2009 (AMF Decision and Information No. 209C0862 of June 15, 2009).

(2) According to the statement of registered shareholders as of December 31, 2015 prepared by Société Générale (the account manager), and according to the analysis of the Company's shareholders as of December 31, 2015. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Groupe Industriel Marcel Dassault (GIMD) was filed on March 11, 2010 (AMF Decision and Information No. 210C0246 of March 15, 2010).

(3) According to the analysis of the Company's shareholders as of December 31, 2015. To the best of the Company's knowledge, the most recent declaration of threshold crossing by Velo Investissement (Qatari Diar) was filed on April 15, 2010 (AMF Decision and Information No. 210C0335 dated April 16, 2010).

(4) Treasury shares without voting rights. This information is included in the monthly report of transactions carried out by Veolia Environnement in its own shares that was filed with the French Financial Markets Authority (AMF) on January 5, 2016.

(5) Shares held in registered form for more than two years.

To the best of the Company's knowledge, there are no other agreements between one or more of the Company's shareholders or any provision in a shareholders' agreement or agreement to which the Company is a party that could have a material impact on the Company's share price, and there are no shareholders' agreements or other agreements of such nature to which any significant non-listed subsidiary of the Company is a party, other than the agreements with the Caisse des Dépôts et Consignations, described in Chapter 4, Section 4.1 (Notes 3.5, 8.5 and 13 to the 2015 consolidated financial statements).

No third party controls Veolia Environnement and, to the Company's knowledge, there are no agreements in existence that, if implemented, could result in a change of control or takeover of the Company.

2.2.2 CHANGES IN THE COMPANY'S PRINCIPAL SHAREHOLDERS DURING THE LAST THREE FISCAL YEARS

The table below presents changes in the Company's principal shareholders (holding more than 4% of the Company's shares, directly or indirectly) during the last three fiscal years*:

Shareholder	Position as of December 31, 2015			Position as of December 31, 2014			Position as of December 31, 2013		
	Number of shares	Percentage of share capital	Percentage of voting rights**	Number of shares	Percentage of share capital	Percentage of voting rights**	Number of shares	Percentage of share capital	Percentage of voting rights**
Caisse des Dépôts	48,570,712	8.62	8.84	48,570,712	8.64	8.86	48,570,712	8.85	9.08
Groupe Industriel Marcel Dassault – GIMD	26,788,732	4.75	4.87	32,088,732	5.71	5.85	32,888,732	5.99	6.15
Groupe Groupama	822,347	0.15	0.15	29,455,011	5.24	5.37	28,269,972	5.15	5.28
Velo Investissement (Qatari Diar)	26,107,208	4.63	4.75	26,107,208	4.64	4.76	24,745,371	4.51	4.63

* Figures are taken from the 2015, 2014 and 2013 Registration Documents.

** The percentage voting rights refers to the theoretical number of voting rights (the percentage of voting rights that may be exercised is identical to the theoretical percentage of voting rights).

*** According to the analysis of the Company's shareholders as of December 31, 2015. In a press release published on March 3, 2015, the Groupama Group announced it had sold 28,396,241 of the Company's shares. Following this disposal, Groupama declared on March 5, 2015 that it held through Groupama SA, Gan Assurances and the regional banks, 0.15% of the share capital and voting rights of the Company, i.e. 823,779 shares.

2.3 Dividend policy

2.3.1 DIVIDENDS PAID DURING THE LAST FIVE FISCAL YEARS

(in euros)	2010 Dividend	2011 Dividend	2012 Dividend	2013 Dividend	2014 Dividend
Gross dividend per share	1.21	0.7	0.7	0.7	0.7
Net dividend per share	1.21*	0.7*	0.7*	0.7*	0.7*
TOTAL DIVIDEND DISTRIBUTION	586,792,691	353,790,523	355,494,245	374,246,447	383,952,678

* Dividend is eligible for the 40% tax rebate.

A dividend payment of €0.70 per share for each of the Company's outstanding shares carrying dividend rights as of January 1, 2015 was approved by the Combined General Meeting of April 22, 2015. The ex-dividend date was set at May 5, 2015 and the dividend was paid from May 7, 2015.

As of December 31, 2014, the share capital comprised 562,301,801 shares, including 13,797,975 treasury shares. The total dividend distribution was adjusted to take account of the number of treasury shares held by Veolia Environnement at the payment date. Treasury shares do not carry dividend rights.

A dividend of €0.73 per share for 2015, payable in cash, will be proposed to the General Meeting of April 21, 2016. The ex-dividend date has been set at May 2, 2016 and the 2016 dividend will be paid from May 4, 2016.

For individual shareholders who are French tax residents, dividends, whether paid in cash or in shares, are automatically included in total income and taxed on a progressive scale.

As such, a mandatory levy of 21% will be deducted from dividends paid in 2016 as a payment on account of income tax due in 2017 on 2016 income. However, taxpayers whose reference taxable income is less than €50,000 for a single person and €75,000 for couples may request exemption from payment of this levy.

Whatever the payment method, dividends paid to French tax residents are eligible for an uncapped 40% deduction on the gross amount received. All Veolia Environnement shares are eligible for this scheme.

Social security contributions and additional levies applicable to dividends paid to shareholders are subject to withholding tax deducted by the paying agent at the rate of 15.5% (including a 5.1% deductible social security contribution).

For beneficiaries who are not French tax residents, dividends are subject to withholding tax at a rate dependent on the country of tax residence.

2.3.2 DIVIDEND POLICY

The Company's dividend policy is determined by the Board of Directors, which may consider a number of factors, such as the Company's net income and financial position, as well as the dividends paid by other French and international companies within the same sector.

2.3.3 PERIOD DURING WHICH DIVIDEND PAYMENTS MUST BE CLAIMED

Dividends that are not claimed within five years from the date on which they are made available for payment revert to the French government.

3

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3.1 Major 2015 events

3.1.1 GENERAL CONTEXT

The Group's performance during the year ended December 31, 2015 was marked mainly by:

- excellent annual results, significantly exceeding objectives:
 - Current net income of €580 million versus *Pro forma* €314 million for the year ended December 31, 2014;
 - Net free cash flow: €856 million versus *Pro forma* €314 million for the year ended December 31, 2014, for an objective of more than €500 million, due to the sharp decrease in working capital requirements in the fourth quarter of 2015;
 - Net financial debt: €8,170 million, versus GAAP €8,311 million as of December 31, 2014, down €586 million excluding exchange rate impacts;
 - Cost savings over four years: €802 million in total savings during the period from 2012 to 2015, versus a target of €750 million (€220 million in gross gains in 2015);
- good commercial momentum in both our traditional businesses and priority markets.

3.1.2 CHANGES IN GROUP STRUCTURE

Net financial investments, as presented in the Statement of change in net financial debt, totaled €118.2 million for the year ended December 31, 2015 (see the breakdown in 3.2.2) and mainly include the divestiture of the Group's activities in Israel in the amount of €231.5 million, and the purchase of the minority stake held in Water in Central & Eastern Europe in the amount of - €85.9 million. They also include the acquisition of the Altergis Group in France, the acquisition of control in Csatorna in Hungary and the divestiture of the Singapore cooling network and the Changle water concession in China.

Divestiture of activities in Israel

On March 30, 2015 Veolia closed the sale of water, waste and energy activities in Israel in association with the agreement signed on July 9, 2014 with funds managed by Oaktree Capital Management L.P., a leader among global investment companies.

Closing of the transaction was subject to the approval of the Israeli Antitrust Authority and change in control authorizations standard for such transactions.

The transaction resulted in a reduction in the Group's net financial debt by around €226 million, of which €29 million was already recorded as of December 31, 2014 due to the classification within "assets and liabilities associated directly with assets classified as held for sale", in accordance with the IFRS 5 accounting standard.

Accordingly, the financial statements for the year ended December 31, 2015 include a post-tax net disposal gain of €39.1 million (€45.4 million before tax).

Purchase of the EBRD's stake in Veolia Central & Eastern Europe (formerly Veolia Voda)

On April 7, 2015, Veolia Eau - Compagnie Générale des Eaux purchased the stake held by the European Bank for Reconstruction and Development (EBRD) in Veolia Central & Eastern Europe (*i.e.* 8.36% of the share capital of Veolia Central & Eastern Europe, combining the Group's Water activities in Central and Eastern Europe) for €85.9 million. As a result of this transaction, the Group now fully owns Veolia Central & Eastern Europe.

3.1.3 GROUP FINANCING

Bond swap

In early April 2015, Veolia Environnement proceeded with an exchange of a portion of the bonds maturing in 2019, 2021 and 2022 in the amount of €515 million, while concurrently issuing a new bond maturing in January 2028 for €500 million with a 1.59% coupon. This transaction enabled the Group to smooth out its debt profile, while reducing the associated financing costs.

Dividend payment

The Combined General Meeting of April 22, 2015 set the dividend for fiscal year 2014 at €0.70 per share. This dividend was paid in cash beginning May 7, 2015 in the total amount of €384 million.

Improved credit outlook

In early May, S&P confirmed Veolia's A-2 / BBB credit rating, while raising the Group's outlook from negative to stable. This decision illustrates the recognition of Veolia's restructuring efforts, improved results and the benefits arising from active debt management, as well as the rating agencies' confidence in the Group's strategic outlook.

The Company is rated P-2 / Baa1, with a stable outlook, by Moody's.

Change in bonds outstanding

On June 17, 2015, Veolia Environnement repaid the 2015 euro-denominated inflation-linked bond line with a nominal value of €1.0 billion following its arrival at maturity.

Refinancing of multi-currency liquidity lines

On November 6, 2015, Veolia Environnement signed a new multi-currency syndicated loan facility in the amount of €3 billion, maturing in 2020 and extendable until 2022, with the possibility of drawdowns in Eastern European currencies and Chinese Renminbi.

This syndicated loan facility replaces the two syndicated loan facilities that had been established in 2011: one multi-currency loan facility of €2.5 billion maturing in 5 years, the other a €500 million loan facility maturing in 3 years for drawdowns in Polish zlotys, Czech crowns and Hungarian forints.

Floating Rate Note

On November 13, 2015, Veolia Environnement issued a Floating Rate Note maturing in May 2017 as part of a private placement with French institutional investors in the amount of €350 million.

3.1.4 SNCM / TRANSDEV GROUP

See Chapter 4, Section 4.1, Note 3.3 to the consolidated financial statements below.

3.1.5 CHANGES IN GOVERNANCE

Combined general meeting of April 22, 2015

The Combined General Meeting of Veolia Environnement took place at the Maison de la Mutualité in Paris, on Wednesday, April 22, 2015, under the chairmanship of Mr. Antoine Frérot, Chairman and Chief Executive Officer of the Company. At the Meeting, shareholders approved all the resolutions 1 to 17 of the agenda.

In particular, shareholders:

- approved the company accounts and consolidated financial statements for fiscal year 2014;
- set the dividend in cash for fiscal year 2014 at €0.70 per share. This dividend was paid out beginning May 7, 2015;
- renewed the terms of office of Mrs. Maryse Aulagnon, Mr. Baudouin Prot and Mr. Louis Schweitzer and appointed Mrs. Homaira Akbari and Mrs. Clara Gaymard, as directors for a four-year term expiring at the end of the 2019 General Shareholders' Meeting convened to approve the financial statements for the period ended December 31, 2018;
- ratified the co-optation of Mr. Georges Ralli as director for the remaining term of office of the company (Groupama SA) which he represented (2016 General Shareholders' Meeting);
- issued a favorable opinion on the remuneration due or attributed for fiscal year 2014 and the 2015 remuneration policy of Mr. Antoine Frérot, the Company's Chairman and Chief Executive Officer.

Resolution A (not approved by the Board of Directors), the purpose of which was to remove the automatic vesting of double voting rights provided by the "Florange Act" to shares held in a registered form for at least two years, was rejected.

At the close of this Combined General Meeting, the Veolia Environnement Board of Directors consisted of seventeen voting directors, including two directors representing employees, five women directors (33.3%), and two non-voting members:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer;
- Mr. Louis Schweitzer, Vice-Chairman and Senior Independent Director;
- Mrs. Homaira Akbari;
- Mr. Jacques Aschenbroich;
- Mrs. Maryse Aulagnon;
- Mr. Daniel Bouton;
- Caisse des Dépôts et Consignations, represented by Mr. Olivier Mareuse;
- Mrs. Clara Gaymard;
- Mrs. Marion Guillou;
- Mr. Serge Michel;
- Mr. Pavel Páša, director representing employees;
- Mr. Baudouin Prot;
- Qatari Diar Real Estate Investment Company, represented by Mr. Khaled Al Sayed;
- Mrs. Nathalie Rachou;
- Mr. Georges Ralli;
- Mr. Paolo Scaroni;
- Mr. Pierre Victoria, director representing employees;
- Mrs. Isabelle Courville, non-voting director;
- Mr. Paul-Louis Girardot, non-voting director.

3.1.6 EMPLOYEE CONTRIBUTION TO GROUP PERFORMANCE

After having establishing a long-term Management Incentive Plan in October 2014 applicable to the Group's top 300 main managers, Veolia reaffirmed its desire in 2015 to incentivize all of its employees in the successful completion of its strategic plan.

This resulted in the standardization at an international level of the employee variable incentive compensation plan, as well as the implementation in the fourth quarter of 2015 of an employee shareholder transaction targeting the involvement of employees in 20 countries in the Group's development and performance.

More than 29,000 people subscribed to this employee shareholder transaction for a total amount of €19.4 million. The resulting share capital increase comprised the issuance of 1,063,022 new shares at a subscription price of €16.56 per share (i.e. a total of €17.6 million). As of December 17, 2015, this issue brought the total number of outstanding Veolia Environnement shares to 549,566,848 (i.e. a total of 563,364,823 shares, including treasury shares).

The new shares, which carry dividend rights as of January 1, 2015, were comparable to the former shares and shall grant entitlement to the dividends distributed in 2016 in respect of 2015.

3.1.7 INVESTOR DAY

On December 14, 2015, during an Investor Day meeting, the Group presented its objectives and outlook for the next three years (See details in Section 3.7 below).

3.2 Accounting and financial information

3.2.1 PREFACE

Similar to the published financial information for the first and third quarters and the first half of 2015, the publication of financial information for the year ended December 31, 2015 was marked by:

- The first-time application of the IFRIC 21 interpretation "Duties or Taxes" relating to the recognition of a liability for a duty or levy due, as of January 1, 2015.

For the year ended December 31, 2015, the impact on EBITDA and Current EBIT was -€2.2 million and the impact on current net income was -€2.1 million. However, due to retrospective application to 2014, the assessment of the Group's performance is not impacted.

- Publication of new financial indicators.

To enhance the presentation of its operating performance and improve comparability with other sector companies, and as stated at the time of the Group's 2014 annual results communication, the Group decided to introduce new financial indicators starting fiscal year 2015 that are now used to communicate the Group's financial results. These financial indicators are defined in section 3.8.3. below.

These new indicators are:

- EBITDA,
- Current EBIT, and
- Current Net Income.

Please refer to Section 3.8.2 for a reconciliation of these new financial indicators with the previous financial indicators used by the Group.

Following the adoption of these new financial indicators, Veolia also modified its definition and calculation of ROCE, the detail of which is presented in Section 3.4 below.

- Presentation of two comparative scopes relating to the unwinding of the Dalkia joint venture:
 - one referred to as **"GAAP"**, with Dalkia France fully consolidated and Dalkia International equity-accounted in the first half of 2014 and then from July 2014, Dalkia International fully consolidated and excluding Dalkia France;
 - the other referred to as **"Pro forma"**, with Dalkia International fully consolidated as of January 1, 2014 and excluding Dalkia France.

3.2.2. KEY FIGURES

The Group reported a strong increase in results for 2015, with current net income and net free cash flow largely exceeding objectives:

Group results break down as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 represented ⁽¹⁾	Change at current scope and exchange rates	Change at constant scope and exchange rates
Revenue	24,964.8	23,879.6	4.5%	1.4% ⁽²⁾
<i>Pro forma revenue</i>	24,964.8	24,408.4	2.3%	-0.6%
EBITDA	2,997.2	2,692.2	11.3%	8.1% ⁽²⁾
<i>Pro forma EBITDA</i>	2,997.2	2,761.9	8.5%	5.3%
<i>Pro forma EBITDA margin</i>	12.0%	11.3%		
Current EBIT ⁽³⁾	1,315.2	1,047.7	25.5%	20.3% ⁽²⁾
<i>Pro forma Current EBIT</i> ⁽³⁾	1,315.2	1,052.8	24.9%	18.6%
Net income – Group share	450.2	241.8		
<i>Pro forma net income – Group share</i>	450.2	(233.2)		
Current net income - Group share	580.1	333.3		
<i>Pro forma current net income - Group share</i>	580.1	314.2		
Current net income - earnings per share ⁽⁴⁾	1.06	0.59		
Dividend per share	0.73 ⁽⁵⁾	0.70		
<i>Pro forma industrial investments</i>	1,484	1,568		
<i>Pro forma net free cash flow</i> ⁽⁶⁾	856	314		
Net financial debt	8,170	8,311		

(1) The 2014 figures are re-presented for IFRIC 21 (see Section 3.8.1. below).

(2) Change at constant exchange rates.

(3) Including the share of current net income of joint ventures and associates viewed as core Company activities (excluding Transdev, which is not viewed as a core Company activity and associates).

(4) See definition in Section 3.8.3 below.

(5) Subject to the approval of General Shareholders' Meeting of April 21, 2016.

(6) Net free cash flow is defined in Section 3.8.3 below.

The main foreign exchange impacts were as follows:

Foreign exchange impacts as of December 31, 2015		
(vs pro forma December 31, 2014 figures)	%	M€
Revenue	3.4%	836
EBITDA	3.6%	100
Current EBIT	5.9%	63
Net financial debt vs. GAAP December 2014 figures	5.3%	445

Group consolidated revenue

Revenue for the year ended December 31, 2015 increased by 4.5% at current consolidation scope and exchange rates and +1.4% at constant exchange rates, compared with GAAP figures for the year ended December 31, 2014.

On a *Pro forma* basis, Group consolidated revenue increased 2.3% at current scope and exchange rates and -0.6% at constant scope and exchange rates to €24,964.8 million, compared with *Pro forma* €24,408.4 million for the year ended December 31, 2014.

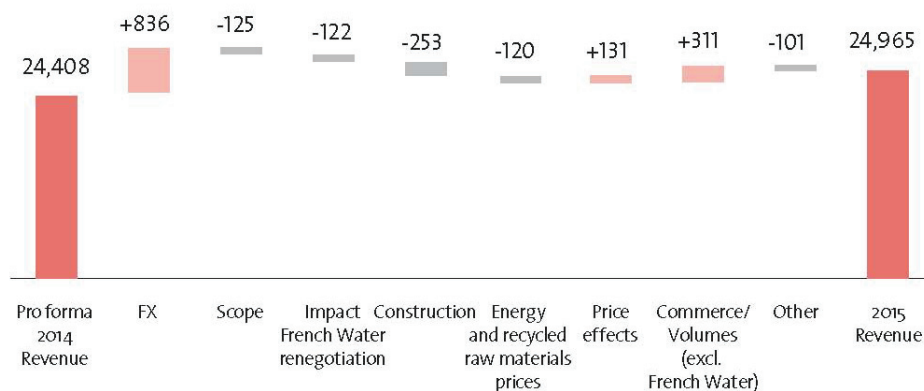
Revenue was stable in the fourth quarter of 2015 excluding Global Businesses, following a sharp improvement in the third quarter (+1.7% at constant scope and exchange rates versus -1.4% in the first quarter and -1.2% in the second quarter).

The municipal sector generated 56% of 2015 revenue (i.e. around €14 billion), and the industrial sector generated 44% (i.e. around €11 billion).

By segment, this change in revenue compared to *Pro forma* figures for the year ended December 31, 2014 breaks down as follows:

- a slight downturn in revenue in France (-1.5% at constant scope):
 - revenue decline of 3.5% in the Water business due to contractual erosion with lower tariff indexation (+0.3% versus +1.2% in 2014), despite good water volumes (+1.2%);
 - revenue growth in the Waste business (+1.0%), despite challenging volume trends, due to strong commercial performance with an expanding contract portfolio;
- a decrease in revenue in the rest of Europe (-1.2% at constant scope and exchange rates):
 - In the United Kingdom, (-3.1% at constant scope and exchange rates), revenue was stable excluding Private Finance Initiative (PFI) construction activity, due to resilient commercial collection and robust PFI performance;
 - Revenue in Germany (-5.1% at constant scope and exchange rates) was impacted by the decline in volumes and prices of energy sold, and the ongoing decrease in Waste volumes;
 - Revenue in Central Europe rose by 1.8% at constant scope and exchange rates, due to higher volumes invoiced in the Water business, and good electricity sales volumes despite lower price increases in the Energy business;
- a strong improvement in activities in the Rest of the World revenue (+3.5% at constant scope and exchange rates) due to sharp growth in Asia, particularly in China (+7.9% at constant scope and exchange rates, relating to the rise in Energy revenue, new industrial water contracts and the construction of hazardous waste incinerators), and Japan (new water contracts). The decline in North America revenue (-4.6% at constant scope and exchange rates) was primarily due to the fall in energy prices;
- and finally, declining revenue in the Global Businesses segment (-3.3% at constant scope and exchange rates) hindered by Construction activities due to the completion of major projects and delays relating to the decline in the price of oil. Hazardous waste revenue improved despite the negative impact of lower recycled oil prices.

The change in revenue between 2014 (*Pro forma* figures) and 2015 breaks down by main impact as follows:



The **foreign exchange impact** on revenue amounted to +€835.7 million (+3.4% of revenue) and mainly reflects fluctuations in the value of the euro against the US Dollar (+€377.2 million), the U.K. pound sterling (+€244.5 million) and the Chinese renminbi (+€81.0 million).

The **consolidation scope impact** was largely attributable to the disposal of Group activities in Israel, and the divestiture of Waste activities in Poland.

The decline in revenue from **Construction activity** was driven mainly by project delays at VWT and SADE, and lower construction revenue from PFI contracts in the United Kingdom.

Group revenue was hindered by the decrease in **energy prices** in the United States and Germany, as well as the negative fluctuations in recycled **raw material prices** (mainly metals and used oils).

Positive price impacts were however observed, relating to price indexation that remains favorable, but more moderate: weak in Europe in the Water and Waste businesses and stronger outside of Europe.

The favorable contribution from commercial efforts of +€311 million (**Commerce/Volumes impact**), excluding the negative impact of **renegotiations in the French Water business** (-€122 million) was due to:

- good volumes in the Water business (France, Central Europe, Africa and the Middle East), which were partially offset by the difficulties encountered in the Waste sector, despite solid resilience in France and the United Kingdom;
- contract wins in Europe in Waste (France and the United Kingdom) and Energy (Netherlands, Spain) and growth in Asia-Pacific, particularly in the industrial water sector.

Finally, “**Other**” changes mainly concern one-off items with no impact on EBITDA.

EBITDA

EBITDA for the year ended December 31, 2015 increased 11.3% at current scope and exchange rates and +8.1% at constant exchange rates, compared with GAAP figures for the year ended December 31, 2014.

In terms of *Pro forma* figures, for the year ended December 31, 2015, Group consolidated EBITDA increased 8.5% at current scope and exchange rates and +5.3% at constant scope and exchange rates to €2,997.2 million, compared with the year ended December 31, 2014.

This significant growth in EBITDA was primarily due to cost savings totaling €220 million in 2015:

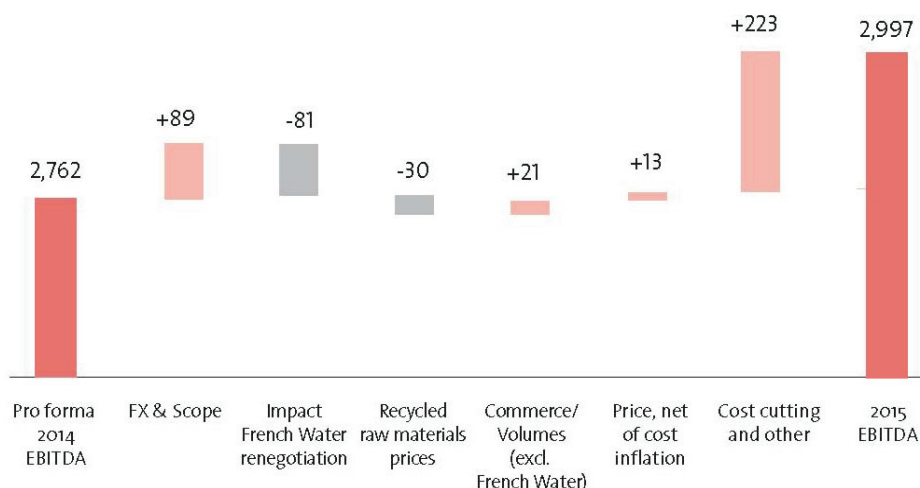
EBIT impacts <i>in € million</i> (before IFRS 10 & 11)	2012	2013	2014	Cumulative end 2014	2015	Cumulative end 2015	2015 Cumulative Objective
Gross savings	142	208	232	582	220	802	750

Cost savings were generated by organizational efficiency (46%), purchases (24%), turnarounds in loss-making contracts (10%) and technical optimization efforts (9%). They were achieved throughout all geographical zones: France (44%), Europe excluding France (17%), Rest of the World (17%), Global Businesses (16%) and Corporate (6%).

By segment:

- EBITDA in France was marked by excellent results in the Waste business:
 - in the Water business, EBITDA declined by 6.1% at constant consolidation scope. Cost savings only partially offset the commercial erosion, and solid volumes were mitigated by negative price impacts;
 - in the Waste business, EBITDA rose by +6.7% due to cost savings plans, the decrease in fuel prices and positive non-recurring items, despite the decline in landfill volumes.
- Steady growth in the Europe excluding France segment, particularly in Central and Eastern Europe (+10.0% at constant scope and exchange rates, primarily due to the sharp decline in costs), and the United Kingdom (solid commercial collection results, positive impact of lower fuel prices, and cost savings, despite falling scrap metal and electricity prices). In Germany, EBITDA was stable, with cost savings offsetting the impact of declining volumes in Waste and Energy.
- Significant growth in the Rest of the World: in North America, due to efficiency gains which offset the decline in cogeneration margins, and lower industrial services activity, and in China, driven by an increase in revenue and cost savings.
- Global Businesses EBITDA decreased slightly, hindered by declining construction activity revenue, and the impact of falling oil prices in the hazardous waste sector, despite cost cutting efforts.

The change in EBITDA between 2014 (*Pro forma* figures) and 2015 **by impact** breaks down as follows:



The foreign exchange impact on EBITDA amounted to +€100.3 million, and mainly reflects fluctuations in the value of the euro against the US Dollar (+€41.2 million), the U.K. pound sterling (+€29.9 million) and the Chinese renminbi (+€23.4 million). **The scope impact** mainly concerns the disposal of Group activities in Israel.

The contribution from commercial efforts was favorable, excluding the negative impact of renegotiations in the French Water business (-€81 million).

The price impact, net of cost inflation was positive: less favorable tariff indexation was offset by operational efficiency.

The contribution of the cost savings plans amounted to €223 million, driven mainly by organizational efficiency and purchasing. Cumulative savings as of December 31, 2015 totaled €802 million, thus exceeding the objective set for the end of 2015.

Current EBIT

In 2015, the Group's consolidated Current EBIT increased significantly by 25.5% at current scope and exchange rates and +20.3% at constant exchange rates to €1,315.2 million, compared with GAAP figures for the year ended December 31, 2014. The increase amounted to +24.9% at current scope and exchange rates (+18.6% at constant scope and exchange rates) compared with *Pro forma* figures for the year ended December 31, 2014.

The significant increase in Current EBIT was driven primarily by:

- the strong improvement in EBITDA;
- the €62 million decline in depreciation and amortization charges at constant exchange rates, i.e. by 4.4%;
- the favorable change in net charges to provisions, in particular in the Water business in France related to provision reversals for "Olivet" contractual risks and the removal of certain risks in 2015;
- the solid increase in the current net income of joint ventures and associates, particularly our Water concessions in China for around €30 million.

The foreign exchange impact on Current EBIT amounted to +€62.6 million, and mainly reflects fluctuations in the value of the euro against the US Dollar (+€26.8 million), the U.K. pound sterling (+€16.1 million) and the Chinese renminbi (+€19.5 million).

Financial result

The cost of net financial debt totaled -€445.9 million for the year ended December 31, 2015, versus *Pro forma* -€494.4 million for the year ended December 31, 2014 excluding bond buyback costs for -€62.3 million (-€556.7 million including bond buyback costs).

The cost of net financial debt therefore decreased by €48.5 million versus the 2014 *Pro forma* figure, despite a negative foreign exchange impact of €12.9 million. The reduction in the cost of net financial debt reflects the Group's efforts to manage debt.

Other financial income and expenses totaled €27.9 million for the year ended December 31, 2015, versus *Pro forma* €12.4 million for the year ended December 31, 2014 and comprise capital gains and losses on net financial divestitures in the amount of €59.5 million for the year ended December 31, 2015 (€52.5 million post-tax), and in particular the pre-tax capital gain on the disposal of Group activities in Israel for €45.4 million.

Income tax expense

The re-presented income tax rate for the year ended December 31, 2015 declined to 28.0%, versus *Pro forma* 35.6% for the year ended December 31, 2014.

This decline was due mainly to the increase in net income in Central and Eastern European countries which benefit from lower tax rates.

Net income

Current net income attributable to owners of the Company improved significantly from *Pro forma* €314.2 million for the year ended December 31, 2014 (GAAP €333.3 million for the year ended December 31, 2014) to €580.1 million for the year ended December 31, 2015, due to:

- current EBIT growth;
- the reduction in the cost of net financial debt, as well as;
- the improvement in the tax rate.

Current net income attributable to owners of the Company per share (basic and diluted) was €1.06 for the year ended December 31, 2015, compared with GAAP €0.59 for the year ended December 31, 2014.

Net income attributable to owners of the Company amounted to €450.2 million for the year ended December 31, 2015, versus GAAP €241.8 million for the year ended December 31, 2014.

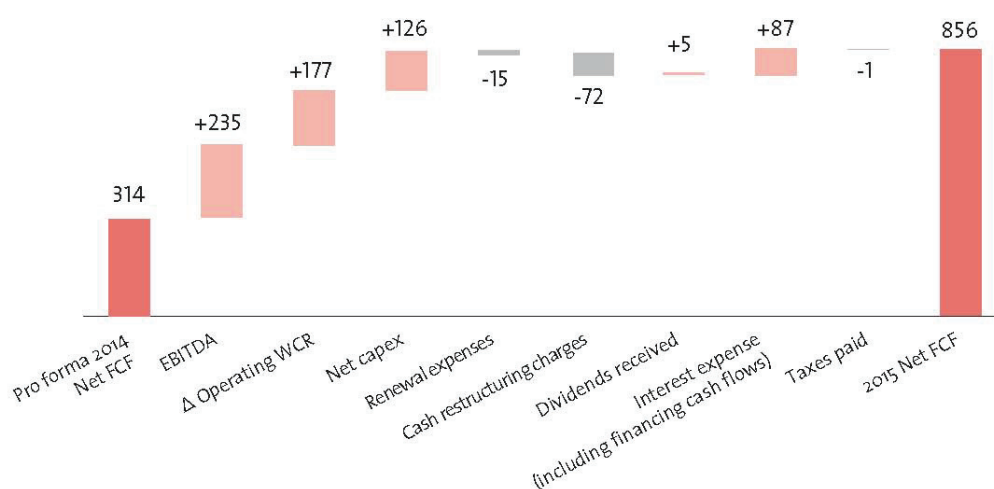
Other than factors already mentioned, the significant growth in net income attributable to owners of the Company was also driven by improved results at the Transdev Group, recorded in share of net income of other equity-accounted entities, mitigated by net income items considered as non-current, particularly restructuring charges and provisions (see details further below).

Net income attributable to owners of the Company per share (diluted and basic) amounted to €0.69 for the year ended December 31, 2015, versus GAAP €0.32 for the year ended December 31, 2014.

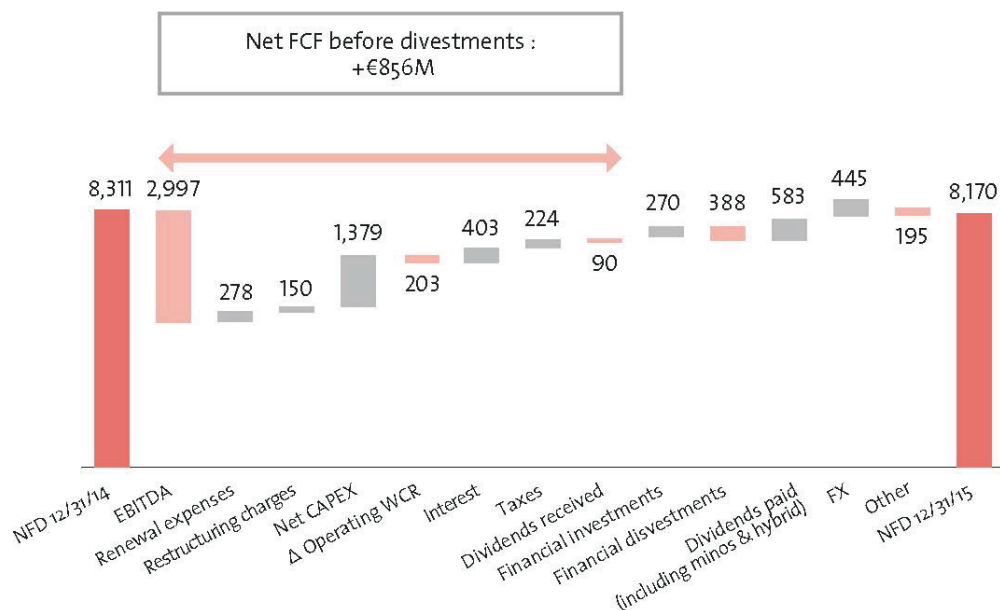
Net free cash flow (FCF) and Net financial debt

Net free cash flow amounted to €856 million for the year ended December 31, 2015, versus *Pro forma* €314 million for the year ended December 31, 2014 and thus significantly exceeded objectives due to strong year end cash receipts.

Net free cash flow increased due to the improvement in EBITDA, solid industrial investment discipline, the favorable change in operating working capital requirements, lower financing costs, partially offset by higher restructuring charges.



Overall, net financial debt totaled €8,170 million, down €586 million compared with GAAP €8,311 million for the year ended December 31, 2014, when excluding exchange rate impacts. Changes in net financial debt were attributable to the following items:



3.2.3. REVENUE

3.2.3.1. Revenue by segment

Revenue (€ million)	For the year December 31, 2015	For the year ended December 31, 2014 <i>Pro forma</i>	2015/2014 change	Internal growth	External growth	Foreign exchange impact
France	5,471.5	5,553.1	-1.5%	-1.5%	0.0%	0.0%
Europe excluding France	8,574.7	8,475.0	+1.2%	-1.2%	-0.4%	+2.8%
Rest of the World	5,926.1	5,304.8	+11.7%	+3.5%	-0.5%	+8.7%
Global Businesses	4,881.0	4,867.1	+0.3%	-3.3%	+0.7%	+2.9%
Other	111.5	208.4	-46.5%	+2.6%	-49.3%	+0.2%
GROUP	24,964.8	24,408.4	+2.3%	-0.6%	-0.5%	+3.4%

Revenue trends break down as follows:

<i>Pro forma changes</i>				
<i>At constant scope and exchange rates</i>				
	Q1 2015	Q2 2015	Q3 2015	Q4 2015
France	-3.6%	-1.6%	-0.5%	-0.2%
Europe excluding France	-3.5%	-0.7%	-0.4%	+0.2%
Rest of the World	+2.4%	+4.5%	+7.7%	-0.2%
Global Businesses	+2.1%	-7.9%	-0.1%	-6.2%
GROUP	-1.4%	-1.2%	+1.7%	-1.4%
GROUP EXCLUDING GLOBAL BUSINESSES	-2.1%	+0.5%	+2.1%	-0.1%

FRANCE

Revenue in France for the year ended December 31, 2015 totaled €5,471.5 million, down -1.5% at a constant consolidation scope, compared with *Pro forma* figures for the year ended December 31, 2014.

- Revenue in the Water business declined by -3.5% at both current and constant consolidation scopes compared with *Pro forma* figures for the year ended December 31, 2014. The Water business was impacted by contractual erosion (relating to the loss of the Nice and Rennes contracts and the renewal of the Grand Lyon contract), and lower price indexation (+0.3% versus +1.2% in 2014), mitigated by higher volumes (+1.2%) due to more favorable weather;
- Revenue in the Waste business grew +1.0% at constant consolidation scope. Commercial wins, higher commercial collection tariffs and the solid momentum of incineration activities were partially offset by the decline in recycled raw material volumes and prices and municipal collection tariffs as well as the decrease in landfill volumes.

EUROPE EXCLUDING FRANCE

Revenue in the Europe excluding France segment for the year ended December 31, 2015 increased 1.2% at current consolidation scope and exchange rates (-1.2% at constant consolidation scope and exchange rates) to €8,574.7 million compared with *Pro forma* figures for the year ended December 31, 2014. Following Y-Y revenue declines in the first three quarters, revenue rose slightly in the fourth quarter at +0.2% at constant scope and exchange rates.

This change can be explained as follows:

- Central European countries: revenue increased by +1.8% at constant scope and exchange rates due to a rise in water volumes combined with price hikes in the Czech Republic, as well as higher electricity volumes sold in Poland and the Czech Republic.
- United Kingdom and Ireland: -2.7% decline in revenue at constant scope and exchange rates, in line with the decrease in PFI contract construction revenue (end of construction of the Staffordshire, Leeds and Shropshire facilities), despite rising commercial collection volumes, and recycled material volumes (mainly used cardboard).
- Germany: revenue fell by -5.1% at constant consolidation scope and exchange rates, following a decrease in gas and electricity volumes sold, lower energy prices (electricity, gas and heating) and a decrease in solid waste volumes. Following a dip in the first three quarters, revenue was nevertheless stable in the fourth quarter.
- Italy, where Energy revenue dropped by -8.5% at current consolidation scope and -8.9% at constant consolidation scope, due to the restructuring of the commercial portfolio;
- Other European countries: their revenue at constant scope and exchange rates improved, spurred by business growth, particularly in the Netherlands (development of industrial utility activities, plastics recycling and the refurbishment of a cogeneration plant) and Iberia (new energy efficiency contracts in Spain).

REST OF THE WORLD

Revenue in the Rest of the World segment for the year ended December 31, 2015 increased +11.7% at current consolidation scope and exchange rates (+3.5% at constant consolidation scope and exchange rates) to €5,926.1 million compared with *Pro forma* figures for the year ended December 31, 2014.

Revenue in the Rest of the World segment reflects solid growth in the following regions:

- in Latin America (+11.8% at current consolidation scope and exchange rates and +12.8% at constant consolidation scope and exchange rates), in particular, in Argentina (Buenos Aires contract), Brazil and Columbia due to higher prices;
- Revenue in Asia improved in most countries, with the exception of the Republic of Korea due to the end of an industrial contract. In China, revenue increased 24.8% at current scope and exchange rates (+7.9% at constant scope and exchange rates), primarily due to the increase in volumes sold in the Energy business (Jiamusi and Harbin heating networks) and the construction of hazardous waste incinerators. The industrial water market in China also improved, benefiting from new contract wins;
- In Africa and the Middle East, revenue growth (+12.9% at current scope and exchange rates and +8.6% at constant scope and exchange rates) was sustained by the improvement in water and electricity volumes in Morocco and Gabon and rising prices in Morocco.

This strong growth was moderated by the decline in North America revenue by -4.6% at constant scope and exchange rates (+12.5% at current scope and exchange rates), primarily due to falling electricity and energy sales prices in heating networks, partially offset by higher prices in the industrial and municipal water businesses.

Revenue in the Rest of the World segment slowed down in the fourth quarter of 2015, particularly in China and Latin America (Ecuador) due to the non-recurrence of certain construction contracts.

GLOBAL BUSINESSES

Revenue in the Global Businesses segment for the year ended December 31, 2015 increased +0.3% at current consolidation scope and exchange rates (-3.3% at constant consolidation scope and exchange rates) to €4,881.0 million compared with *Pro forma* figures for the year ended December 31, 2014.

This increase was mainly due to:

- the decrease in SADE construction activity in France, particularly in the building and public works sector, and the postponement of international contracts (Jordan and Sri Lanka);
- project delays at Veolia Water Technologies and the end of Hong Kong Sludge construction. Revenue nevertheless benefited from good volumes in industrial solutions in Asia and Africa;
- the negative impact of recycled material prices in line with oil prices in the Hazardous Waste sector. Hazardous waste revenue improved however due to the solid performance of industrial services in France and the hazardous waste incinerator in Spain.

3.2.3.2. REVENUE BY BUSINESS

Revenue (€ million)	Year ended December 31, 2015	For the year ended December 31, 2014 <i>Pro forma</i>	2015/2014 change	Internal growth	External growth	Foreign exchange impact
Water	11,347.7	11,235.3	+1.0%	-1.7%	-0.4%	+3.1%
Waste	8,692.0	8,436.2	+3.0%	+0.5%	-1.4%	+3.9%
Energy	4,925.1	4,736.9	+4.0%	+0.1%	+0.8%	+3.1%
GROUP	24,964.8	24,408.4	+2.3%	-0.6%	-0.5%	+3.4%

WATER

Revenue in the Water business declined slightly by -1.7% at constant scope and exchange rates compared with *Pro forma* figures for the year ended December 31, 2014. This decline can be explained as follows:

- stable municipal revenue: the negative impact of contractual erosion in France was partially offset by good volumes in France and Central Europe;
- solid growth in the industrial sector, particularly in Asia;
- and a decline in construction activity: VWT revenue was impacted by the end of the Hong Kong Sludge contract and major Design and Build projects (Az Zour North and Sadara in 2014), and project delays due to falling oil prices. SADE activity in France was impacted by the lackluster building and public works market.

WASTE

Revenue in the Waste business improved by 0.5% at constant scope and exchange rates compared with *Pro forma* figures for the year ended December 31, 2014. Activity was marked by the solid resilience of operations in a context of continued weak volumes.

The increase in Waste revenue was due to:

- solid commercial momentum, particularly in France, Great Britain and Latin America;
- ongoing construction of hazardous waste incinerators in China;
- growth in hazardous waste despite the fall in recycled oil prices in line with declining crude oil prices.

ENERGY

Revenue in the Energy business was stable, at a constant scope and exchange rates compared with *Pro forma* figures for the year ended December 31, 2014, despite the decline in energy prices (offset in margins) and less favorable weather conditions.

The improvement in Energy revenue was also due to:

- higher volumes sold in China and Central Europe (Poland and the Czech Republic);
- ongoing restructuring of the contract portfolio in Italy.

3.2.4. OTHER INCOME STATEMENT ITEMS

3.2.4.1. Selling, general and administrative expenses

Selling, general and administrative expenses impacting Current EBIT declined from *Pro forma* €3,003.3 million for the year ended December 31, 2014 to €2,968.3 million for the year ended December 31, 2015, representing a decrease of -1.2% at current consolidation scope and exchange rates.

The ratio of selling, general and administrative expenses to revenue dropped from *Pro forma* 12.3% for the year ended December 31, 2014 to 11.9% for the year ended December 31, 2015.

This decrease was due to the asset optimization policy and the cost reduction program implemented by the Group since 2012.

3.2.4.2. EBITDA

Changes in EBITDA by segment were as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 <i>Pro forma</i>	Year ended December 31, 2014 GAAP	<i>Pro forma</i> 2015/2014 change at current scope and exchange rates	<i>Pro forma</i> 2015/2014 change at constant scope and exchange rates
France	816.4	836.5	843.0	-2.4%	-2.4%
Europe excluding France	1,104.1	988.0	734.2	11.7%	9.1%
Rest of the World	805.0	707.3	686.0	13.8%	3.7%
Global Businesses	225.8	229.6	229.0	-1.7%	-3.7%
Other *	45.9	0.5	200.0	-	-
EBITDA	2,997.2	2,761.9	2,692.2	8.5%	5.3%
EBITDA margin	12.0%	11.3%	11.3%		

* The Other segment for the year ended December 31, 2014 in terms of GAAP figures essentially comprises the activities of Dalkia in France up to the date of unwinding on July 25, 2014.

3.2.4.3. Current EBIT

Changes in current EBIT by segment were as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 <i>Pro forma</i>	Year ended December 31, 2014 GAAP	<i>Pro forma</i> 2015/2014 change at current scope and exchange rates	<i>Pro forma</i> 2015/2014 change at constant scope and exchange rates
France	197.1	189.3	193.2	4.1%	4.1%
Europe excluding France	558.9	427.0	289.4	30.9%	24.3%
Rest of the World	465.9	349.2	339.6	33.4%	19.9%
Global Businesses	99.2	119.9	119.9	-17.2%	-19.2%
Other *	(5.9)	(32.6)	105.6	-	-
Current EBIT	1,315.2	1 052.8	1,047.7	24.9%	18.6%

* The Other segment for the year ended December 31, 2014 in terms of GAAP figures essentially comprises the activities of Dalkia in France up to the date of unwinding on July 25, 2014.

The reconciling items between EBITDA and Current EBIT for the years ended December 31, 2015 and 2014 are as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 <i>Pro forma</i>	Year ended December 31, 2014 GAAP
EBITDA	2,997.2	2,761.9	2 692.2
Renewal expenses	(278.4)	(263.4)	(318.7)
Depreciation & amortization ⁽¹⁾	(1,553.7)	(1,517.1)	(1,412.6)
Share of current net income of joint ventures and associates	98.7	68.6	93.1
Provisions, fair value adjustments & other:	51.4	2.8	(6.3)
▪ Current impairment of property, plant and equipment, intangible assets and operating financial assets	(28.3)	(19.8)	(19.7)
▪ Capital gains (losses) on industrial divestitures	4.3	1.9	7.1
▪ Net charges to operating provisions, fair value adjustments and other	75.4	20.7	6.3
Current EBIT	1,315.2	1,052.8	1,047.7

(1) Including principal payments on operating financial assets (OFA) of -€173.1 million for the year ended December 31, 2015 and *pro forma* -€113.1 million for the year ended December 31, 2014.

Principal payments on operating financial assets (OFAs) increased, particularly in Waste solutions in France, and Water in Korea.

Net depreciation and amortization charges declined by more than 4% at constant exchange rates compared to *Pro forma* figures for the year ended December 31, 2014.

The share of current net income from joint ventures and associates was derived from the Chinese entities in the Water and Waste businesses in the amount of €44.8 million, versus €13.6 million for the year ended December 31, 2014, and UK entities (Water and Waste) in the amount of €15.9 million (€7.6 million for the year ended December 31, 2014). For the year ended December 31, 2014, in GAAP figures this line item included the net income of the Israeli entities sold on March 30, 2015 as well as the share of net income from Dalkia International entities.

The net impairment of property, plant and equipment, intangible assets and operating financial assets included in GAAP and *Pro forma* Current EBIT figures for the year ended December 31, 2014 primarily related to the Waste activities in the process of divestiture in Poland. For the year ended December 31, 2015, it included asset impairments for various risks, particularly in Hazardous Waste and in the United Kingdom.

Capital gains or losses on industrial divestitures for the year ended December 31, 2015 mainly involved transactions carried out by Water in France, as well as in Energy activities in Poland and Italy.

Net charges to operating provisions for the year ended December 31, 2015 included a provision reversal for the “Olivet” contracts in the Water activities in France and the removal of certain risks in France and Australia.

For the year ended December 31, 2014, net charges to operating provisions included an exceptional reversal of the pension provision recognized by Veolia Environnement for senior executives in the amount of €15 million.

3.2.4.4. Analysis of EBITDA and Current EBIT by segment

FRANCE

(in € million)	Year ended December 31, 2015	For the year ended December 31, 2014 <i>Pro forma</i>	Year ended December 31, 2014 GAAP	<i>Pro forma</i> change at current scope and exchange rates	<i>Pro forma</i> change at constant scope and exchange rates
EBITDA	816.4	836.5	843.0	-2.4%	-2.4%
EBITDA margin	14.9%	15.1%	15.2%		
Current EBIT	197.1	189.3	193.2	4.1%	4.1%

Overall, EBITDA in the France segment declined slightly during the period.

The decrease in EBITDA for the Water business in France was primarily due to the commercial erosion in the amount of -€81 million (renewal of the Grand Lyon contract, and loss of the Nice and Rennes contracts), partially offset by major cost cutting efforts of around €70 million. The favorable impact relating to the rise in volumes sold in the second half of 2015 was offset by the negative effects of price fluctuations (indexation decline to 0.3%).

In the Waste business, EBITDA improved due to revenue growth, the contribution of cost saving plans, the decrease in fuel prices and the impact arising from favorable one-off items, despite lower landfill volumes.

Current EBIT in France improved due to the decline in depreciation and amortization, and the favorable variation in net provision charges, particularly reversals of provisions for “Olivet” contractual risks as well as provisions for URSSAF social security risks.

EUROPE EXCLUDING FRANCE

<i>(in € million)</i>	Year ended December 31, 2015	Year ended December 31, 2014 Pro forma	Year ended December 31, 2014 GAAP	Pro forma change at current scope and exchange rates	Pro forma change at constant scope and exchange rates
EBITDA	1,104.1	988.0	734.2	11.7%	9.1%
EBITDA margin	12.9%	11.7%	11.1%		
Current EBIT	558.9	427.0	289.4	30.9%	24.3%

The EBITDA of the Europe excluding France segment increased significantly in most countries, particularly:

- in the United Kingdom, due to the decrease in the price of fuel, and despite the negative impact of lower recycled material prices (scrap metal, glass). The ongoing turnaround in the UK commercial collection activity was nevertheless offset by the decline in the municipal collection activity;
- in Central Europe: EBITDA growth was particularly marked in Poland and Lithuania. This improvement was attributable to positive price impacts on energy purchases (coal, etc.)

The rise in EBITDA in Europe excluding France also reflected the cost cutting efforts undertaken in all geographic areas.

EBITDA in Germany was stable, with cost savings offsetting the decline in volumes.

Current EBIT in the Europe excluding France segment increased due to the improvement in EBITDA, the decrease in depreciation and amortization charges, and the favorable variation in operating provisions.

REST OF THE WORLD

<i>(in € million)</i>	Year ended December 31, 2015	Year ended December 31, 2014 Pro forma	Year ended December 31, 2014 GAAP	Pro forma change at current scope and exchange rates	Pro forma change at constant scope and exchange rates
EBITDA	805.0	707.3	686.0	13.8%	3.7%
EBITDA margin	13.6%	13.3%	13.4%		
Current EBIT	465.9	349.2	339.6	33.4%	19.9%

The increase in EBITDA in the Rest of the World segment mainly related to:

- The United States, as a result of the benefit from cost-cutting plans, efficiency impacts in Energy services, and favorable price impacts in municipal and industrial water and hazardous waste activities, despite falling cogeneration margins;
- Latin America, due to the solid operating performance, particularly in Argentina (Buenos Aires contract win and price increases, and despite the negative impact arising from the end of a contract), and Brazil (positive impact of revised prices);
- China, which benefited from the ramp-up in Energy activities (favorable impacts on volumes relating to the development of heating network extensions, and coal prices), the development of industrial contracts in the Water business, and the positive contribution from cost savings-plans;
- Singapore, in line with the increase in revenue and the collection of insurance compensation.

Current EBIT in the Rest of the World improved sharply, in line with the increase in EBITDA, and the significant rise in water concessions in China (for €31 million), recorded within the share of net income (loss) of joint ventures and associates.

GLOBAL BUSINESSES

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 <i>Pro forma</i>	Year ended December 31, 2014 GAAP	<i>Pro forma</i> change at current scope and exchange rates	<i>Pro forma</i> change at constant scope and exchange rates
EBITDA	225.8	229.6	229.0	-1.7%	-3.7%
EBITDA margin	4.6%	4.7%	4.7%		
Current EBIT	99.2	119.9	119.9	-17.2%	-19.2%

The EBITDA of Global Businesses was impacted by the following items:

- Construction activities (VWT and SADE) were hindered by the contraction in activity from public markets in France and difficulties at certain international sites. The EBITDA of SADE improved however mainly due to the payment of an indemnity related to a site in Peru;
- In Hazardous Waste, activity was hindered by the fall in oil prices.

The Current EBIT of Global Businesses declined sharply due to the decrease in EBITDA and asset impairments in Hazardous Waste.

3.2.4.5. Net financial expenses

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 <i>Pro forma</i>	Year ended December 31, 2014 GAAP
Cost of net financial debt (1)	(445.9)	(556.7)**	(543.9)
Gains (losses) on disposals of financial assets*	59.5	63.1	544.7
Net gains / losses on loans and receivables	43.2	10.7	47.7
Net income (loss) on available-for-sale assets	4.0	3.8	3.1
Assets and liabilities at fair value through the consolidated income statement	-	-	-
Foreign exchange gains and losses	6.4	(2.6)	-
Unwinding of the discount on provisions	(39.0)	(46.0)	(45.3)
Other	(46.2)	(16.6)	(19.7)
Other financial income and expenses (2)	27.9	12.4	530.5
NET FINANCIAL EXPENSES (1)+(2)	(418.0)	(544.3)	(13.4)

* Including costs of disposal of financial assets for -€2.0 million for the year ended December 31, 2015 and -€7.5 million for the year ended December 31, 2014.

** €494.4 million excluding bond buyback costs in the amount of -€62.3 million.

The financing rate dropped from *Pro forma* 5.45% for the year ended December 31, 2014 (excluding 2014 bond buyback costs amounting to €62.3 million) to 5.0% for the year ended December 31, 2015.

The decline in the financing rate was primarily due to the impact of active debt management despite a negative foreign exchange impact.

COST OF NET FINANCIAL DEBT

The cost of net financial debt totaled -€445.9 million for the year ended December 31, 2015, versus *Pro forma* -€494.4 million for the year ended December 31, 2014 excluding bond buyback costs for -€62.3 million (-€556.7 million including bond buyback costs).

The cost of net financial debt therefore decreased by €48.5 million versus the 2014 *Pro forma* figure, despite a negative foreign exchange impact of €12.9 million.

The reduction in the cost of net financial debt reflects the Group's efforts to manage debt.

OTHER FINANCIAL INCOME AND EXPENSES

Other financial income and expenses totaled €27.9 million for the year ended December 31, 2015, versus *Pro forma* €12.4 million for the year ended December 31, 2014.

Other financial income and expenses include the net capital gains and losses on disposal of financial assets in the amount of €59.5 million for the year ended December 31, 2015 (€52.5 million post-tax), and in particular the capital gain realized on Group activities in Israel (€45.4 million before tax) and the capital gain of an equity-accounted entity in Singapore (€16.4 million) and a Chinese joint venture (€13.3 million).

Pro forma other financial income and expenses for the year ended December 31, 2014 included the proceeds from the sale of Marius Pedersen for €48.9 million.

3.2.4.6. Income tax expense

The income tax expense for the year ended December 31, 2015 amounted to -€199.5 million, compared with GAAP -€164.9 million and *Pro forma* -€147.1 million for the year ended December 31, 2014.

The tax rate for the year ended December 31, 2015 declined and amounted to 28.0% (versus *Pro forma* 35.6% for the year ended December 31, 2014) after adjustment for the impact of financial divestitures, and non-recurring items within net income of fully controlled entities and the share of net income of equity-accounted companies.

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 <i>Pro forma</i>
Current income before tax (a)	897	571
Of which share of net income of joint ventures & associates (b)	99	69
Of which gains (losses) on disposals of financial assets (c)	60	63
re-presented current income before tax: d=a-b-c	738	439
Tax expense on current income before tax (e)	(207)	(156)
Represented tax rate on current income (e)/(d)	28.0%	35.6%

The decrease in the represented tax rate was primarily attributable to the increase in net income in Central and Eastern European countries at low tax rates.

3.2.4.7. Share of net income of other equity-accounted entities

The net income of other equity-accounted entities (Transdev Group) totaled €45.9 million for the year ended December 31, 2015 (50% share), versus *Pro forma* €11.5 million for the year ended December 31, 2014.

This sharp increase by Transdev Group was mainly due to the improvement in the main business lines in France and the growth in bus and tram activity in Australia, despite the difficulties encountered in the Transport on Demand activity in the United States and the costs relating to the launch of new products.

3.2.4.8. Current net income (loss)/Net income (loss) attributable to owners of the Company

The share of net income attributable to non-controlling interests was €101.1 million for the year ended December 31, 2015, compared with GAAP €83.8 million for the year ended December 31, 2014, and *Pro forma* €75.0 million for the year ended December 31, 2014, due to the improvement in the Energy business in Poland and in China.

Net income attributable to owners of the Company amounted to €450.2 million for the year ended December 31, 2015, versus GAAP €241.8 million for the year ended December 31, 2014.

Current net income attributable to owners of the Company amounted to €580.1 million for the year ended December 31, 2015, versus GAAP €333.3 million for the year ended December 31, 2014.

Given the weighted average number of outstanding shares totaling €548.5 million for the year ended December 31, 2015 (basic and diluted) and €543.0 million for the year ended December 31, 2014 (basic and diluted), net earnings attributable to owners of the Company per share (basic and diluted) amounted to €0.69 for the year ended December 31, 2015, compared with GAAP €0.32 for the year ended December 31, 2014. Current net earnings attributable to owners of the Company per share (diluted and basic) amounted to €1.06 for the year ended December 31, 2015, versus GAAP €0.59 for the year ended December 31, 2014.

For the year ended December 31, 2015, net income (loss) attributable to owners of the Company breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	1,315.2	(192.4)	1,122.9
Cost of net financial debt	(445.9)	-	(445.9)
Other financial income and expenses	27.9	-	27.9
Pre-tax income	897.3	(192.4)	704.9
Income tax expense	(207.1)	7.6	(199.5)
Net income (loss) of other equity-accounted entities	-	45.9	45.9
Net income (loss) from discontinued operations	-	-	-
Non-controlling interests	(110.1)	9.0	(101.1)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	580.1	(129.9)	450.2

The reconciliation of Current EBIT with operating income, as shown in the income statement, is as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 <i>Pro forma</i>	Year ended December 31, 2014 GAAP
Current EBIT	1,315.2	1,052.8	1,047.7
Impairment losses on goodwill and negative goodwill	(18.2)	(310.0)	(300.5)
Restructuring charges	(80.8)	(29.4)	(29.4)
Personnel costs - share-based payments	(10.7)	(1.2)	(1.2)
Non-current provisions and impairment of property, plant and equipment, intangible assets and operating financial assets	(78.7)	(197.9)	(202.3)
Share acquisition costs, with or without acquisition of control	(4.0)	-	-
Total non-current items	(192.4)	(538.5)	(533.4)
OPERATING INCOME AFTER SHARE OF NET INCOME OF EQUITY-ACCOUNTED ENTITIES	1,122.9	514.3	514.3

Impairment losses on goodwill for the year ended December 31, 2015 mainly concern an equity-accounted water concession in China.

Restructuring charges for the year ended December 31, 2015 relate to Water activities in France in the amount of -€26.5 million, and Global Businesses in the amount of -€28.3 million.

Non-current provisions and impairment of assets, concerned in particular, coverage of Group risks in Central & Eastern Europe.

For the year ended December 31, 2014 in terms of GAAP figures, net income (loss) attributable to owners of the Company breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	1,047.7	(533.4)	514.3
Cost of net financial debt	(481.6)	(62.3)	(543.9)
Other financial income and expenses	50.9	479.6	530.5
Pre-tax income	617.0	(116.1)	500.9
Income tax expense	(162.3)	(2.6)	(164.9)
Net income (loss) of other equity-accounted entities	-	11.5	11.5
Net income (loss) from discontinued operations	-	(21.9)	(21.9)
Non-controlling interests	(121.4)	37.6	(83.8)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	333.3	(91.5)	241.8

For the year ended December 31, 2014 in terms of *Pro forma* figures, net income (loss) attributable to owners of the Company breaks down as follows:

(in € million)	Current	Non-current	Total
EBIT	1,052.8	(538.5)	514.3
Cost of net financial debt	(494.4)	(62.3)	(556.7)
Other financial income and expenses	12.4	-	12.4
Pre-tax income	570.8	(600.8)	(30.0)
Income tax expense	(156.2)	9.1	(147.1)
Net income (loss) of other equity-accounted entities	-	11.5	11.5
Net income (loss) from discontinued operations	-	7.4	7.4
Non-controlling interests	(100.4)	25.4	(75.0)
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	314.2	(547.4)	(233.2)

3.3 Financing and investments

3.3.1. CHANGES IN NET FREE CASH FLOW AND NET FINANCIAL DEBT

The following table summarizes the change in net financial debt and net free cash flow:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 GAAP *	Year ended December 31, 2014 proforma
EBITDA	2,997.2	2,692.2	2,761.9
Net industrial investments	(1,378.6)	(1,469.8)	(1,504.2)
Change in operating WCR	203.3	68.7	26.5
Dividends received from equity-accounted entities and joint ventures	90.1	78.8	84.9
Renewal expenses	(278.4)	(318.7)	(263.4)
Restructuring charges	(150.1)	(78.5)	(78.5)
Financial items (current cash financial expense, and operating cash flow from financing activities)	(403.2)	(445.5)	(490.2)
Taxes paid	(223.9)	(218.1)	(222.8)
Net free cash flow before dividend payment, financial investments and financial divestitures	856.4	309.1	314.3
Dividends paid	(582.7)	(329.6)	
Net financial investments	118.2	514.6	
Change in receivables and other financial assets	139.7	134.7	
VE capital increase (excluding per share dividend distribution)	12.2	5.8	
Issue / repayment of deeply subordinated securities	-	-	
Free cash flow	543.8	634.5	
Effect of foreign exchange rate movements and other	(402.4)	(501.2)	
Change	141.4	133.3	
Opening net financial debt	(8,311.1)	(8,444.4)	
CLOSING NET FINANCIAL DEBT	(8,169.7)	(8,311.1)	

* Including fully consolidated Dalkia France and equity-accounted Dalkia International in the first half of 2014

Net free cash flow amounted to €856 million for the year ended December 31, 2015 (versus GAAP €309 million for the year ended December 31, 2014).

The increase in net free cash flow compared with GAAP figures for the year ended December 31, 2014 primarily reflects the improvement in EBITDA, solid industrial investment discipline, the favorable change in operating working capital requirements, lower financing costs, partially offset by higher restructuring charges.

3.3.2. INDUSTRIAL AND FINANCIAL INVESTMENTS

3.3.2.1. Group investment policy

A detailed description of investments made in 2015, as well as their financing, is set forth in Note 7.2 “Intangible assets”, Note 7.3 “Property, plant and equipment”, Note 5.4 “Non-current and current operating financial assets”, and Note 4 “Reporting by operating segment” to the consolidated financial statements.

Veolia Environnement’s investment strategy seeks to defend the Group’s strong positions in creditworthy geographic areas with significant environmental demands and to develop the Group’s positions in high-growth markets, particularly with industrial clients. Besides these qualitative attributes, quantitative profitability measures are also taken into account relative to the Group’s investment choices (primarily internal rate of return, time-weighted return on investment and return on capital employed) are taken into consideration.

The Group makes certain **growth investments** (discretionary financial and industrial growth investments) corresponding to new projects (which could be multi-year in terms of the investment program) that generate additional cash flow. Veolia Environnement also makes financial investments in companies dedicated to contracts, particularly as part of privatizations and targeted acquisitions.

The Group also carries out **industrial investments related to maintenance and contractually required investments** that result in the renewal and/or maintenance of existing infrastructures so as to extend their lifespan or improve efficiency.

In both cases, industrial investments are spread over a large number of entities and are subject to budget authorizations.

The most significant investments are carefully reviewed by the Investment Committee in order to ensure they comply with the Group’s standards of profitability, financial structure and risk.

3.3.2.2. Industrial investments by segmentents

Considering the economic environment, the Group applied a selective investment policy in 2015, without compromising industrial investments that are contractually required or necessary to maintain industrial equipment.

Total Group gross industrial investments, including new operating financial assets, amounted to €1,484 million in 2015, compared with GAAP €1,533 million in 2014, and *Pro forma* €1,568 million in 2014.

Industrial investments, excluding discontinued operations, break down **by segment** as follows:

Year ended December 31, 2015 (in € million)	Maintenance and contractual requirements	Discretionary growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	295	18	313	(35)	278
Europe excluding France	469	163	632	(38)	594
Rest of the World	307	81	388	(25)	363
Global Businesses	124	4	128	(6)	122
Other	22	1	23	(1)	21
TOTAL INDUSTRIAL INVESTMENTS	1,217	267	1,484 ⁽¹⁾	(105)	1,379

(1) Of which new OFA in the amount of €120 million

Year ended December 31, 2014 GAAP (in € million)	Maintenance and contractual requirements	Discretionary growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	280	16	296	(22)	274
Europe excluding France	392	205	597	(23)	574
Rest of the World	274	126	400	(7)	393
Global Businesses	107	24	131	(9)	122
Other	109	-	109	(2)	107
TOTAL INDUSTRIAL INVESTMENTS	1,162	371	1,533 ⁽²⁾	(63)	1,470

(2) Of which new OFA in the amount of €148 million

Year ended December 31, 2014 <i>Pro forma</i> <i>(in € million)</i>	Maintenance and contractual requirements	Discretionary growth	Total gross industrial investments	Industrial divestitures	Total net industrial investments
France	280	16	296	(19)	277
Europe excluding France	468	222	690	(24)	666
Rest of the World	300	112	412	(8)	404
Global Businesses	107	24	131	(9)	122
Other	39	-	39	(4)	35
TOTAL INDUSTRIAL INVESTMENTS	1,194	374	1,568 ⁽³⁾	(64)	1,504

(3) Of which new OFA in the amount of €153 million

At constant exchange rates, gross industrial investments declined by €141 million or 9% compared to *Pro forma* figures for the year ended December 31, 2014.

Industrial investments for maintenance and contractual requirements totaled €1,217 million, versus *Pro forma* €1,194 million for the year ended December 31, 2014.

Discretionary growth industrial investments decreased by €107 million compared to December 31, 2014 in terms of *Pro forma* figures, particularly in the United Kingdom (in line with the completion of the construction of the incinerators in Staffordshire and Shropshire in 2014 and Leeds in 2015), and China (construction of incinerators and projects in industrial water in 2014).

3.3.2.3. Financial investments and divestitures

Financial investments and divestitures for the years ended December 31, 2015 and 2014 break down as follows:

<i>(in € million)</i>	Year ended December 31, 2015	Year ended December 31, 2014 GAAP
Financial investments⁽¹⁾	(269.7)	(212.1)
Purchase of minority stake in Water in Central & Eastern Europe	(85.9)	(90.9)
Purchase of IFC and PROPARGO minority stakes in Africa and the Middle East	-	(34.8)
Acquisition of Kendall Green Energy Holding LLC in the United States	-	(19.7)
Purchase of Such-Dalkia minority stake with acquisition of control	-	(21.3)
GESNOB transaction in Italie Énergie	(18.8)	
Acquisition of BWI (Csatorna transaction)	(42.7)	-
Acquisition of Altergis in France	(27.0)	-
Other	(95.3)	(45.4)
Financial divestitures⁽²⁾	387.9	726.7
Divestiture of Marius Pedersen	-	240.2
Total impact of the Dalkia unwinding	-	372.5
Sale of VES Matières Résiduelles assets to Transforce	-	18.6
Collection in Q3 2014 of the credit Note on the divestiture of Norway in 2011	-	35.5
Divestiture of the Group's activities in Israel	231.5	-
Divestiture of Changle (China)	46.2	-
Divestiture of a stake in Singapore	47.0	-
Other	63.2	59.9
NET FINANCIAL INVESTMENTS	118.2	514.6

(1) Including acquisition costs.

(2) Including divestiture costs.

The most significant external growth financial investments over the past two fiscal years were as follows:

- in 2014: following the completion of the unwinding of Dalkia, Energy activities outside of France (Dalkia International) were taken over by the Group, while EDF took over all of the Energy activities in France, under the Dalkia brand. The completion of these transactions on July 25, 2014 led to a cash payment to EDF to compensate for the difference in value of the investments owned by the two shareholders in the various Dalkia group entities;
- in 2015, the Group did not carry out any major external growth investments.

3.3.3. OPERATING WORKING CAPITAL

The change in operating working capital requirements (excluding discontinued operations) totaled +€203.3 million for the year ended December 31, 2015, compared to GAAP +€68.7 million for the year ended December 31, 2014.

This variation resulted mainly from better than expected cash receipts from customers related to concession and construction activities.

3.3.4. LOANS TO JOINT VENTURES

The change in receivables and other financial assets was primarily due to the reimbursement by Transdev Group of a portion of its shareholder loan in the amount of €119.9 million in 2015.

Loans to joint ventures totaled €509.9 million for the year ended December 31, 2015, versus €619.3 million for the year ended December 31, 2014 and mainly concerned loans to Transdev Group for €345.4 million (€465.3 million for the year ended December 31, 2014) and Chinese concessions for €116.0 million (€90.4 million for the year ended December 31, 2014).

3.3.5. EXTERNAL FINANCING

3.3.5.1. Structure of net financial debt

<i>(in € million)</i>	Section	As of December 31, 2015	As of December 31, 2014
Non-current borrowings	8.1.1	8,022.3	8,324.5
Current borrowings	8.1.1	4,000.1	3,003.1
Bank overdrafts and other cash position items	8.1.3	318.6	216.4
Sub-total borrowings		12,341.0	11,544.0
Cash and cash equivalents	8.1.3	(4,176.3)	(3,148.4)
Fair value gains (losses) on hedge derivatives	8.3.1	5.0	(84.5)
NET FINANCIAL DEBT		8,169.7	8,311.1

For the year ended December 31, 2015, net financial debt after hedging was borrowed at 95% at fixed rates and 5% at variable rates.

The average maturity of net financial debt was 8.8 years for the year ended December 31, 2015 compared with 9.0 years for the year ended December 2014.

The leverage ratio for the year ended December 31, 2015, i.e. the ratio of closing Net Financial Debt (NFD) to EBITDA, decreased compared to December 31, 2014:

	As of December 31, 2015	As of December 31, 2014 (GAAP scope)
Leverage ratio <i>(closing NFD / EBITDA)</i>	2.7	3.1
Leverage ratio incl. renewal expenses <i>(closing NFD / EBITDA including renewal expenses)</i>	3.0	3.5

3.3.5.2. Group liquidity position

Liquid assets of the Group as of December 31, 2015 break down as follows:

(in € million)	As of December 31, 2015	As of December 31, 2014
Veolia Environnement		
Undrawn syndicated loan facility	3,000.0	2,962.5
Undrawn MT bilateral credit lines	925.0	350.0
Undrawn ST bilateral credit lines	-	625.0
Letter of credit facility	49.3	190.7
Cash and cash equivalents	3,297.6	2,302.0
Subsidiaries		
Cash and cash equivalents	878.7	846.6
Total liquid assets	8,150.6	7,276.8
Current debt, bank overdrafts and other cash position items		
Current debt	4,000.1	3,003.1
Bank overdrafts and other cash position items	318.6	216.4
Total current debt, bank overdrafts and other cash position items	4,318.7	3,219.5
TOTAL LIQUID ASSETS NET OF CURRENT DEBT AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	3,831.9	4,057.3

The decrease in net liquid assets mainly reflects the repayment of the inflation-indexed bond in June 2015 for a nominal amount of €1.0 billion, partially offset by the issue of a floating-rate bond in November for a nominal amount of €350 million as part of a private placement with French institutional investors, and the issue of commercial paper.

Veolia Environnement may draw on the multi-currency syndicated credit facility and all credit lines at any time.

UNDRAWN MEDIUM-TERM SYNDICATED LOAN FACILITIES

On November 6, 2015, Veolia Environnement signed a new multi-currency syndicated loan facility in the amount of €3 billion maturing in 2020 and extendable until 2022 with the possibility for drawdowns in Eastern European currencies and Chinese Renminbi. This syndicated loan facility replaces the two syndicated loan facilities set up in 2011: a 5-year multi-currency loan facility of €2.5 billion, and a 3-year loan of €500 million for drawdowns in Polish zlotys, Czech crowns and Hungarian forints.

This syndicated loan facility was not drawn down as of December 31, 2015.

UNDRAWN ST AND MT BILATERAL CREDIT LINES

In 2015, Veolia Environnement renegotiated all its bilateral credit lines for a total undrawn amount of €925 million as of December 31, 2015.

LETTER OF CREDIT FACILITY

The US dollar letter of credit facility signed on November 22, 2010 for the initial amount of €350 million was reduced by USD 150 million as of June 30, 2015 and matured in November 2015. The US dollar letter of credit facility was replaced by a bilateral letter of credit facility.

As of December 31, 2015, the new letter of credit facility was drawn by USD 116.4 million. The portion that may be drawn in cash amounted to USD 53.6 million (€49.3 million euro equivalent). It is undrawn and recorded in the liquidity table above.

3.3.5.3. Bank covenants

See Chapter 4, Section 4.1, Note 8.3.2.3 to the consolidated financial statements below.

3.4 Return on Capital Employed (ROCE)

Veolia Environnement uses the ROCE indicator (return on capital employed) to track the Group's profitability. This indicator measures Veolia Environnement's ability to provide a return on the funds provided by shareholders and lenders.

In order to track the profitability of operational segments and taking into account the Group's business development models, the Group reviewed its definition of ROCE utilised and now distinguishes between:

- Post-tax ROCE, calculated at Group level, that include investments in joint ventures and associates;
- Pre-tax ROCE, broken down for the Group and its operating segments that exclude investments in joint ventures and associates.

The return on capital employed indicators are defined in Section 3.8.3 below.

In both cases, the impacts of the Group's investment in the Transdev Group joint venture, which is not viewed as a core Company activity and whose contribution is recognized as a share of net income of other equity-accounted entities, are excluded from the calculations.

3.4.1 POST-TAX ROCE

Current EBIT after tax is calculated as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 GAAP	Year ended December 31, 2014 Pro forma
Current EBIT*	1,315.2	1,047.7	1,052.8
Current income tax expense	(207.1)	(162.3)	(156.2)
Current EBIT after tax	1,108.1	885.4	896.6

* Including the share of net income (loss) of joint ventures and associates.

Capital employed is equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairments, investments in joint ventures and associates, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions.

Capital employed included assets and liabilities transferred to assets and liabilities held for sale as of December 31, 2015, excluding discontinued operations.

Average capital employed during the year is defined as the average of opening and closing capital employed⁽³⁾. It is calculated as follows:

(in € million)	Year ended December 31, 2015	Year ended December 31, 2014 GAAP	Year ended December 31, 2014 Pro forma
Intangible assets and property, plant and equipment, net	10,519.4	10,361.6	10,361.6
Goodwill, net of impairments	4,635.0	4,516.0	4,516.0
Investments in joint ventures and associates	2,617.6	2,498.1	2,498.1
Operating financial assets	1,896.5	2,009.6	2,009.6
Operating and non-operating working capital requirements, net	(447.1)	(273.7)	(273.7)
Net derivative and other instruments ⁽¹⁾	(47.8)	(120.5)	(120.5)
Provisions	(2,547.2)	(2,511.6)	(2,511.6)
Capital employed	16,626.4		
Impact of operations discontinued in 2014 and 2015 and other restatements ⁽²⁾	(310.3)	(168.8)	(168.8)
2014 represented capital employed		16,310.7	16,310.7
2015 published capital employed	16,316.1		
Average capital employed	16,313.4	15,323.6	16,310.7⁽³⁾

(1) Excluding derivatives hedging the fair value of debt in the amount of €12.2 million for the year ended December 31, 2015, and €78.6 million for the year ended December 31, 2014.

(2) The restatements in 2014 and 2015 include the impact arising from the capital employed of entities which are not viewed as core to the Group's businesses, i.e. Transdev Group.

(3) Considering the Dalkia transaction, pro forma capital employed for the year ended December 31, 2014 represents closing capital employed and not average capital employed.

The Group's post-tax return on capital employed (ROCE) is as follows:

<i>(in € million)</i>	Current EBIT after tax	Average capital employed	Post-tax ROCE
2015	1,108.1	16,313.4	6.8%
2014 GAAP	885.4	15,323.6	5.8%
2014 <i>pro forma</i>	896.6	16,310.7 ⁽³⁾	5.5%

The Group's post-tax return on capital employed (ROCE) was **6.8%** for the year ended December 31, 2015 versus *Pro forma* **5.5%** for the year ended December 31, 2014. The increase in the return on capital employed between 2014 and 2015 was primarily due to improved operating performance.

Reconciliation of the former and new ROCE definitions used by the Group

Following the adoption of new financial indicators for fiscal 2015 (see 3.2.1 Preface), Veolia modified its ROCE definition. The reconciliation between the former and new ROCE definitions for the year ended December 31, 2014 on a GAAP basis is shown in the following tables.

For the numerator, the reconciliation of net income from operations (published) with Current EBIT after tax is as follows:

<i>(in € million)</i>	Year ended December 31, 2014
Net income from operations (published)	814.7
Add-back of adjusted income tax expense	164.6
Add-back of Operating Financial Assets (OFA):	
Add-back of OFA revenues	169.0
Add-back of the tax expense allocated to OFA revenue	(39.9)
IFRIC 21 impact	(8.1)
Reconciliation of recurring operating income with Current EBIT:	
Impairment of 2014 property, plant and equipment, intangible assets, operating financial assets and contractual risks	7.2
Capital gains (losses) on disposals of financial assets that would have been included in adjusted operating income	(64.1)
Other	4.3
Current EBIT	1,047.7
Deduction of the tax expense allocated to Current EBIT	(162.3)
Current EBIT after tax	885.4

For the denominator, the reconciliation of published capital employed with capital employed according to the new definition is as follows:

<i>(in € million)</i>	Year ended December 31, 2014	Year ended December 31, 2013	Average
Capital employed (published)	14,301.1	12,540.4	13,420.8
Add-back of Operating Financial Assets (OFA):			
Add-back of non-current OFA	1,882.5	1,698.1	
Add-back of current OFA	127.2	97.9	
Capital employed (new definition)	16,310.8	14,336.4	15,323.6

Post-tax ROCE is calculated as follows, using published data and according to the new definition:

<i>(in € million)</i>	Year ended December 31, 2014
Net income from operations (published)	814.7
Average capital employed (published)	13,420.8
Post-tax ROCE (published)	6.1%
Current EBIT after tax	885.4
Average capital employed (new definition)	15,323.6
Post-tax ROCE (new definition)	5.8%

3.4.2 PRE-TAX ROCE

The Group's pre-tax return on capital employed (ROCE) by segment is as follows:

(in € million)	Current EBIT* before tax	Average capital employed	Pre-tax ROCE
France	186.9	1,936.2	9.7%
Europe excluding France	407.4	7,612.3	5.4%
Rest of the World	315.7	3,909.7	8.1%
Global Businesses	108.0	1,022.2	10.6%
Other	(33.7)	(285.7)	N/A
TOTAL GROUP PRO FORMA 2014	984.3	14,194.7	6.9%
France	196.6	1,890.8	10.4%
Europe excluding France	538.9	7,536.9	7.1%
Rest of the World	402.4	4,005.5	10.0%
Global Businesses	84.7	995.1	8.5%
Other	(6.0)	(263.8)	N/A
TOTAL GROUP 2015	1,216.6	14,164.5	8.6%

* Before share of net income or loss of equity-accounted entities.

Unlike **post-tax ROCE**, the capital employed used for the **pre-tax ROCE** does not include investments in joint ventures and associates.

3.5 Statutory auditors' fees

In 2015 and 2014, Veolia Environnement and its fully consolidated subsidiaries paid the following fees to its statutory auditors for services rendered in connection with all consolidated companies:

(in € million)	KPMG network				Ernst & Young network			
	Amount (excl. taxes)		Percentage		Amount (excl. taxes)		Percentage	
	2015	2014	2015	2014	2015	2014	2015	2014
Statutory audit, certification, audit of company and consolidated accounts ⁽¹⁾	10.7	11.2	84.9%	84.0%	13.2	12.7	88.0%	90.7%
▪ Veolia Environnement	1.1	1.2	8.7%	8.7%	1.1	1.1	7.1%	7.9%
▪ Fully-consolidated subsidiaries	9.6	10.0	76.2%	75.3%	12.1	11.6	80.9%	82.9%
Other diligences and services directly related to the statutory audit engagement ⁽²⁾	1.9	2.1	15.1%	16.0%	1.8	1.3	12.0%	9.3%
▪ Veolia Environnement	0.6	0.8	4.8%	5.8%	0.2	0.6	1.3%	4.3%
▪ Fully-consolidated subsidiaries	1.3	1.3	10.3%	10.2%	1.6	0.7	10.7%	5.0%
Sub-total 1	12.6	13.3	100%	100%	15.0	14.0	100%	100%
Other services rendered by the networks to fully-consolidated subsidiaries ⁽³⁾								
▪ Legal, tax, employee-related								
▪ Other								
Sub-total 2								
TOTAL (1+2)	12.6	13.3	100%	100%	15.0	14.0	100%	100%

(1) Including services provided by independent experts or statutory auditor network members at the request of the statutory auditors for the purpose of the audit.

(2) Diligences and services rendered to Veolia Environnement or its subsidiaries by the statutory auditors or members of their networks.

(3) Non-audit services rendered by network members to Veolia Environnement subsidiaries

3.6 Subsequent events

ACQUISITION OF KURION

On February 3, 2016, Veolia announced the signature of the acquisition of the US company Kurion, the California-based company credited for stabilizing Japan's Fukushima Daiichi nuclear power plant and a specialist in nuclear waste clean-up technology, for an acquisition price of USD 350 million.

The acquisition completes a critical part of Veolia's strategy in the nuclear clean-up sector. Its objectives in this area were announced in 2013 with the signature of a collaboration agreement with the French Alternative Energie and Atomic Energy Commission (CEA) and the creation of Asteralis.

With the addition of Kurion's expertise and technology, Veolia is rounding out its portfolio of services to the nuclear industry and will now be able to provide all existing solutions and know-how in both nuclear facility clean-up and the treatment of low and medium-level radioactive waste.

GERMANY TRAIN ACCIDENT

A frontal collision occurred on February 9, 2016 in Bavaria between two regional trains operated by a subsidiary of Transdev Group. The accident caused the death of 11 people and about twenty serious injuries were reported.

On February 16, 2016, during a press conference of the commission of inquiry into the causes of the accident, the Traunstein prosecutor in charge of the investigation said: "There is no evidence relating to a technical problem This is a human error". The magistrate indicated that the person in charge of the switch, the day of the accident, an employee from the network's administrator, was charged with negligence resulting in homicide, injuries and dangerous action in rail traffic. As a result, the Transdev group subsidiary Bayerische Oberlandbahn (BOB), which has operated the line since December 2013, seems exonerated in the accident, the traffic control being performed by a third party.

3.7 Objectives and outlook

In 2016, in the context of a deflationary environment and weak economic growth, Veolia expects to achieve significant current net income growth

2016 objectives⁽¹⁾

- Revenue and EBITDA growth;
- Net Free Cash Flow excluding financial divestitures of at least €650 million;
- Current net income of at least €600 million.

Two main objectives for 2018

- Current net income greater than €800 million;
- Net Free Cash Flow of €1 billion.

2016-2018 outlook

- The Group expects a progressive increase in revenue growth to achieve average annual revenue growth of between 2% and 3%, based on the current economic environment
- Average annual EBITDA growth of around 5% per year
- More than €600 million in cost savings over the period

At the Combined General Meeting scheduled for April 21, 2016, the Board of Directors will propose a dividend payment of €0.73 per share in respect of the 2015 fiscal year, payable in cash, versus €0.70 per share in 2014.

From 2016, the Group anticipates an average dividend increase of around 10%.

(1) At constant exchange rates.

3.8 Appendices to the Operating and Financial Review

3.8.1. RECONCILIATION OF 2014 PUBLISHED DATA AND 2014 REPRESENTED DATA

3.8.1.1. Main represented “GAAP” data for the year ended December 31, 2014⁽¹⁾

<i>(in € million)</i> Figures presented under published scope ⁽²⁾	December 31, 2014 published	IFRIC 21 and other adjustments ⁽³⁾	December 31, 2014 re-presented
Revenue	23,879.6	-	23,879.6
Adjusted operating cash flow	2,164.3	-8.1	2,156.2
Adjusted operating income ⁽⁴⁾	1,108.4	-8.1	1,100.3
Net income – Group share	246.1	-4.3	241.8
Adjusted net income – Group share	326.1	-4.3	321.8
Gross industrial investments	1,533	-	1,533
Free cash flow	330	-21 ⁽⁵⁾	309
Net financial debt	8,311.1	-	8,311.1
EBITDA	N/A	N/A	2,692.2
Current EBIT	N/A	N/A	1,047.7
CURRENT NET INCOME – GROUP SHARE	N/A	N/A	333.3

(1) Unaudited figures.

(2) Published scope: including fully consolidated Dalkia France and equity-accounted Dalkia International in the first half of 2014.

(3) See Section 3.8.1.3. below.

(4) Including the represented share of adjusted net income (loss) of joint ventures and associates for the year ended December 31, 2014.

(5) Of which -€24 million relating to the Dalkia transaction.

3.8.1.2. Main represented “Pro forma” data for the year ended December 31, 2014 ⁽¹⁾

<i>(in € million)</i> Figures presented under pro forma scope ⁽²⁾	December 31, 2014 published	IFRIC 21 and other adjustments ⁽³⁾	December 31, 2014 re-presented
Revenue	24,408.4	-	24,408.4
Adjusted operating cash flow	2,308.1	-1.2	2,306.9
Adjusted operating income ⁽⁴⁾	1,106.0	-1.4	1,104.6
Net income – Group share	N/A	N/A	-233.2
Adjusted net income – Group share	304.3	-1.4	302.9
Gross industrial investments	1,567	+1	1,568
Free cash flow	N/A	N/A	314
EBITDA	2,763.3	-1.4	2,761.9
Current EBIT	1,074.0	-21.2	1,052.8
CURRENT NET INCOME – GROUP SHARE	314.5	-0.3	314.2

(1) Unaudited figures.

(2) Pro forma scope: excluding Dalkia France and Dalkia International fully consolidated since January 1, 2014.

(3) See Section 3.8.1.3. below.

(4) Including the represented share of adjusted net income (loss) of joint ventures and associates for the year ended December 31, 2014.

3.8.1.3. IFRIC 21 Levies

- An interpretation that clarifies the accounting for taxes, duties and other levies falling within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and which are specifically excluded from the scope of IAS 12, Income Taxes.
- Recognition of the obligation now associated with the obligating event, which requires payment of the tax by the company.
 - The timing of recognition of a liability for the tax or levy is determined based on the exact wording of the law governing collection.
 - The entire tax liability shall be recognized when the obligating event giving rise to the tax as defined by the law occurs. Thus, if a tax is payable when an entity operates a business as of January 1, Y, the liability representing the tax for the year in its entirety must be recorded on such date.

Thus, for the majority of impacted taxes considered as “operating income”:

- Before application of IFRIC 21: evenly expensed over 12 months
- After application of IFRIC 21: full amount recorded at the time of the obligating event giving rise to the tax
- Mandatory retrospective application as of January 1, 2015.
- The impact of the application of IFRIC 21 essentially lies in a different allocation of the expense at interim closings. Accordingly, the annual consolidated financial statements are not significantly impacted by the application of this interpretation.

IFRIC 21 impacts (€ million)	Year ended December 31, 2015	Year ended December 31, 2014 GAAP	Year ended December 31, 2014 Pro forma
EBITDA	(2.2)	(8.1)	(1.4)
Current EBIT	(2.2)	(8.1)	(1.4)
CURRENT NET INCOME - GROUP SHARE	(2.1)	(4.3)	(1.4)

3.8.2. RECONCILIATION OF FORMER AND NEW FINANCIAL INDICATORS USED BY THE GROUP

The reconciliation of operating cash flow before changes in working capital and adjusted operating cash flow with the new financial indicator EBITDA is as follows:

(in € million)	Year ended December 31, 2014 Pro forma	Year ended December 31, 2014 GAAP
Operating cash flow before changes in working capital	2,321.9	2,204.4
▪ Operating cash flow from financing activities	15.0	48.2
▪ Adjusted operating cash flow	2,306.9	2 156.2
Excluding:		
Renewal expenses	+263.4	+318.7
Cash restructuring charges ⁽¹⁾	+78.5	+78.5
Share acquisition and disposal costs	-	+7.6
Including:		
Principal payments on operating financial assets	+113.1	+131.2
EBITDA	2,761.9	2,692.2

(1) Cash restructuring charges for the year ended December 31, 2014 primarily related to the French Water voluntary departure program in the amount of €41.1 million and that of the head office in the amount of €23.5 million.

The reconciliation of adjusted net income with current net income is as follows:

(in € million)	Year ended December 31, 2014 <i>Pro forma</i>	Year ended December 31, 2014 GAAP
ADJUSTED NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	302.9	321.8
Excluding:		
Adjusted impairment losses on property, plant and equipment, intangible assets and OFA	+10.1	+7.2
IFRS 2 impact	+1.2	+1.2
Including:		
Capital gains on industrial divestitures	-	+3.1
CURRENT NET INCOME - GROUP SHARE	314.2	333.3

3.8.3. DEFINITIONS

GAAP (IFRS) indicators

The cost of net financial debt represents the cost of gross debt, including related gains and losses on interest rate and currency hedges, less income on cash and cash equivalents.

Operating cash flow before changes in working capital, as presented in the consolidated cash flow statement, is comprised of three components: **operating cash flow from operating activities** (referred to as “adjusted operating cash flow” and known in French as “capacité d'autofinancement opérationnelle”) consisting of operating income and expenses received and paid (“cash”), **operating cash flow from financing activities** including cash financial items relating to other financial income and expenses and **operating cash flow from discontinued operations** composed of cash operating and financial income and expense items classified in net income from discontinued operations pursuant to IFRS 5. Adjusted operating cash flow does not include the share of net income attributable to equity-accounted entities.

Net income (loss) from discontinued operations is the total of income and expenses, net of tax, related to businesses divested or in the course of divestiture, in accordance with IFRS 5.

Non-GAAP indicators

- **The term “internal growth”** (or “growth at constant consolidation scope and exchange rates”) includes growth resulting from:
 - the expansion of an existing contract, primarily resulting from an increase in prices and/or volumes distributed or processed,
 - new contracts, and,
 - the acquisition of operating assets allocated to a particular contract or project.
- **The term “external growth”** includes growth through acquisitions (performed in the period or which had only partial effect in the prior period), net of divestitures, of entities and/or assets deployed in different markets and/or containing a portfolio of more than one contract.
- **The term “change at constant exchange rates”** represents the change resulting from the application of exchange rates of the prior period to the current period, all other things being equal.
- **Net financial debt (NFD)** represents gross financial debt (non-current borrowings, current borrowings, bank overdrafts and other cash position items), net of cash and cash equivalents, liquid assets and financing-related assets, including fair value adjustments to derivatives hedging debt.

Liquid assets are financial assets composed of funds or securities with an initial maturity of more than three months, easily convertible into cash, and managed with respect to a liquidity objective while maintaining a low capital risk.

- **The leverage ratio** is the ratio of closing Net Financial Debt to EBITDA.
- **Net free cash flow** corresponds to free cash flow from continuing operations, and is calculated by: the sum of EBITDA, dividends received, operating cash flow from financing activities, and changes in working capital for operations, less net industrial investments, current cash financial expense, cash taxes paid, cash restructuring charges and renewal expenses.

- **The financing rate** is defined as the ratio of the cost of net financial debt (excluding fair value adjustments to instruments not qualifying for hedge accounting) to average monthly net financial debt for the period, including the cost of net financial debt of discontinued operations.
- **Net industrial investments**, as presented in the statement of changes in net financial debt, includes industrial investments (purchases of intangible assets and property, plant and equipment, and operating financial assets), net of industrial asset divestitures.

The Group considers discretionary growth investments, which generate additional cash flows, separately from maintenance-related investments, which reflect the replacement of equipment and installations used by the Group as well as investments relating to contractual obligations.

- **Net industrial investments**, as presented in the statement of changes in net financial debt, includes financial investments, net of financial divestitures.
 - Financial investments include purchases of financial assets, including the net financial debt of companies entering the scope of consolidation, and partial purchases resulting from transactions with shareholders where there is no change in control.

Financial divestitures include net financial debt of companies leaving the scope of consolidation, and partial divestitures resulting from transactions with shareholders where there is no change in control, as well as issues of share capital by non-controlling interests.

NEW INDICATORS USED BY THE GROUP AS FROM THE 1ST QUARTER OF 2015:

- **EBITDA**, which replaces Adjusted operating cash flow, comprises the sum of all operating income and expenses received and paid (excluding restructuring costs, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.
- **The EBITDA margin** is defined as the ratio of EBITDA to revenue.
- **Current EBIT replaces Adjusted Operating Income.** To calculate Current EBIT, the following items will be deducted from operating income:
 - Goodwill impairments of fully controlled subsidiaries and equity-accounted entities,
 - Restructuring charges,
 - Capital gains on financial divestments, which are now considered as an item within net finance costs,
 - One-time and/or significant impairment of non-current assets (PP&E, intangible assets and operating financial assets),
 - Impacts relating to the application of IFRS 2 Share-based payment,
 - Share acquisition and disposal costs.
- **Current Net Income**, which will replace Adjusted Net Income, comprises the sum of the following items:
 - Current EBIT,
 - Current elements of the cost of net financial debt,
 - Other current financial income and expenses, including capital gains or losses on financial divestitures (of which gains or losses included in the share of net income of equity-accounted entities),
 - Current tax items, and
 - Non-controlling interests (excluding the portion of non-controlling interests relative to non-current items in the income statement).
- **Current net income earnings per share** is defined as the ratio of current net income (not restated for the cost of the coupon attributable to hybrid debt holders) by the weighted average number of outstanding shares during the year.
- **The pre-tax return on capital employed is defined as the ratio of:**
 - Current EBIT before share of net income or loss of equity-accounted entities.
 - Average capital employed in the year, including operating financial assets and excluding investments in joint ventures and associates.

Capital employed used in the ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairments, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities classified within assets and liabilities held for sale, excluding discontinued operations.

- **The post-tax return on capital employed (ROCE)** is defined as the ratio of:
 - Current EBIT including the share of net income or loss of equity-accounted entities, after tax. It is calculated by subtracting the current tax expense from Current EBIT including the share of net income or loss of equity-accounted entities. Current tax expense is the tax expense in the income statement represented for tax effects on non-current items.
 - average capital employed in the year, including operating financial assets and investments in joint ventures and associates.

Capital employed used in the post-tax ROCE calculation is therefore equal to the sum of net intangible assets and property, plant and equipment, goodwill net of impairment, investments in joint ventures and associates, operating financial assets, net operating and non-operating working capital requirements and net derivative instruments less provisions. It also includes the capital employed of activities transferred to assets and liabilities held for sale, excluding discontinued operations.

For both pre-tax and post-tax ROCE, the impacts of the Group's investment in the Transdev Group joint venture, which is not viewed as a core Company activity and whose contribution is recognized as a share of net income of other equity-accounted entities, are excluded from the calculations.

FORMER INDICATORS USED BY THE GROUP UNTIL DECEMBER 31, 2014:

- **Adjusted operating cash flow** includes operating income and expenses received and paid ("cash").
- **Adjusted operating income** is equal to operating income after the share of adjusted net income (loss) of equity-accounted entities, adjusted to exclude the impact of goodwill impairments, negative goodwill recognized in net income and certain special items. Special items are items that are not expected to recur each year and that substantially change the economics of one or more cash-generating units.
- **Adjusted net income attributable to owners of the Company** is equal to net income attributable to owners of the Company adjusted to exclude goodwill impairments, negative goodwill recognized in net income and share of net income of other equity-accounted entities and certain special items. Special items are items that are not expected to recur each year and that substantially change the economics of one or more cash-generating units.

3.9 Recent events (after the accounts closing by the Board of Directors)

On February 25, 2016, the Company issued a press release on its results for 2015.

On March 8, 2016, Veolia Environnement carried out an offering of bonds convertible into and/or exchangeable for new and/or existing shares ("OCEANE") due March 15 2021, by way of a private placement without shareholders' preferential subscription rights, of a nominal amount of €699,999,978.87.

The OCEANE bonds will not bear interest and will be offered at an issue price of 102.75% of par, corresponding to an annual gross yield to maturity of (0.54)%.

The nominal unit value of the OCEANE bonds is €29.99, representing a premium of 47.50% above the Company's reference share price⁽¹⁾ on the regulated market of Euronext Paris.

On March 8, 2016, the Board of Directors of Veolia Environnement decided, at the recommendation of the Nominations Committee, to propose the following resolutions to the General Shareholders' Meeting of April 21, 2016:

- the renewal of the terms of office as a director of Mr. Jacques Aschenbroich and Mrs. Nathalie Rachou;
- the appointment as new directors of Mrs. Isabelle Courville, a Canadian citizen and Mr. Guillaume Texier, a French citizen. Mrs. Isabelle Courville is currently a non-voting member (*censeur*) on the Company's Board of Directors. Mr. Guillaume Texier is Chief Financial Officer of Saint Gobain group.

At their request, the Board of Directors has not proposed the renewal of the terms of office as a director of Messrs. Serge Michel and Georges Ralli. Pursuant to a decision of the Board of Directors, Mr. Serge Michel will sit on the Board as a non-voting member (*censeur*) from the end of the General Shareholders' Meeting of April 21, 2016.

The Board of Directors also decided to supplement the composition of its Committees by appointing Mrs. Homaira Akbari to the Accounts and Audit Committee, Mr. Paolo Scaroni to the Nominations Committee and Mrs. Clara Gaymard to the Compensation Committee. With the exception of these additions, the composition of the Board Committees remains unchanged.

(1) This reference share price is equal to the volume-weighted average price of the Company's shares recorded on the regulated market of Euronext in Paris between the launch of the offering until the determination of the final terms and conditions of the OCEANE bonds.

4

FINANCIAL STATEMENTS

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4.1 Consolidated financial statements AFR

As disclosed in Note 1.2, IFRIC 21 is applicable on a retrospective basis on first-time application and the consolidated financial statements for the year ended December 31, 2014 have been re-presented accordingly.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position-Assets

(€ million)		As of December 31, 2015	As of December 31, 2014 re-presented
Goodwill	Note 7.1	4,619.6	4,499.4
Concession intangible assets	Note 7.2.1	2,796.4	2,750.5
Other intangible assets	Note 7.2.2	918.0	990.1
Property, plant and equipment	Note 7.3	6,820.3	6,637.5
Investments in joint ventures	Notes 5.2.4.1 and 3.3.1	2,155.8	2,043.2
Investments in associates	Note 5.2.4.2	461.8	454.9
Non-consolidated investments		52.9	54.7
Non-current operating financial assets	Note 5.4	1,734.2	1,882.5
Non-current derivative instruments - Assets	Note 8.3	58.9	101.9
Other non-current financial assets	Note 8.1.2	758.4	866.7
Deferred tax assets	Note 11.2	1,154.5	1,137.3
Non-current assets		21,530.8	21,418.7
Inventories and work-in-progress	Note 5.3	757.7	729.9
Operating receivables	Note 5.3	8,797.2	8,650.4
Current operating financial assets	Note 5.4	162.3	127.2
Other current financial assets	Note 8.1.2	215.7	203.1
Current derivative instruments - Assets	Note 8.3	72.8	103.0
Cash and cash equivalents	Note 8.1.3	4,176.3	3,148.6
Assets classified as held for sale	Note 3.4.1	175.8	343.6
Current assets		14,357.8	13,305.8
TOTAL ASSETS		35,888.6	34,724.5

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position – Equity and Liabilities

(€ million)		As of December 31, 2015	As of December 31, 2014 re-presented
Share capital	Note 9.2.1	2,816.8	2,811.5
Additional paid-in capital		7,165.6	7,165.6
Reserves and retained earnings attributable to owners of the Company		(1,644.1)	(1,664.9)
Total equity attributable to owners of the Company	Note 9.2	8,338.3	8,312.2
Total equity attributable to non-controlling interests	Note 9.3	1,165.0	1,167.2
Equity		9,503.3	9,479.4
Non-current provisions	Note 10	2,068.1	1,958.8
Non-current borrowings	Note 8.1.1	8,022.3	8,324.5
Non-current derivative instruments - Liabilities	Note 8.3	114.7	112.5
Deferred tax liabilities	Note 11.2	1,117.1	1,135.3
Non-current liabilities		11,322.2	11,531.1
Operating payables	Note 5.3	10,070.6	9,677.3
Current provisions	Note 10	479.1	552.9
Current borrowings	Note 8.1.1	4,000.1	3,003.1
Current derivative instruments - Liabilities	Note 8.3	87.6	128.5
Bank overdrafts and other cash position items	Note 8.1.3	318.6	216.4
Liabilities directly associated with assets classified as held for sale	Note 3.4.1	107.1	135.8
Current liabilities		15,063.1	13,714.0
TOTAL EQUITY AND LIABILITIES		35,888.6	34,724.5

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(€ million)		2015	2014 re-presented ⁽¹⁾
Revenue	Note 5.1	24,964.8	23,879.6
Cost of sales		(20,789.7)	(19,918.7)
Selling costs		(579.3)	(517.1)
General and administrative expenses		(2,389.9)	(2,434.4)
Other operating revenue and expenses		(181.7)	(588.2)
Operating income before share of net income (loss) of equity-accounted entities	Note 5.2	1,024.2	421.2
Share of net income (loss) of equity-accounted entities		98.7	93.1
o/w share of net income (loss) of joint ventures	Note 5.2.4	73.1	76.1
o/w share of net income (loss) of associates	Note 5.2.4	25.6	17.0
Operating income after share of net income (loss) of equity-accounted entities		1,122.9	514.3
Net finance costs	Note 8.4.1	(445.9)	(543.9)
Other financial income and expenses	Note 8.4.2	27.9	530.5
Pre-tax net income (loss)		704.9	500.9
Income tax expense	Note 11.1.1	(199.5)	(164.9)
Share of net income (loss) of other equity-accounted entities	Note 3.3.1	45.9	11.5
Net income (loss) from continuing operations		551.3	347.5
Net income (loss) from discontinued operations	Note 3.4.2	-	(21.9)
Net income (loss) for the year		551.3	325.6
Attributable to owners of the Company		450.2	241.8
Attributable to non-controlling interests	Note 9.3.2	101.1	83.8
(in euros)			
NET INCOME (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE ⁽²⁾	Note 9.5		
Diluted		0.69	0.32
Basic		0.69	0.32
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE ⁽²⁾	Note 9.5		
Diluted		0.69	0.34
Basic		0.69	0.34
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE ⁽²⁾	Note 9.5		
Diluted		-	(0.02)
Basic		-	(0.02)

(1) See Note 1.2 "Changes in accounting method and presentation".

(2) Earnings per share for the years ended December 31, 2014 and 2015 are calculated in accordance with the method disclosed in Note 9.5, Earnings per share.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	2015	2014 re-presented
Net income (loss) for the year	551.3	325.6
Actuarial gains and losses on pension obligations	(2.7)	(67.6)
Income tax expense	0.6	6.0
Amount net of tax	(2.1)	(61.6)
Other items of comprehensive income not subsequently released to net income	(2.1)	(61.6)
<i>o/w attributable to joint ventures ⁽¹⁾</i>	5.9	(5.7)
<i>o/w attributable to associates</i>	(0.3)	-
Fair value adjustments on available-for-sale assets	0.3	(5.9)
Income tax expense	0.1	(0.8)
Amount net of tax	0.4	(6.7)
Fair value adjustments on cash flow hedge derivatives	49.8	(24.9)
Income tax expense	(7.3)	3.9
Amount net of tax	42.5	(21.0)
Foreign exchange gains and losses:		
▪ on the translation of the financial statements of subsidiaries drawn up in a foreign currency	227.4	296.4
▪ Amount net of tax	227.4	296.4
▪ on the net financing of foreign operations	(121.6)	(103.9)
▪ Income tax expense	0.3	1.6
Amount net of tax	(121.3)	(102.3)
Other items of comprehensive income subsequently released to net income	149.0	166.4
<i>o/w attributable to joint ventures ⁽¹⁾</i>	98.4	134.2
<i>o/w attributable to associates</i>	16.7	14.7
Total Other comprehensive income ⁽²⁾	146.9	104.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	698.2	430.4
Attributable to owners of the Company	557.9	319.6
Attributable to non-controlling interests	140.3	110.8

(1) The share attributable to joint ventures mainly concerns Dalkia International up to July 25, 2014, the Chinese Water concessions and Transdev Group.

(2) Other comprehensive income attributable to discontinued operations as defined in IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations is €0.2 million for the year ended December 31, 2015 and -€4.8 million for the year ended December 31, 2014.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(€ million)	Notes	2015	2014 re-presented
Net income (loss) for the year		551.3	325.6
Net income (loss) from continuing operations		551.3	347.5
Net income (loss) from discontinued operations		-	(21.9)
Operating depreciation, amortization, provisions and impairment losses	Note 5.2.1	1,355.7	1,744.3
Financial amortization and impairment losses		(3.8)	15.0
Capital gains (losses) on disposal of operating assets		(4.3)	(7.1)
Capital gains (losses) on disposal of financial assets		(60.5)	(551.4)
Share of net income (loss) of joint ventures	Notes 5.2.4.1 and 3.3.1	(119.0)	(87.6)
Share of net income (loss) of associates	Note 5.2.4.2	(25.6)	(17.0)
Dividends received	Note 8.4.2	(3.6)	(3.1)
Net finance costs	Note 8.4.1	445.9	543.9
Income tax expense	Note 11	199.5	164.9
Other items		54.7	55.0
Operating cash flow before changes in working capital		2,390.3	2,204.4
Changes in operating working capital	Note 5.3	203.3	68.7
Income taxes paid		(223.9)	(218.1)
Net cash from operating activities of continued operations		2,369.7	2,055.0
Net cash from (used in) operating activities of discontinued operations		-	(5.7)
Net cash from operating activities		2,369.7	2,049.3
Industrial investments, net of grants		(1,347.3)	(1,374.5)
Proceeds on disposal of intangible assets and property plant and equipment		105.9	62.8
Purchases of investments	Note 3.2	(146.6)	172.8*
Proceeds on disposal of financial assets	Note 3.2	321.9	357.0**
Operating financial assets			
New operating financial assets	Note 5.4	(120.3)	(143.9)
Principal payments on operating financial assets	Note 5.4	173.1	131.2
Dividends received (including dividends received from joint ventures and associates)		90.1	78.8
New non-current loans granted		(101.7)	(267.1)
Principal payments on non-current loans		220.2	214.8
Net decrease/increase in current loans		21.2	187.0
Net cash used in investing activities of continuing operations		(783.5)	(581.1)
Net cash used in investing activities of discontinued operations		-	(17.0)
Net cash used in investing activities		(783.5)	(598.1)
Net increase (decrease) in current borrowings	Note 8.1.1	170.3	(911.5)
New non-current borrowings and other debts	Note 8.1.1	467.1	118.4
Principal payments on non-current borrowings and other debts	Note 8.1.1	(206.1)	(828.3)
Proceeds on issue of shares	Note 9.2.1.1	17.7	7.4
Share capital reduction		-	-
Transactions with non-controlling interests: partial purchases	Note 3.2	(106.3)	(130.4)
Transactions with non-controlling interests: partial sales		-	1.2
Issues of deeply subordinated securities	Note 9.4	-	-
Coupon on deeply subordinated securities	Note 9.4	(71.5)	(68.0)
Purchases of/proceeds from treasury shares		0.2	5.8***
Dividends paid		(512.0)	(260.4)
Interest paid	Note 8.4	(425.2)	(526.1)

(€ million)	Notes	2015	2014 re-presented
Net cash used in financing activities of continuing operations		(665.8)	(2,591.9)
Net cash from financing activities of discontinued operations		-	0.4
Net cash used in financing activities		(665.8)	(2,591.5)
Effect of foreign exchange rate changes and other		5.1	(32.5)
Increase (decrease) in external net cash of discontinued operations		-	43.7
NET CASH AT THE BEGINNING OF THE YEAR		2,932.2	4,061.3
NET CASH AT THE END OF THE YEAR		3,857.7	2,932.2
Cash and cash equivalents	Note 8.1.3	4,176.3	3,148.6
Bank overdrafts and other cash position items	Note 8.1.3	318.6	216.4
NET CASH AT THE END OF THE YEAR		3,857.7	2,932.2

* Purchases of investments in the Consolidated Cash Flow Statement primarily include the impact of the Dalkia transaction in the amount of €229.9 million. This impact comprises the cash payment to EDF (-€660.8 million), the cash and cash equivalents of Dalkia International entered into the scope of consolidation (€175.4 million), the cash and cash equivalents of Dalkia France removed from the scope of consolidation (-€22.2 million) and finally the repayment of internal financing granted to Dalkia France (€737.5 million).

** Proceeds on disposal of financial assets in the Consolidated Cash Flow Statement include financial disposals, cash and cash equivalents, bank overdrafts and other cash position items removed from the scope of consolidation.

*** This line includes the initial investment of beneficiaries of the Management Incentive Plan (see Notes 9.2.2 and 6.2.4) in the amount of €5.7 million, mainly corresponding to the sale of 439,952 shares at €13.04 per share to beneficiaries.

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Equity attributable to non- controlling interests	Total Equity
<i>(€ million)</i>											
As of December 31, 2013	548,875,708	2,744.4	7,851.1	1,453.6	(442.5)	(3,465.3)	105.2	(34.2)	8,212.3	1,474.0	9,686.3
Issues of share capital of the parent company	13,426,093	67.1	107.2	-	-	-	-	-	174.3	-	174.3
Proceeds on issue of deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities	-	-	-	(68.0)	-	-	-	-	(68.0)	-	(68.0)
Parent company dividend distribution	-	-	(792.7)	-	-	418.5	-	-	(374.2)	-	(374.2)
Elimination of treasury shares	-	-	-	-	5.8	-	-	-	5.8	-	5.8
Share-based payments	-	-	-	-	-	1.2	-	-	1.2	-	1.2
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	7.6	7.6
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(61.4)	(61.4)
Transactions with non-controlling interests	-	-	-	-	-	47.5	-	-	47.5	(81.0)	(33.5)
Total transactions with non-controlling interests	13,426,093	67.1	(685.5)	(68.0)	5.8	467.2	-	-	(213.4)	(134.8)	(348.2)
Foreign exchange translation	-	-	-	-	-	-	265.2	-	265.2	31.2	296.4
Net foreign investments	-	-	-	-	-	-	(100.4)	-	(100.4)	(1.9)	(102.3)
Actuarial gains and losses on pension obligations	-	-	-	-	-	(61.0)	-	-	(61.0)	(0.6)	(61.6)
Fair value adjustments on cash flow hedge derivatives	-	-	-	-	-	-	-	(22.7)	(22.7)	1.7	(21.0)
Fair value adjustments on AFS assets	-	-	-	-	-	-	-	(3.3)	(3.3)	(3.4)	(6.7)
Total Other comprehensive income	-	-	-	-	-	(61.0)	164.8	(26.0)	77.8	27.0	104.8
Net income for the year	-	-	-	-	-	241.8	-	-	241.8	83.8	325.6
Total comprehensive income for the year	-	-	-	-	-	180.8	164.8	(26.0)	319.6	110.8	430.4
Other movements	-	-	-	-	-	(6.4)	0.1	-	(6.3)	(282.8)*	(289.1)
As of December 31, 2014	562,301,801	2,811.5	7,165.6	1,385.6	(436.7)	(2,823.7)	270.1	(60.2)	8,312.2	1,167.2	9,479.4

* Other movements in non-controlling interests mainly include the impact of the Dalkia transaction with EDF in the amount of -€308.7 million and the fair value remeasurement of Proactiva Medio Ambiente in the amount of +€23.1 million.

	Number of shares outstanding	Share capital	Additional paid-in capital	Deeply- subordinated securities	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Equity attributable to non- controlling interests	Total Equity
<i>(€ million)</i>											
As of January 1, 2015	562,301,801	2,811.5	7,165.6	1,385.6	(436.7)	(2,823.7)	270.1	(60.2)	8,312.2	1,167.2	9,479.4
Issues of share capital of the parent company	1,063,022	5.3	11.0	-	-	(4.3)	-	-	12.0	-	12.0
Proceeds on issue of deeply subordinated securities	-	-	-	-	-	-	-	-	-	-	-
Coupon on deeply subordinated securities	-	-	-	(71.5)	-	-	-	-	(71.5)	-	(71.5)
Parent company dividend distribution	-	-	-	-	-	(384.0)	-	-	(384.0)	-	(384.0)
Elimination of treasury shares	-	-	-	-	0.2	-	-	-	0.2	-	0.2
Share-based payments*	-	-	(11.0)	-	-	21.7	-	-	10.7	-	10.7
Third party share in share capital increases of subsidiaries	-	-	-	-	-	-	-	-	-	5.7	5.7
Third party share in dividend distributions of subsidiaries	-	-	-	-	-	-	-	-	-	(128.0)	(128.0)
Transactions with non-controlling interests	-	-	-	-	-	(88.6)	-	-	(88.6)	(1.2)	(89.8)
Total transactions with non-controlling interests	1,063,022	5.3	-	(71.5)	0.2	(455.2)	-	-	(521.2)	(123.5)	(644.7)
Foreign exchange translation	-	-	-	-	-	-	186.6	-	186.6	40.8	227.4
Net foreign investments	-	-	-	-	-	-	(122.1)	-	(122.1)	0.8	(121.3)
Actuarial gains and losses on pension obligations	-	-	-	-	-	(1.3)	-	-	(1.3)	(0.8)	(2.1)
Fair value adjustments on cash flow hedge derivatives	-	-	-	-	-	-	-	44.1	44.1	(1.6)	42.5
Fair value adjustments on AFS assets	-	-	-	-	-	-	-	0.4	0.4	-	0.4
Total Other comprehensive income	-	-	-	-	-	(1.3)	64.5	44.5	107.7	39.2	146.9
Net income for the year	-	-	-	-	-	450.2	-	-	450.2	101.1	551.3
Total comprehensive income for the year	-	-	-	-	-	448.9	64.5	44.5	557.9	140.3	698.2
Other movements	-	-	-	-	-	(10.6)	-	-	(10.6)	(19.0)	(29.6)
As of December 31, 2015	563,364,823	2,816.8	7,165.6	1,314.1	(436.5)	(2,840.6)	334.6	(15.7)	8,338.3	1,165.0	9,503.3

* As disclosed in Note 6.1 in Personnel costs, the IFRS 2 share-based compensation expense is €10.7 million.

The dividend per share distributed during 2015 is €0.7, compared with €0.7 during 2014.

A dividend distribution of €0.73 per share is proposed to the General Shareholders' Meeting of April 21, 2016.

The total dividend paid recorded in the Consolidated Cash Flow Statement of €512 million and €261 million for the years ended December 31, 2015 and 2014, respectively, breaks down as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014
Parent company dividend distribution	(384)	(374)
Third party share in dividend distributions of subsidiaries ⁽²⁾	(128)	(61)
Scrip dividend ⁽¹⁾	-	+174
TOTAL DIVIDEND PAID	(512)	(261)

(1) The lines "Proceeds on issue of shares" and "Dividends paid" in the Consolidated Cash Flow Statement are presented net of scrip dividends as such distributions do not generate cash flows.

(2) The increase in the third party share in dividend distributions in 2015 is mainly attributable to Energy business entities in Poland (-€25.9 million) and in Czech Republic (-€20.5 million), consolidated from the second half-year of 2014.

Notes to the consolidated financial statements

NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

1.1 General principles underlying the preparation of the financial statements

The accounting methods presented in these Notes to the consolidated financial statements have been applied consistently for all periods presented in the consolidated financial statements.

The consolidated financial statements are presented on a historical cost basis, with the exception of assets and liabilities held for sale measured in accordance with IFRS 5 and assets and liabilities recognized at fair value: derivatives, financial instruments held for trading, financial instruments designated at fair value and available-for-sale financial instruments (in accordance with IAS 32 and IAS 39).

The Veolia Environnement consolidated financial statements for the year ended December 31, 2015 were adopted by the Board of Directors on February 24, 2016 and will be presented for approval at the General Shareholders' Meeting on April 21, 2016.

1.2 Change in accounting method and presentation

IFRIC 21, Levies, referred to above, was published in May 2013 and adopted by the European Union in June 2014. It is applicable for the first-time within the Group as of January 1, 2015.

This interpretation provides guidance on the recognition of liabilities in respect of levies payable by an entity to a government. It deals with the issue of when to recognize a liability to pay levies other than income tax or social security contributions.

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with relevant legislation and regulations and provides detailed guidance on how to recognize certain levies.

For the purposes of first-time application of this interpretation, the Group inventoried and analyzed the main levies concerned and their operation with regard to the clarifications provided by the interpretation.

The first-time application of this text had a negative impact of €4.3 million on net income attributable to owners of the Company and a positive impact of €20.4 million on Group consolidated equity as of December 31, 2014. The Net cash from operating activities line in the Consolidated Cash Flow Statements was not impacted.

Furthermore, for the dual purpose of better presentation of operating performance and comparability with other sector companies, the Group decided to introduce new financial indicators starting fiscal year 2015 that are now used in the communication of its financial results.

These new indicators are Revenue, the new name for Turnover and EBITDA (see Chapter 3, Section 3.8.3 of the Registration Document, Appendices to the Operating and Financial Review).

In conjunction with the introduction of these new financial indicators and in order to ensure the consistency and readability of the Group's consolidated financial statements, the following key adjustments have been made to the presentation of the Consolidated Income Statement:

Item	From	To
Restructuring costs	Cost of sales, Selling costs, General and administrative expenses	Other operating revenue and expenses
Impairment of goodwill of controlled entities	Cost of sales	Other operating revenue and expenses
Impairment of goodwill of equity-accounted entities	Share of net income (loss) of equity-accounted entities	Other operating revenue and expenses
Impairment of property, plant and equipment, intangible assets and operating financial assets	Cost of sales, Selling costs, General and administrative expenses	Other operating revenue and expenses
Gains (losses) on disposal of controlled entities	Other operating revenue and expenses	Other financial income and expenses
Gains (losses) on disposal of equity-accounted entities	Share of net income (loss) of equity-accounted entities	Other financial income and expenses

2014 figures have been re-presented for these adjustments to ensure the comparability of data.

(€ million)	2014 as disclosed	Changes in accounting method and presentation	2014 Re-presented
Revenue	23,879.6	-	23,879.6
Cost of sales	(20,459.7)	541.0*	(19,918.7)
Selling costs	(517.4)	0.3	(517.1)
General and administrative expenses	(2,479.3)	44.9	(2,434.4)
Other operating revenue and expenses	(9.1)	(579.1)*	(588.2)
Operating income before share of net income (loss) of equity-accounted entities	414.1	7.1	421.2
Share of net income (loss) of equity-accounted entities	653.1	(560.0)*	93.1
Operating income after share of net income (loss) of equity-accounted entities	1,067.2	(552.9)	514.3
Net finance costs	(543.9)	-	(543.9)
Other financial income and expenses	(14.2)	544.7*	530.5
Pre-tax net income (loss)	509.1	(8.2)	500.9
Income tax expense	(167.3)	2.4	(164.9)
Share of net income (loss) of other equity-accounted entities	11.5	-	11.5
Net income (loss) from continuing operations	353.3	(5.8)	347.5
Net income (loss) from discontinued operations	(21.9)	-	(21.9)
Net income (loss) for the year	331.4	(5.8)	325.6
Attributable to owners of the Company	246.1	(4.3)	241.8
Attributable to non-controlling interests	85.3	(1.5)	83.8

* The impacts relate primarily to the transaction on Dalkia on July 25, 2014.

1.3 Accounting Standards Framework

1.3.1 Basis underlying the preparation of the financial information

Pursuant to Regulation no.1606/2002 of July 19, 2002, as amended by European Regulation no.297/2008 of March 11, 2008, the consolidated financial statements are presented in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union. These standards may be consulted at the following European Union website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.

In the absence of IFRS standards or interpretations and in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Veolia refers to other IFRS dealing with similar or related issues and the conceptual framework.

The consolidated financial statements are presented in millions of euros, unless stated otherwise.

The consolidated financial statements comprise the financial statements of Veolia Environnement, the entities it controls (its subsidiaries) and the entities equity accounted. The financial statements of subsidiaries are drawn up for the same reference period as those of the parent company, from January 1, to December 31, 2015, in accordance with uniform accounting policies and methods.

1.3.2 Standards, standard amendments and interpretations applicable from fiscal year 2015

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2015 are identical to those applied by the Group as of December 31, 2014 with the exception of:

- amendments resulting from the IFRS annual improvement process (2011-2013 cycle);
- IFRIC 21, Levies, which provides guidance on when to recognize a liability for a levy imposed by a government.

The impact of first-time application of IFRIC 21, Levies, on the Group consolidated financial statements is disclosed in Note 1.2.

1.3.3 Texts which enter into mandatory effect after December 31, 2015

- Amendments resulting from the IFRS annual improvement process (2010-2012 cycle);
- Amendment to IAS 19, Employee Benefits: employee contributions to defined benefit plans, aimed at simplifying the accounting for contributions that are independent of the number of years of employee service;
- Amendments to IAS 1, Presentation of financial statements: Disclosure initiative;
- Amendments to IAS 16 and IAS 38, aimed at clarifying acceptable methods of depreciation and amortization;
- Amendment to IFRS 11, Joint Arrangements, providing guidance on how to account for the acquisition of an interest in a joint arrangement;
- Amendments resulting from the IFRS annual improvement process (2012-2014 cycle);
- Amendment to IFRS 10 and IAS 28 providing guidance on how to account for asset sales or contributions to an associate or joint venture;
- IFRS 9, Financial Instruments;
- Amendment to IFRS 7 relating to disclosures on transition to IFRS 9;
- IFRS 15, Revenue from Contracts with Customers.

Subject to their definitive adoption by the European Union, these standards and standard amendments are of mandatory application for fiscal years beginning on or after January 1, 2016 or later.

On July 24, 2014, the IASB finalized its project to replace IAS 39 on financial instruments, publishing the full version of IFRS 9. The IASB set the date of entry into effect of this standard at January 1, 2018, with the possibility of early application.

In particular, this standard includes provisions regarding the classification and measurement of financial assets and redefines the impairment model for these assets and the accounting treatment of hedges.

On May 28, 2014, the IASB published IFRS 15, Revenue from Contracts with Customers. IFRS 15 introduces a new revenue recognition model for customer contracts. This standard will replace IAS 11, IAS 18 and the related IFRIC and SIC interpretations on revenue recognition. It is applicable to fiscal years beginning on or after January 1, 2018, with the possibility of early application.

The Group does not plan to apply IFRS 9 or IFRS 15 early.

The Group is currently assessing the potential impact of the first-time application of these texts.

1.4 Translation of foreign subsidiaries' financial statements

Statements of financial position, income statements and cash flow statements of subsidiaries whose functional currency is different from the presentation currency of the Group are translated into the presentation currency at the applicable rate of exchange (i.e. the year-end rate for statement of financial position items and the average annual rate for income statement and cash flow items). Foreign exchange translation gains and losses are recorded in other comprehensive income in equity. The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

Year-end exchange rate <i>(one foreign currency unit = €xx)</i>	As of December 31, 2015	As of December 31, 2014
US Dollar	0.9185	0.8237
Pound sterling	1.3625	1.2839
Chinese renminbi	0.1416	0.1327
Australian dollar	0.6713	0.6744
Polish zloty	0.2345	0.2340
Czech crown	0.0370	0.0361
Average annual exchange rate <i>(one foreign currency unit = €xx)</i>	Average annual rate 2015	Average annual rate 2014
US Dollar	0.9007	0.7525
Pound sterling	1.3767	1.2400
Chinese renminbi	0.1434	0.1221
Australian dollar	0.6769	0.6792
Polish zloty	0.2391	0.2390
Czech crown	0.0366	0.0363

1.5 Foreign currency transactions

Foreign currency transactions are translated into euro at the exchange rate prevailing at the transaction date. At the year end, foreign currency-denominated monetary assets and liabilities are remeasured in euro at year-end exchange rates. The resulting foreign exchange gains and losses are recorded in net income for the period.

Loans to a foreign subsidiary, the settlement of which is neither planned nor probable in the foreseeable future represent, in substance, a portion of the Group's net investment in this foreign operation. Foreign exchange gains and losses on monetary items forming part of a net investment are recognized directly in other comprehensive income in foreign exchange translation adjustments and are released to net income on the disposal of the net investment.

Exchange gains and losses on foreign currency-denominated borrowings or on currency derivatives that qualify as hedges of a net investment in a foreign operation, are recognized directly in other comprehensive income as foreign exchange translation adjustments. Amounts recognized in other comprehensive income are released to income on the date of disposal of the relevant investment.

Foreign currency-denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency-denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

NOTE 2 USE OF MANAGEMENT ESTIMATES IN THE APPLICATION OF GROUP ACCOUNTING STANDARDS

Veolia may be required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Future results may be different from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered as reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

All these estimates are based on organized procedures for the collection of forecast information on future flows, validated by operating management, and on expected market data based on external indicators and used in accordance with consistent and documented methodologies.

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change.

Accounting estimates underlying the preparation of the accounts were made in an uncertain economic and financial environment (volatile financial markets, government austerity measures, fluctuations in commodity prices, etc.) making economic forecasting more difficult. In this context, the consolidated financial statements for the period were prepared based on the current environment, particularly with respect to the estimates presented below.

Estimates made by the Group in preparing the consolidated financial statements primarily concern:

- determining the recoverable amount of goodwill, intangible assets and property, plant and equipment: Note 7 presents future flow assumptions and the discount rates used to measure the recoverable amount of these assets. Sensitivity analyses were also performed and are presented in the aforementioned note;
- measuring provisions and the employee benefit obligation as well as contingent assets and liabilities (notes 6, 10 and 12): Veolia took account of the best estimate of these obligations when measuring these provisions;
- determining the fair value of financial instruments (Note 8.3) including derivatives; Veolia measured these derivative instruments and performed the necessary efficiency tests;
- the amount of deferred tax assets and liabilities and the tax expense recognized (Note 11.2): these balances represent the tax position of the Group and are based, primarily in France and in the United States, on best estimates available to the Group of results of tax audits in progress and trends in future tax results;
- methods used for determining identifiable assets acquired and liabilities assumed in business combinations.

In addition, pursuant to the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the Group must exercise judgment in determining whether the criteria for recognizing an asset or group of assets as held for sale are met. Furthermore, discontinued operations are identified with respect to criteria also defined in IFRS 5. These assessments are reviewed at each period end taking account of any changes in facts or circumstances.

Finally, Veolia must make assumptions and judgments when assessing the level of control exercised over certain investments and particularly when defining relevant activities and identifying substantial rights. These judgments are reassessed when the facts and circumstances change.

The Group used the following discount rate calculation methodology for the purpose of these estimates:

- application of IAS 36, Impairment of assets: in accordance with Group practice, the discount rates used correspond to the weighted-average cost of capital, calculated annually. A specific risk premium is included in the calculation of the weighted average cost of capital of entities located in countries outside the euro area and the following euro area countries: Spain, Ireland, Italy, Portugal, Slovakia, and Slovenia;
- application of IAS 37, Provisions, Contingent Liabilities and Contingent Assets: the discount rates used consist of a risk-free interest rate and a risk premium specific to the underlying assets and liabilities;
- application of IAS 19 revised, Employee Benefits: commitments were measured using a range of market indices and, in particular, the Iboxx index and data provided by actuaries. The same method was used year-on-year.

NOTE 3 CONSOLIDATION SCOPE

3.1 Accounting principles relating to the consolidation scope

3.1.1 Consolidation principles

CONTROLLED ENTITIES

Veolia Environnement fully consolidates all entities over which it exercises control.

Definition of control

Control exists when the Group (i) holds power over an entity, (ii) is exposed or has rights to variable returns from its involvement with the entity and (iii) has the ability to use its power over the entity to effect the amount of its returns.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

Full consolidation

The Group consolidates a subsidiary in its consolidated financial statements from the date it obtains control of the entity to the date it ceases to control the entity.

Interests that are not directly or indirectly attributable to the Group are recorded in non-controlling interests.

Net income and each component of other comprehensive income of subsidiaries are attributed to owners of the Company and to non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests, even if this results in non-controlling interests having a deficit balance.

Change in ownership interests in consolidated subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in a change in control over the subsidiaries are accounted for as equity transactions, as they are transactions performed by shareholders acting in this capacity.

The effects of these transactions are recognized in equity at their net-of-tax amount and do not therefore impact the Consolidated Income Statement of the Group.

These transactions are presented in financing activities in the Consolidated Cash Flow Statement.

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Definition

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to its net assets.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Accounting for joint ventures and associates

The results and assets and liabilities of associates or joint ventures are incorporated in the Group consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with the provisions of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

Under the equity method, the investment in the associate or joint venture is initially recognized at acquisition cost and subsequently adjusted to recognize the Group's share of the net income and other comprehensive income of the associate or joint venture.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transaction with the associate or joint venture are recognized in the Group consolidated financial statements only to the extent of interests in the associate or joint venture.

The share of net income (loss) of equity-accounted entities is included in the Group Consolidated Income Statement. Pursuant to recommendation no. 2013-01 issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, the share of net income (loss) of equity-accounted entities must be included in "Operating income after share of net income (loss) of equity-accounted entities" or presented in a separate line "Share of net income (loss) of other equity-accounted entities" depending on whether the activities of such entities represent an extension of the Group's businesses.

Impairment tests

The requirements of IAS 39, Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to test an investment in an associate or joint venture for impairment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, Impairment of Assets.

Loss of significant influence or joint control

The equity method is discontinued from the date the investment ceases to be an associate or a joint venture. Where the Group retains a residual interest in the entity and that interest is a financial asset, the financial asset is measured at fair value at the date the investment ceases to be an associate or a joint venture.

Where an investment in an associate becomes an investment in a joint venture, or vice versa, the equity method continues to be applied and the change in ownership interest does not trigger remeasurement to fair value.

INVESTMENTS IN JOINT OPERATIONS

Definition

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have direct rights to the assets, and obligations for the liabilities, relating to the arrangement.

Accounting for joint operations

As a joint operator in a joint operation, the Group recognizes in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its expenses, including its share of any expenses incurred jointly.

3.1.2 Transactions impacting the consolidation scope

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are recorded in accordance with the acquisition method as defined in IFRS 3, revised.

Under this method, identifiable assets acquired and liabilities assumed of the acquiree are recorded at fair value at the acquisition date.

The goodwill arising from the business combination is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest and, where applicable, the fair value of any previously held interest, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

This goodwill is measured in the functional currency of the company acquired and recognized in assets in the Consolidated Statement of Financial Position.

The Group may elect, on an individual transaction basis, at the acquisition date, to measure non-controlling interests either at fair value (full goodwill) or at the share in the fair value of the identifiable net assets of the company acquired (partial goodwill).

Pursuant to IFRS, goodwill is not amortized but is subject to impairment tests performed annually or more frequently where there is evidence calling into question the net carrying amount recorded in assets in the Statement of Financial Position.

Where the terms and conditions of a business combination are advantageous, negative goodwill arises. The corresponding profit is recognized in net income at the acquisition date.

Acquisition-related costs are expensed in the period in which the costs are incurred and the services received.

Pursuant to the provisions of IFRS 3 revised, the Group may finalize the recognition of the business combination during the measurement period. This period ends when all the necessary information has been obtained and no later than one year after the acquisition date.

In the absence of specific IFRS provisions on the creation of joint ventures, the Group applies the acquisition method set-out in IFRS 3 revised, Business combinations, when accounting for acquisitions of joint ventures.

ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE, DISCONTINUED OPERATIONS

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

The standard notably requires the separate presentation of assets held for sale in the Consolidated Statement of Financial Position at the lower of net carrying amount and fair value less costs to sell, where the criteria set-out in the standard are satisfied.

When the Group is committed to a sales process leading to the loss of control of a subsidiary, all assets and liabilities of that subsidiary are reclassified as held for sale where the standard classification criteria are met, irrespective of whether the Group retains a residual interest in the entity after sale.

In addition, the standard requires the separate presentation in the Consolidated Income Statement of the results of discontinued operations for all comparative periods on a retrospective basis.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or major geographical area of operations or;
- is a subsidiary acquired exclusively with a view to resale.

3.2 Changes in Group structure

3.2.1 Principle changes in 2015

DIVESTITURE OF ACTIVITIES IN ISRAEL

On March 30, 2015 Veolia closed the sale of water, waste and energy activities in Israel in connection with the agreement signed on July 9, 2014 with funds managed by Oaktree Capital Management L.P., a leader among global investment managers.

The closing of the transaction was subject to the approval of the Israeli Antitrust Authority and change in control authorizations standard for such transactions.

The transaction resulted in a reduction in the Group's net financial debt of €226 million, of which €29 million was already recorded as of December 31, 2014 due to the classification of the activities in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, in accordance with IFRS 5.

As of December 31, 2015, Veolia recognized a post-tax gain on disposal of €39.1 million.

PURCHASE OF THE EBRD'S STAKE IN VEOLIA CENTRAL & EASTERN EUROPE (FORMERLY VEOLIA VODA)

On April 7, 2015, Veolia Eau - Compagnie Générale Des Eaux purchased the stake held by the European Bank for Reconstruction and Development (EBRD) in Veolia Central & Eastern Europe (formerly Veolia Voda) (i.e. 8.36% of the share capital of Veolia Central & Eastern Europe (formerly Veolia Voda), combining the Group's Water activities in Central and Eastern Europe) for €85.9 million. As a result of this transaction, the Group now wholly owns Veolia Central & Eastern Europe (formerly Veolia Voda).

OTHER TRANSACTIONS

The Group also performed the following acquisitions and divestitures, and notably:

- acquisition of the Altergis group in France on June 26, 2015 , AKG Kunststof Groep in the Netherlands on September 3, 2015 and acquisition of control of Csatorna in Hungary in December 2015 ;
- divestiture of waste activity in Poland, the Singapore cooling network and Changle in China.

3.2.2 Transaction between Veolia Environnement and Dalkia performed in 2014

It is recalled that the transaction contemplated by the agreement signed by Veolia Environnement and EDF on March 25, 2014 in respect of their joint subsidiary, Dalkia, was finalized on July 25, 2014, after authorization by the anti-trust authorities. This resulted in the divestiture of the Group's Dalkia France shares to EDF and the divestiture of EDF's Dalkia International shares to the Group, these two divestitures being part of one transaction.

As part of this agreement, EDF acquired all Dalkia Group's Energy business activities in France, operating under the Dalkia brand, while the international Energy business operations (Dalkia International) were taken over by the Group. The precise terms and conditions of this transaction are set out in Note 4 to the Group consolidated financial statements for the year ended December 31, 2014.

At the end of 2014, residual goodwill was provisionally recognized in the amount of €1,271 million, Group share, primarily in respect of Central European countries. This goodwill is definitive as of December 31, 2015 and unchanged (excluding foreign exchange impacts) on the provisional goodwill recognized as of December 31, 2014.

3.3 Transdev/SNCM

3.3.1 Transdev Group

The Group's 50% stake in Transdev Group is presented in "Investments in joint ventures" (continuing operations) and equity-accounted since December 31, 2013.

This investment totals €435.7 million as of December 31, 2015 and €382.0 million as of December 31, 2014.

The following table presents summarized financial information for Transdev (at 100%) in respect of 2015 and 2014. This information reflects amounts presented in the joint venture's financial statements prepared in accordance with IFRSs, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

Summarized financial information - Transdev	As of December 31, 2015	As of December 31, 2014
Current assets	1,524.9	1,800.0
Non-current assets	2,626.6	2,665.2
TOTAL ASSETS	4,151.5	4,465.2
Equity attributable to owners of the Company	849.6	751.7
Equity attributable to non-controlling interests	75.0	34.0
Current liabilities	1,803.5	1,969.2
Non-current liabilities	1,423.4	1,710.3
TOTAL EQUITY AND LIABILITIES	4,151.5	4,465.2
Income statement		
Revenue	6,634.3	6,636.9
Operating income	103.7	107.2
Net income for the year attributable to owners of the Company	82.1	24.4

As of December 31, 2015, current and non-current loans granted to Transdev Group totaled €345.4 million, compared with €465.3 million as of December 31, 2014.

It is recalled that as the shareholders' loans and liquidity lines expired on December 19, 2014, Transdev Group signed an agreement with Veolia Environnement and Caisse des dépôts et consignations, respectively, organizing:

- (i) their extension for a period of one year; and
- (ii) the partial repayment of the shareholders' loans and their restructuring as a bullet loan (of €345 million per shareholder), the opening of a credit facility (of €200 million per shareholder).

In December 2015, Veolia Environnement and Caisse des dépôts et consignations decided to extend for a further year the terms of the shareholders' loans, the credit facility maturing on March 3, 2017 and the liquidity lines granted to Transdev Group maturing December 22, 2016, with a view to a bank refinancing of these loans and lines during 2016 (see also Note 13).

3.3.2 SNCM

KEY EVENTS OF THE PERIOD

On November 20, 2015, the Marseille commercial court issued a judgment establishing a plan for the sale of SNCM's assets and activities (66% held by Transdev Group) to the Rocca group and declared the subsequent judicial liquidation of SNCM. In early January 2016, the Rocca group started entering into possession of SNCM's assets and activities included within the scope of the sale, in accordance with the deadline set by the court. Mid-February 2016, the Rocca group signed for the acquisition of SNCM ships.

By its decision of December 4, 2015, the Marseille commercial court approved the transactional agreement under which the bodies of the proceeding waive all requests for payment for insufficient assets, proceedings for liability and personal sanctions against Transdev and Veolia, in exchange for Transdev and Veolia's irrevocable withdrawal of their claims declared as SNCM's liabilities, and the payment of damages provided for by the transactions signed on May 28, 2015 and December 3, 2015, these two transactions being conditional on one another.

In parallel, at the end of November 2015, the Corsica Maritima consortium of companies, whose application to take over SNCM was dismissed by the Marseille commercial court, lodged an appeal in third-party proceedings before such court, seeking to cancel the decision of November 20 and to reexamine the proposals. The Marseille commercial court's review of this appeal, initially scheduled for December 17, 2015, was postponed to January 19, 2016, and then to March 8, 2016.

IMPACTS IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

Following the decisions taken in 2015 (implementation of the disposal plan validated by the court, approval of the settlement agreement, etc.), the Group reflected its share in the associated financial consequences of the events of the period through the recognition of Transdev Group in "Investments in joint ventures".

The net impact at Veolia Group level of the exit of SNCM remains nonetheless limited and consistent with the scenario adopted for the recognition of the associated investment in SNCM as of December 31, 2014 and June 30, 2015.

3.4 Assets classified as held for sale, discontinued operations and divestitures

3.4.1 Assets/liabilities classified as held for sale

Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale are presented separately in the Group Consolidated Statement of Financial Position as follows:

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
Assets classified as held for sale	175.8	343.6
Liabilities directly associated with assets classified as held for sale	107.1	135.8

As of December 31, 2015, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale mainly concern certain Energy business industrial assets in the United Kingdom (Chilton) and Italy (Aton).

As of December 31, 2014, Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale mainly concerned:

- the Group's activities in Israel (divested on March 30, 2015);
- Waste solutions activities in Poland (divested on January 30, 2015);
- certain Energy business industrial assets in the United Kingdom (Pollington, divested on March 2, 2015 and Chilton).

In 2015, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, break down by operating segment as follows:

(€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total
Assets						
Non-current assets	-	141.8	-	-	-	141.8
Current assets	-	25.7	-	-	-	25.7
Cash and cash equivalents	-	8.3	-	-	-	8.3
ASSETS CLASSIFIED AS HELD FOR SALE	-	175.8	-	-	-	175.8
Liabilities						
Non-current liabilities	-	7.8	-	-	-	7.8
Current liabilities	-	86.5	-	-	12.8	99.3
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	-	94.3	-	-	12.8	107.1

In 2014, the main asset and liability categories recorded in Assets classified as held for sale and Liabilities directly associated with assets classified as held for sale, broke down by operating segment as follows:

(€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total
Assets						
Non-current assets	-	80.7	2.6	-	171.6	254.9
Current assets	-	10.4	0.4	-	57.0	67.8
Cash and cash equivalents	-	2.5	0.3	-	18.1	20.9
ASSETS CLASSIFIED AS HELD FOR SALE		93.6	3.3		246.7	343.6
Liabilities						
Non-current liabilities	-	13.7	1.1	-	15.1	29.9
Current liabilities	-	9.1	-	-	96.8	105.9
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	-	22.8	1.1	-	111.9	135.8

3.4.2 Discontinued operations

In the Consolidated Income Statement presented for comparative purposes, the net income (loss) of operations divested or in the course of divestiture was reclassified to “Net income (loss) from discontinued operations”. This mainly concerns global urban lighting activities (Citelum) divested in July 2014.

3.5 Off-balance sheet commitments relating to the consolidated scope

3.5.1 Commitments given

Off-balance sheet commitments given break down as follows:

(€ million)	As of December 31, 2014	As of December 31, 2015	Maturity		
			Less than 1 year	1 to 5 years	More than 5 years
Vendor warranties	1,021.6	851.6	124.1	197.6	529.9
Securities purchase commitments	4.2	1.2	1.0	-	0.2
Sale commitments	0.3	0.3	0.3	-	-
Other commitments relating to the consolidated scope	13.1	39.7	20.0	19.2	0.5
TOTAL COMMITMENTS RELATING TO THE CONSOLIDATED SCOPE	1,039.2	892.8	145.4	216.8	530.6

Vendor warranties primarily comprise:

- warranties given on the divestiture of the investment in Berlin Water in the amount of €484.0 million;
- warranties given on the divestiture in 2004 of Water activities in the United States in the amount of €114.8 million;
- warranties given on the divestiture of the Group's activities in Israel in the amount of €47.3 million;
- warranties given on the divestiture of American and European wind energy activities in the amount of €38.8 million ;
- warranties given to EDF in connection with the Dalkia redistribution transaction, estimated at €35.0 million.

Agreements with EDF: Further to the completion of the redistribution transaction on July 25, 2014, Veolia Environnement granted EDF a call option covering its Dalkia International, renamed Veolia Energie International, shares exercisable should an EDF competitor take control of this company. Likewise, EDF granted Veolia Environnement a call option covering all of its Dalkia France shares, exercisable should a Veolia Environnement competitor take control. This call option is not included in the above table.

Agreements with Caisse des dépôts et consignations: Veolia Environnement granted Caisse des dépôts et consignations a call option covering all its Transdev Group shares exercisable in the event of a change in control of Veolia Environnement. This call option is not included in the above table.

3.5.2 Commitments received

Commitments received relating to the consolidated scope total €175.4 million as of December 31, 2015, compared with €162.4 million as of December 31, 2014.

NOTE 4 REPORTING BY OPERATING SEGMENT

The operating segments are components of the Group that engage in activities and whose operating results are reviewed by the Group Chairman and Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance. Information presented to the Chief Operating Decision Maker is taken from the Group internal reporting system.

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements.

In accordance with the provisions of IFRS 8 on the identification of operating segments and after taking account of regrouping criteria, the following segments are presented:

- **France;**
- **Europe excluding France,** including Dalkia International subsidiaries since July 25, 2014;
- **Rest of the World,** including Dalkia International subsidiaries since July 25, 2014;
- **Global Businesses;**
- **Other,** including the various Group holding companies. In 2014, this segment included the contribution of Dalkia France, up to July 25, 2014.

The main financial aggregates, in Group share, are also presented for the Chinese Water concessions.

Information concerning “Non-Current Assets Held for Sale and Discontinued Operations” is presented in Note 3.4.

As disclosed in Note 1.2, the Group decided to introduce new financial indicators starting fiscal year 2015:

- Turnover, renamed Revenue;
- EBITDA.

EBITDA, which replaces the former “Adjusted operating cash flow” indicator, comprises the sum of all operating income and expenses received and paid (excluding restructuring costs, renewal expenses and share acquisition and disposal costs) and principal payments on operating financial assets.

The new EBITDA indicator reconciles with the former indicator, operating cash flow before changes in working capital, for fiscal years 2015 and 2014 as follows:

(€ million)		2015
Operating cash flow before changes in working capital	(A)	2,390.3
o/w Operating cash flow from financing activities	(B)	0.6
o/w Adjusted operating cash flow	(C)= (A)-(B)	2,389.7
Less:	(D)	
Renewal expenses	Note 5.2	278.4
Restructuring costs	Note 5.2	150.1*
Share acquisition and disposal costs		5.9
Plus:	(E)	
Principal payments on operating financial assets	Note 5.4	173.1
EBITDA	(C)+(D)+(E)	2,997.2

* 2015 restructuring costs were primarily recognized in France Water in the amount of €92.7 million.

(€ million)		2014 re-presented
Operating cash flow before changes in working capital	(A)	2,204.4
o/w Operating cash flow from financing activities	(B)	48.2
o/w Adjusted operating cash flow	(C)= (A)-(B)	2,156.2
Less:	(D)	
Renewal expenses	Note 5.2	318.7
Restructuring costs	Note 5.2	78.5*
Share acquisition and disposal costs		7.6
Plus:	(E)	
Principal payments on operating financial assets	Note 5.4	131.2
EBITDA	(C)+(D)+(E)	2,692.2

* In 2014, restructuring costs concerned the head office voluntary redundancy plan in the amount of €23.5 million and the French Water voluntary redundancy plan in the amount of €41.1 million.

The main financial indicators by operating segment are as follows:

							Joint ventures Data in Group share
2015 (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Chinese Water concessions
Revenue	5,471.5	8,574.7	5,926.1	4,881.0	111.5	24,964.8	729.8
EBITDA	816.4	1,104.1	805.0	225.8	45.9	2,997.2	152.4
Net charges to operating provisions ⁽¹⁾	100.3	(52.0)	28.0	(12.8)	(20.3)	43.2	(0.9)
Net depreciation and amortization	(353.1)	(513.7)	(347.2)	(130.0)	(36.7)	(1,380.7)	(70.7)
Share of net income (loss) of equity-accounted entities	0.5	20.0	63.5	14.5	0.2	98.7	0.4
Operating income after share of net income (loss) of equity-accounted entities	164.0	472.7	452.9	63.6	(30.3)	1,122.9	66.7
Industrial investments net of subsidies	(303.6)	(554.8)	(351.9)	(115.7)	(21.3)	(1,347.3)	(104.9)

(1) Including impairment losses on intangible assets, property, plant and equipment and operating financial assets.

2014 re-presented (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Chinese Water concessions
Revenue	5,556.7	6,623.3	5,131.1	4,830.8	1,737.7	23,879.6	610.1
EBITDA	843.0	734.2	686.0	229.0	200.0	2,692.2	111.1
Net charges to operating provisions ⁽¹⁾	61.9	(103.4)	(66.5)	(27.5)	(27.0)	(162.5)	(8.0)
Net depreciation and amortization	(375.8)	(422.2)	(303.8)	(130.4)	(49.2)	(1,281.4)	(57.3)
Share of net income (loss) of equity-accounted entities	(2.7)	17.9	31.0	11.9	35.0	93.1	0.3
Operating income after share of net income (loss) of equity- accounted entities	235.4	(130.3)	269.2	82.0	58.0	514.3	35.1
Industrial investments net of subsidiaries	(283.6)	(518.7)	(347.5)	(130.6)	(94.1)	(1,374.5)	(50.8)

(1) Including impairment losses on intangible assets, property, plant and equipment and operating financial assets.

Assets and liabilities break down by operating segment as follows:

2015 Assets by operating segment (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Chinese Water concessions
Goodwill, net	1,183.9	2,235.8	703.6	487.8	8.5	4,619.6	267.9
Intangible assets and Property, plant and equipment, net	1,880.5	4,761.3	3,100.6	656.7	135.6	10,534.7	2,063.8
Operating financial assets	98.0	1,042.9	705.8	49.8	-	1,896.5	11.7
Working capital assets, including DTA	2,790.1	2,663.2	2,318.6	2,619.0	318.5	10,709.4	261.1
Investments in joint ventures	10.8	10.2	1,677.8	20.6	436.4	2,155.8	-
Investments in associates	7.1	265.1	104.1	78.8	6.7	461.8	3.9
Total segment assets	5,970.4	10,978.5	8,610.5	3,912.7	905.7	30,377.8	2,608.4
Other unallocated assets					5,510.8	5,510.8	(819.7)
TOTAL ASSETS						35,888.6	1,788.7

Joint
ventures
Data in Group
share

2014 re-presented Assets by operating segment (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Chinese Water concessions
Goodwill, net	1,161.2	2,174.5	696.2	458.9	8.6	4,499.4	259.0
Intangible assets and Property, plant and equipment, net	1,934.4	4,637.6	2,960.0	687.0	159.1	10,378.1	1,946.3
Operating financial assets	129.5	1,109.6	723.4	47.2	-	2,009.7	13.7
Working capital assets, including DTA	2,736.0	2,767.9	2,079.7	2,574.4	359.6	10,517.6	235.2
Investments in joint ventures	13.0	17.9	1,614.3	15.3	382.7	2,043.2	-
Investments in associates	12.9	225.5	120.9	89.0	6.6	454.9	3.6
Total segment assets	5,987.0	10,933.0	8,194.5	3,871.8	916.6	29,902.9	2,457.8
Other unallocated assets					4,821.6	4,821.6	(887.3)
TOTAL ASSETS						34,724.5	1,570.5

Joint
ventures
Data in Group
share

2015 Liabilities by operating segment (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Chinese Water concessions
Provisions for contingencies and losses	616.4	686.0	525.9	407.1	311.8	2,547.2	26.2
Working capital liabilities, including DTL	3,500.7	2,616.2	2,206.7	2,421.2	442.9	11,187.7	716.3
Total segment liabilities	4,117.1	3,302.2	2,732.6	2,828.3	754.7	13,734.9	742.5
Other unallocated liabilities					22,153.7	22,153.7	1,046.2
TOTAL LIABILITIES						35,888.6	1,788.7

Joint
ventures
Data in Group
share

2014 re-presented Assets by operating segment (€ million)	France	Europe excluding France	Rest of the World	Global Businesses	Other	Total consolidated financial statements	Chinese Water concessions
Provisions for contingencies and losses	693.4	634.8	504.1	397.6	281.8	2,511.7	24.2
Working capital liabilities, including DTL	3,340.6	2,630.1	2,034.8	2,329.2	477.9	10,812.6	628.7
Total segment liabilities	4,034.0	3,264.9	2,538.9	2,726.8	759.7	13,324.3	652.9
Other unallocated liabilities					21,400.2	21,400.2	917.6
TOTAL LIABILITIES						34,724.5	1,570.5

NOTE 5 OPERATING ACTIVITIES

Environmental management services provided by Veolia include drinking water treatment and distribution services, waste water and sanitation services, and waste management and Energy business. They also encompass the design, construction and, where applicable, funding of necessary facilities to supply such services which are provided to industrial and service sector companies, public authorities and private individuals.

The range of business models used by the Group results in a variety of contractual forms specific to each business and adapted to local jurisdictions constraints and the nature and needs of customers (public or private).

The Group primarily conducts its activities under concession, construction (non-concession), lease and operation and maintenance contracts.

Concession arrangements (IFRIC 12)

In the conduct of activities, Veolia provides collective general interest services (distribution of drinking water and heating, household waste collection and/or treatment, etc.). These services are generally managed by Veolia under contracts entered into at the request of public sector bodies, which retain control over these collective services.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated facilities built by Veolia, or made available to it for or without consideration:

- These contracts define "public service obligations" in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term;
- Veolia can, in certain cases, be responsible for a given service as it holds the service support network (water/heat distribution network, wastewater treatment network). Such situations are the result of full or partial privatizations. Provisions impose public service obligations and the means by which the local authority may recover control of the concession holder.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts.

The nature and extent of the Group's rights and obligations under these different contracts differ according to the public services rendered by the different Group businesses: Water, Waste solutions and Energy business.

WATER

Veolia manages municipal drinking water and/or waste water services, which are described in Chapter 1 Section 1.3 of the Registration Document.

In France, these services are primarily rendered under public service delegation "affermage" contracts with a term of 8 to 20 years. They can use specific assets, such as distribution or wastewater treatment networks and drinking water or wastewater treatment plants, which are generally provided by the concession grantor and returned to it at the end of the contract.

Abroad, Veolia renders its services under contracts which reflect local legislation, the economic situation of the country and the investment needs of each partner. These contracts generally have a term of between 7 and 40 years. Contracts can also be entered into with public entities in which Veolia purchased an interest on their partial privatization. The profitability of these contracts is not fundamentally different from other contracts, but operations are based on a partnership agreement with the local authority.

WASTE SOLUTIONS

Both in France and abroad, the main concession arrangements entered into by Veolia concern the treatment and recovery of waste in sorting units, landfills and incineration. These contracts have an average term of 10 to 30 years.

ENERGY BUSINESS

Veolia has developed a range of energy management activities: heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, and integration services for the comprehensive management of buildings.

The main contracts concern the management of heating and air-conditioning networks under urban concessions or on behalf of local authorities.

In Eastern Europe, Veolia provides services under mixed partial privatizations or through public-private partnerships with local authorities responsible for the production and distribution of thermal energy.

The characteristics of these contracts vary significantly depending on the country and activities concerned.

“Financial asset model”

The Group applies the financial asset model for the accounting recognition of these concession arrangements, when the concession grantor contractually guarantees the payment of amounts specified or determined in the contract or the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Financial assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets" and recognized at amortized cost.

Unless otherwise indicated in the contract, the effective interest rate is equal to the weighted average cost of capital of the entities carrying the assets concerned.

Cash flows relating to these operating financial assets are included in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement.

Pursuant to IAS 39, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR.

Revenue associated with this financial model includes:

- revenue recorded on a completion basis, in the case of construction operating financial assets (in accordance with IAS 11);
- the remuneration of the operating financial asset recorded in Revenue from operating financial assets (excluding principal payments);
- service remuneration.

“Intangible asset model”

The intangible asset model applies where the Group is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the recoverable amount. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service in remuneration of concession services provided by the operator under the concession arrangement.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Concession intangible assets" and are amortized, generally on a straight-line basis, over the contract term.

Cash outflows, that is disbursements, relating to the construction of infrastructures under concession arrangements accounted using the “intangible asset model” are presented in Net cash from (used in) investing activities in the Consolidated Cash Flow Statement, while cash inflows are presented in Net cash from operating activities.

Under the intangible asset model, Revenue includes:

- revenue recorded on a completion basis for assets and infrastructure under construction (in accordance with IAS 11);
- service remuneration.

“Mixed or bifurcation model”

The choice of the financial asset or intangible asset model depends on the existence of payment guarantees granted by the concession grantor.

However, certain contracts may include a payment commitment on the part of the concession grantor covering only part of the investment, with the remaining balance covered by the remuneration from services charged to users.

Where this is the case, the investment amount guaranteed by the concession grantor is recognized under the financial asset model and the residual balance is recognized under the intangible asset model.

Regulated activities

Veolia provides drinking water and heating production and distribution services in certain legal jurisdictions where the public authorities have performed privatizations. Accordingly, Veolia owns the production and/or distribution of assets but remains subject to pricing regulations imposed by public authorities.

This is particularly the case in Eastern Europe where Veolia exercises this activity under mixed partial privatizations or public service management agreements between local subsidiaries and the public authorities in charge of the production and distribution of thermal energy.

Revenue from these activities is recognized in accordance with IAS 18.

Construction contracts (IAS 11)

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets (complex sections of installations, equipment) that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose.

This type of contract is often used for design and builds contracts for infrastructure necessary for water treatment/distribution and wastewater treatment activities.

Veolia recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts as defined by IAS 11. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably.

A breakdown of the recognition of construction contracts is presented in Note 5.5.

Service contracts including an asset lease (IFRIC 4)

These contracts generally concern outsourcing services performed for industrial/private customers either under, BOT (Build, Operate and Transfer) contracts, or incineration or cogeneration contracts under which, notably, demand or volume risk is, in substance, transferred to the prime contractor.

Services include the design, construction and financing of the construction of a specific asset/installation on behalf of the customer and the operation of the asset concerned.

These contracts are recognized in accordance with the principles set out in IFRIC 4.

Accordingly, construction revenue is recognized in accordance with the percentage of completion method and, more generally, the principles set out in IAS 11.

The service invoiced to the customer includes a component representing the operation of the specific asset/installation concerned and a second component representing the financing of the construction.

- Revenue relating to the operation of the asset is recognized on delivery of the goods or performance of the service, in accordance with IAS 18.
- The financing of construction work involves finance costs that are invoiced to the customer and recognized in Revenue, under the heading “Revenue from operating financial assets”. This interest is recognized in Revenue from the start of construction work and represents remuneration received by the builder/lender.

Operation and maintenance contracts

The services rendered by Veolia do not systematically require the construction or acquisition of new infrastructure and can be provided through a variety of contractual forms tailored to the objectives and choices of customers. These services may particularly take the form of contracts for the operation and/or maintenance of installations already owned by the customer or service contracts aimed at improving the performance of these installations.

Accordingly, Veolia operates waste-to-energy plants, water production and/or distribution installations and heating networks under this type of contract recognized in accordance with IAS 18.

5.1 Revenue

Revenue represents sales of goods and services measured at the fair value of the consideration received or receivable.

Revenue from the sales of goods or services is recognized when the requisite conditions set out in IAS 18 are satisfied.

Sales of services

The provision of services represents the majority of Group activities such as the processing of waste, water distribution and related services, network operation and Energy business (heat distribution and thermal services).

Revenue from these activities is recognized when the service is rendered and it is probable that the economic benefits will flow to Group entities.

These activities involve the performance of a service agreed contractually (nature, price) with a public sector or industrial customer, within a set period. Billing is therefore based on the waste tonnage processed/incinerated, the volume of water distributed or the thermal power delivered, multiplied by the contractually agreed price.

It should be noted that fees and taxes collected on behalf of local authorities are excluded from Revenue when the Group does not bear the risk of payment default by third parties.

Construction

Construction contracts mainly concern the design and construction of the infrastructures necessary for water treatment and distribution and wastewater treatment activities.

The related revenue is recognized in accordance with IAS 11, "Construction Contracts". To a lesser extent, the majority of Group concession agreements also include a construction phase (see above).

Sales of goods

Sales of goods mainly concern the sale of technological procedures and solutions relating to the treatment of water (drinking water and wastewater treatment) in Veolia Water Technologies (VWT) and sales of products related to recycling activities in Waste solutions.

Revenue relating to these sales is recognized on physical delivery of the goods, which represents the transfer of the inherent risks of ownership of these goods.

As for other Income Statement headings, Revenue does not include amounts relating to discontinued operations in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations". The results of these activities are presented in a separate line, "Net income (loss) from discontinued operations", for fiscal year 2015 and fiscal year 2014 presented for comparison purposes (see Note 3.4).

Revenue breaks down as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Sales of services	19,498.9	18,183.9
Construction	3,579.9	3,770.6
Sales of goods	1,722.6	1,756.1
Revenue from operating financial assets	163.4	169.0
REVENUE	24,964.8	23,879.6

Sales of services are primarily generated in Europe excluding France (€7,593.6 million), France (€4,614.5 million) and the Rest of the World (€5,604.3 million).

The increase in sales of services in 2015 is mainly due to the consequences of the Dalkia transaction performed by the Group in July 2014 (+€654.3 million) and foreign exchange translation gains and losses (+€589.3 million).

Sales of goods are primarily generated in France (€546.5 million), Germany (€425.1 million) and the United Kingdom (€240.2 million) and by the Global Businesses (€382.8 million).

A breakdown of revenue by operating segment is presented in Note 4.

5.2 Operating income

Operating income is calculated as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Revenue	24,964.8	23,879.6
Cost of sales	(20,789.7)	(19,918.7)
o/w:		
▪ Renewal expenses	(278.4)	(318.7)
Selling costs	(579.3)	(517.1)
General and administrative expenses	(2,389.9)	(2,434.4)
Other operating revenue and expenses	(181.7)	(588.2)
o/w:		
▪ Impairment losses on goodwill of fully-consolidated companies	0.7	(299.1)
▪ Impairment losses on equity-accounted companies	(18.9)	(1.4)
▪ Restructuring costs	(80.8)	(29.4)
▪ Employee costs – share-based payments	(10.7)	(1.2)
▪ Net impairment losses on intangible assets, property, plant and equipment and operating financial assets	(68.0)	(257.1)
▪ Share acquisition costs	(4.0)	-
Operating income before share of net income (loss) of equity-accounted entities	1,024.2	421.2
Share of net income (loss) of equity-accounted entities	98.7	93.1
Operating income after share of net income (loss) of equity-accounted entities	1,122.9	514.3

5.2.1 Breakdown of provisions and impairment losses on non-current assets

The carrying amount of non-financial assets, other than inventory and deferred tax assets is reviewed at each period end in order to assess the existence of any indication of loss in value. Where such indication exists, the recoverable amount of the asset or group of assets is estimated.

Goodwill and other assets with an indefinite useful life are subject to systematic annual impairment tests following the update of the long-term plan and more frequent tests where there is an indication of loss in value.

Where the resulting recoverable amount is less than the net carrying amount of the asset or group of assets, an impairment is recorded.

Impairment losses on non-current assets can be reversed, with the exception of those relating to goodwill.

The main impairment losses on non-current assets recognized as of December 31, 2015 break down as follows:

- impairment losses of -€18.2 million recognized on goodwill of joint ventures (-€12.5 million) and associates (-€6.4 million);
- impairment losses on intangible assets and property, plant and equipment of -€68.0 million, recognized particularly in the following operating segments:
 - Europe excluding France in the amount of -€46.0 million, including impairment losses of -€39.0 million on an industrial client's assets,
 - Global Businesses in the amount of -€20.6 million.

Impairment losses on non-current assets recognized as of December 31, 2014 mainly comprised:

- impairment losses on goodwill of fully consolidated companies of -€299.1 million, broken down in Note 7.1.2;
- impairment losses on goodwill of joint ventures of -€1.4 million;
- impairment losses on intangible assets and property, plant and equipment of -€257.1 million, recognized particularly in the following operating segments:
 - the Europe excluding France operating segment in the amount of -€129.2 million, including asset impairment of -€108.4 million primarily in Central Europe,
 - the Rest of the World operating segment in the amount of -€60.3 million, including asset impairment of -€47.9 million in China,

- the Global Businesses operating segment in the amount of -€37.7 million. This amount also took into consideration the estimate at that date of financial risks regarding an industrial multi-service contract (Artelia in Portugal) leading to the impairment of the financial receivable,
- the Other operating segment in the amount of -€21.3 million.

More generally, operating depreciation, amortization, provisions and impairment losses included in operating income in 2015 break down as follows:

(€ million)	Year ended December 31, 2015			Year ended December 31, 2014 re-presented	
	Charge	Reversal	Net	Net	
OPERATING DEPRECIATION, AMORTIZATION AND PROVISIONS, NET					
Depreciation and amortization	(1,381.6)	0.9	(1,380.7)		(1,281.4)
Property, plant and equipment *	(892.9)	0.9	(892.0)		(795.7)
Intangible assets	(488.7)	-	(488.7)		(485.7)
Impairment losses	(95.6)	27.6	(68.0)		(257.1)
Property, plant and equipment **	(60.3)	20.6	(39.7)		(146.2)
Intangible assets and Operating financial assets **	(35.3)	7.0	(28.3)		(110.9)
Impairment losses and impact of disposals on goodwill and negative goodwill recognized in the consolidated income statement	(18.2)	-	(18.2)		(300.5)
Non-current and current operating provisions *	(548.3)	659.5	111.2		94.7
Non-current operating provisions	(386.6)	320.6	(66.0)		(49.1)
Current operating provisions	(161.7)	338.9	177.2		143.8
OPERATING DEPRECIATION, AMORTIZATION, PROVISIONS AND IMPAIRMENT LOSSES	(2,043.7)	688.0	(1,355.7)		(1,744.3)

* Including investment grants.

** Charge net of reversals to operating provisions (see Note 4).

5.2.2 Restructuring costs

A restructuring is a program planned and controlled by Group management that significantly changes the scope of activity of the Group or the way in which this activity is managed. Accordingly, the following events can meet the definition of a restructuring: the sale or discontinuation of an activity branch, the closure of activity sites in a country or a region or the relocation of activities from one country to another or from one region to another; changes to the management structure such as the suppression of a management level; and fundamental reorganizations with a significant impact on the nature and focus of an activity.

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Restructuring costs	(150.1)	(78.5)
Net charges to restructuring provisions	69.3	49.1
RESTRUCTURING COSTS	(80.8)	(29.4)

Restructuring costs recognized in operating income in 2015 mainly concern France Water in the amount of -€41.5 million, VWT in the amount of -€13.9 million and Energy business in Italy in the amount of -€5.0 million.

Restructuring costs recognized in operating income in 2014 mainly concern employee reorganization and adjustment measures at the Global headquarters through a voluntary redundancy plan in the amount of -€23.5 million.

5.2.3 Research and development costs

Research and developments costs total €70.7 million in 2015 and €78.1 million in 2014.

5.2.4 Joint ventures and associates

All equity-accounted companies, whether joint ventures or associates, with the exception of Transdev Group, represent an extension of the Group's businesses and are therefore allocated to the four operating segments.

The Group's investment in Transdev Group does not represent an extension of the Group's businesses within the meaning of the recommendation issued by the French Accounting Standards Authority (*Autorité des Normes Comptables*, ANC) on April 4, 2013, as the Group's continued aim is to withdraw from the transportation business, although the timetable for this withdrawal is dependent on developments with the SNCM situation.

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Share of net income (loss) of joint ventures	73.1	76.1
Share of net income (loss) of associates	25.6	17.0
Share of net income (loss) of equity-accounted entities	98.7	93.1

5.2.4.1 JOINT VENTURES, EXCLUDING TRANSDEV GROUP

The joint ventures described below represent all joint ventures other than Transdev Group, disclosed in Note 3.3.1.

The increase in investments in joint ventures, excluding Transdev Group, in 2015 breaks down as follows:

(€ million)	As of December 31, 2014 re-presented	Net income	Dividend distribution	Change in consolidation scope	Foreign exchange translation	Other movements	As of December 31, 2015
Joint ventures excluding Transdev Group	1,661.2	60.6	(61.6)	(45.4) *	106.3	(1.0)	1,720.1

* Including -€44.2 million in respect of the divestiture of Chang'e in China

(€ million)	Share of equity		Share of net income (loss)	
	As of December 31, 2015	As of December 31, 2014 re-presented	2015	2014 re-presented
Chinese Water concessions	1,548.5 *	1,494.0	23.3	(0.1)
Other joint ventures	171.6	167.2	37.3	74.8
TOTAL	1,720.1	1,661.2	60.6	74.7
Impact in the Consolidated Income Statement on Net income from continuing operations (a)+(b)			60.6	74.7
Share of net income (loss) of joint ventures (a)			73.1	76.1
<i>Impairment losses recognized in other operating revenue and expenses (b)</i>			(12.5) *	(1.4)

* The valuation of the Lanzhou Chinese concession led to the recognition of an impairment loss on goodwill of €12.5 million in 2015.

It is recalled that the agreement between EDF and Veolia Environnement was completed on July 25, 2014. Accordingly, Dalkia International, previously equity-accounted in the Group consolidated financial statements, is fully consolidated from that date.

Chinese Water concessions

As of December 31, 2015, the Chinese Water concessions comprise a combination of approximately twenty separate legal entities in which the Group holds interests of between 21% and 50%; the most significant concessions, in terms of revenue, are Shenzhen (25% interest) and Shanghai (50% interest).

Summarized financial information (at 100%) in respect of the Chinese Water concessions is set out below. This information reflects amounts presented in the joint ventures' financial statements prepared in accordance with IFRS, adjusted to reflect fair value adjustments performed on acquisition and adjustments recorded to comply with Group accounting principles, when applying the equity method.

<i>Summarized financial information (at 100%) – Chinese Water Concessions</i>	As of December 31, 2015	As of December 31, 2014
Current assets	1,373.1	1,241.6
Non-current assets	5,648.5	5,220.3
TOTAL ASSETS	7,021.6	6,461.9
Equity attributable to owners of the Company	3,425.0	3,232.0
Equity attributable to non-controlling interests	336.5	308.0
Current liabilities	2,046.7	1,887.9
Non-current liabilities	1,213.4	1,034.0
TOTAL EQUITY AND LIABILITIES	7,021.6	6,461.9
The above amounts of assets and liabilities include the following :		
Cash and cash equivalents	669.6	586.1
Current financial liabilities (excluding trade and other payables and provisions)	679.7	709.6
Non-current financial liabilities (excluding trade and other payables and provisions)	647.7	494.9
Income statement		
Revenue	2,011.0	1,636.3
Operating income	224.9	123.5
Net income (loss) from continuing operations	96.8	39.5
Post-tax net income (loss) from discontinued operations	-	-
Net income (loss) attributable to non-controlling interests	(19.6)	(12.3)
Net income (loss) attributable to owners of the Company at the Chinese Water concessions level	77.2	27.2
Net income (loss) for the year	96.8	39.5
Other comprehensive income for the year	262.4	389.2
Total comprehensive income for the year	359.2	428.7
The above net income (loss) for the year includes the following :		
Depreciation and amortization	(206.8)	(160.8)
Interest income	10.2	4.8
Interest expense	(67.1)	(56.4)
Income tax (expense) income	(49.1)	(38.9)
Dividends		
Dividends received from the joint venture	20.7	10.6

Reconciliation of the above summarized financial information on the Chinese Water concessions to the carrying amount of the interest in these joint ventures recognized in the consolidated financial statements:

<i>In € million</i>	As of December 31, 2015	As of December 31, 2014
Net assets of the Chinese Water concession joint ventures	3,425.1	3,232.0
Proportion of the Group's ownership interest in the Chinese Water concession joint ventures – weighted average rate	30.24%	30.24%
Goodwill	263.3	263.1
Other adjustments	249.5	253.5
Carrying amount of the Group's interest in the Chinese Water concession joint ventures	1,548.5	1,494.0

As the Chinese Water concessions represent approximately twenty individual concessions, the percentage interest indicated in the above reconciliation is a weighted-average rate of the contribution of each concession within the combination.

Accordingly, the “Other adjustments” line in the reconciliation of the summarized financial information on the Chinese Water concessions as a whole, to their carrying amount in the Consolidated Statement of Financial Position, represents the adjustment between the share in net assets obtained by applying the weighted average percentage interest for all Chinese Water concessions and the share in net assets recognized in the financial statements, calculated using the effective interest held in each of the Chinese Water concessions individually.

<i>In € million</i>	As of December 31, 2015	As of December 31, 2014
Net income (loss) for the year of the Chinese Water concession joint ventures	77.2	27.2
Proportion of the Group's ownership interest in the Chinese Water concession joint ventures – weighted average rate	30.24%	30.24%
Other	-	(8.3)
Group share of net income (loss) of the Chinese Water concession joint ventures	23.3	(0.1)

The recoverable amount of each Chinese Water concession joint venture is tested for impairment in accordance with the provisions set out in the standard. Given the models used and the timeframe adopted, the recoverable amounts determined are based on a certain number of structuring assumptions such as price increases, volume trends, construction activity levels and margins and efficiency and productivity measures integrated in future cash flows. Exceptionally, the long-term plans of the Chinese Water Concessions were extended to 2025, in order to identify standard flows for the calculation of the terminal value, as Water solution activities in China follow a specific economic model, with extremely long contract terms (between thirty and fifty years) and high investment flows during the initial contract years.

Other joint ventures, excluding Transdev Group

The Group also holds interests in other joint ventures that are not individually material, with a total net carrying amount of €171.6 million as of December 31, 2015.

Unrecognized share of losses of joint ventures

As all joint ventures are partnerships in which the Group exercises joint control, the share of any losses is recognized in full at the year-end.

Transactions with joint ventures (related parties)

The Group grants loans to joint ventures. These loans are recorded in assets in the Group Consolidated Statement of Financial Position (see Note 8.1.2, “Other non-current and current financial assets”).

As of December 31, 2015 and 2014, current and non-current loans granted to all these entities, excluding Transdev Group, totaled €164.5 million and €139.7 million, respectively. The loans were mainly granted to the Chinese Water concessions in the amount of €116.0 million and €90.4 million, respectively.

In addition, given the Group's activities, operating flows between companies are generally limited to companies operating in the same country. As such, the level of operating transactions between the Group and equity-accounted companies is not material.

However, certain contractual agreements in the Group's businesses, impose the existence of a holding company (generally equity-accounted) and companies carrying the operating contract (generally fully consolidated). These complex legal arrangements generate “asset supply” flows between the companies generally jointly controlled or subject to significant influence and the companies controlled by the Group. Assets are generally supplied for a specific remuneration that may or may not include the maintenance of the installations in good working order or the technical improvement of the installations.

5.2.4.2 INVESTMENTS IN ASSOCIATES

The increase in investments in associates in 2015 breaks down as follows:

(€ million)	As of December 31, 2014 re-presented	Net income	Dividend distribution	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2015
Investments in associates	454.9	19.2	(24.9)	(0.5)	15.3	(2.2)	461.8

(€ million)	Share of equity		Share of net income (loss)	
	As of December 31, 2015	As of December 31, 2014 re-presented	2015	2014 re-presented
Fovarosi Csatomazasi Muvek	83.4 ***	41.2	0.7	(0.4)
Siciliacque	54.8	50.7	3.7	4.3
AFF W A Ltd *	47.9	44.4	5.0	3.4
Other non-material associates	275.7	318.6	9.8	9.7
TOTAL	461.8	454.9	19.2	17.0

Impacts on the Consolidated Income Statement

Share of net income (loss) of equity-accounted entities in continuing operations	25.6	17.0
Impairment losses recognized in other operating revenue and expenses	(6.4) **	-
Share of net income (loss) of equity-accounted entities in discontinued operations	-	-

* Formerly Rift Acquisition Holding Co.

** Impairment of goodwill in respect of other associates.

*** Including a change in consolidation scope of €41.7 million in connection with the buyout by the Group of the partner's stake in Csatorna at the end of 2015.

5.3 Working capital

Net working capital includes “operating” working capital (inventories, trade receivables, trade payables and other operating receivables and payables, tax receivables and payables other than current tax), “tax” working capital (current tax receivables and payables) and “investment” working capital (receivables and payables in respect of industrial investments/disposals).

In accordance with IAS 2, “Inventories”, inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Commercial receivables and payables are recognized at nominal value, unless discounting at the market rate has a material impact.

Trade payables are recognized as liabilities at amortized cost in accordance with IAS 39 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which substantially all the risks and rewards inherent to ownership of the financial asset are transferred. Any interest created or retained by the Group in a financial asset is recognized separately as an asset or liability.

Movements in net working capital during 2015 are as follows:

(€ million)	As of December 31, 2014 re- presented	Changes in business	Impairment losses	Change In consolidation scope	Foreign exchange translation	Other	As of December 31, 2015
Inventories and work-in-progress, net	729.9	25.6	(8.7)	8.3	9.2	(6.6)	757.7
Operating receivables, net	8,650.4	73.4	(91.6)	83.9	85.4	(4.3)	8,797.2
Operating payables	(9,677.3)	(180.4)	-	(114.4)	(124.6)	26.1	(10,070.6)
NET WORKING CAPITAL	(297.0)	(81.4)	(100.3)	(22.2)	(30.0)	15.2	(515.7)

Net impairment losses were mainly recognized in the France operating segment in the amount of -€36.4 million, in the Europe excluding France operating segment in the amount of -€11.3 million and in the Rest of the World operating segment in the amount of -€37.4 million.

Movements in each of these working capital categories in 2015 are as follows:

(€ million)	As of December 31, 2014 re- presented	Changes in business	Impairment losses	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets /liabilities classified as held for sale	Other	As of December 31, 2015
Inventories and work-in-progress, net	729.9	25.6	(8.7)	8.3	9.2	(1.3)	(5.3)	757.7
Operating receivables (including tax receivables other than current tax)	8,527.6	99.3	(91.6)	82.0	85.1	(36.0)	5.3	8,671.7
Operating payables (including tax payables other than current tax)	(9,291.9)	(227.9)	-	(114.0)	(114.0)	30.0	1.1	(9,716.7)
OPERATING WORKING CAPITAL ⁽¹⁾	(34.4)	(103.0)	(100.3)	(23.7)	(19.7)	(7.3)	1.1	(287.3)
Tax receivables (current tax)	117.1	(23.1)	-	1.6	0.3	(0.1)	26.8	122.6
Tax payables (current tax)	(112.4)	3.7	-	(0.4)	(3.7)	0.1	(22.0)	(134.7)
TAX WORKING CAPITAL	4.7	(19.4)	-	1.2	(3.4)	-	4.8	(12.1)
Receivables on non-current asset disposals	5.7	(2.8)	-	0.3	-	-	(0.3)	2.9
Industrial investment payables	(273.0)	43.8	-	-	(6.9)	1.7	15.2	(219.2)
INVESTMENT WORKING CAPITAL	(267.3)	41.0	-	0.3	(6.9)	1.7	14.9	(216.3)
NET WORKING CAPITAL	(297.0)	(81.4)	(100.3)	(22.2)	(30.0)	(5.6)	20.8	(515.7)

(1) The change in working capital presented in the Consolidated Cash Flow Statement is equal to the sum of operating working capital changes in business activity and impairment losses on operating working capital presented above.

Movements in inventories during 2015 are as follows:

Inventories (€ million)	As of December 31, 2014	Changes in business	Impairment losses	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2015
Raw materials and supplies	512.3	24.1	-	-	10.6	8.8	(0.9)	(2.9)	552.0
Work-in-progress	165.8	(15.3)	-	-	(2.3)	0.8	1.7	1.2	151.9
Other inventories ⁽¹⁾	96.3	16.8	-	-	-	0.2	(0.3)	(2.7)	110.3
INVENTORIES AND WORK- IN-PROGRESS, GROSS	774.4	25.6	-	-	8.3	9.8	0.5	(4.4)	814.2
IMPAIRMENT LOSSES ON INVENTORIES AND WORK- IN-PROGRESS	(44.5)	-	(29.2)	20.5	-	(0.6)	(1.8)	(0.9)	(56.5)
INVENTORIES AND WORK- IN-PROGRESS, NET	729.9	25.6	(29.2)	20.5	8.3	9.2	(1.3)	(5.3)	757.7

(1) Including CO₂ inventories.

Inventories mainly concern the Europe excluding France operating segment in the amount of €370.9 million, the Global Businesses operating segment in the amount of €138.7 million and the Rest of the World operating segment in the amount of €139.0 million.

Movements in operating receivables during 2015 are as follows:

Operating receivables (€ million)	As of December 31, 2014 re- presented	Changes in business	Impairment losses ⁽¹⁾	Reversal of impairment losses ⁽¹⁾	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2015
Trade receivables	7,314.6	(122.8)	-	-	68.7	67.8	(24.3)	(13.9)	7,290.1
Impairment losses on trade receivables	(731.5)	-	(213.9)	132.6	0.4	(0.1)	0.6	9.7	(802.2)
TRADE RECEIVABLES, NET ⁽²⁾	6,583.1	(122.8)	(213.9)	132.6	69.1	67.7	(23.7)	(4.2)	6,487.9
Other current operating receivables	487.2	99.3	-	-	2.0	9.3	(2.1)	15.9	611.6
Impairment losses on other current operating receivables	(56.1)	-	(18.0)	7.8	0.3	(1.0)	0.3	(7.1)	(73.8)
OTHER OPERATING RECEIVABLES, NET	431.1	99.3	(18.0)	7.8	2.3	8.3	(1.8)	8.8	537.8
Other receivables ⁽²⁾	635.8	99.2	(0.3)	0.2	(0.1)	13.3	(1.5)	2.7	749.3
Tax receivables	1,000.4	(2.3)	-	-	12.6	(3.9)	(9.1)	24.5	1,022.2
OPERATING RECEIVABLES, NET	8,650.4	73.4	(232.2)	140.6	83.9	85.4	(36.1)	31.8	8,797.2

(1) Impairment losses are recorded in operating income and included in the line "Changes in working capital" in the Consolidated Cash Flow Statement.

(2) Receivables recognized on a percentage of completion basis in respect of construction activities and prepayments.

Net impairment losses mainly concern trade receivables (-€81.3 million) and were primarily recognized in France (-€34.8 million) and in the Rest of the World operating segment (-€36.8 million).

Operating receivables held by the Group in countries considered high-risk by the IMF are not material in amount.

Movements in operating payables during 2015 are as follows:

Operating payables (€ million)	As of December 31, 2014 re-presented	Changes in business	Changes in consolidation scope	Foreign exchange translation	Transfers to Liabilities classified as held for sale	Other	As of December 31, 2015
Trade payables	4,219.3	20.6	83.0	71.7	(8.5)	(40.9)	4,345.2
Other current operating liabilities	3,803.5	88.9	17.9	29.9	(7.1)	10.0	3,943.1
Other liabilities ⁽¹⁾	671.7	169.6	5.3	20.4	(15.9)	3.1	854.2
Tax and employee-related liabilities	982.8	(98.7)	8.2	2.6	(0.3)	33.5	928.1
OPERATING PAYABLES	9,677.3	180.4	114.4	124.6	(31.8)	5.7	10,070.6

(1) Primarily deferred income.

5.3.1 Working capital management transactions

In 2015, Veolia had several programs for the assignment of receivables through factoring, discounting and assignment by way of security.

FACTORING

The Group has regular recourse to factoring.

Under these programs, certain subsidiaries have agreed to assign, on a renewable basis, trade receivables by contractual subrogation or assignment of receivables (“Dailly” type for France) without recourse against the risk of default by the debtor. The analysis of the risks and rewards as defined by IAS 39 led the Group to derecognize almost all the receivables assigned under these factoring programs. In addition, the transferor subsidiaries remain, in certain cases, responsible for invoicing and debt recovery, for which they receive remuneration but do not retain control.

Accordingly, receivables totaling €1,169.1 million were assigned under these programs in 2015, compared with €344.3 million in 2014. Receivables derecognized as of December 31, 2015 total €332.5 million, compared with €221.0 million as of December 31, 2014.

DISCOUNTING AND ASSIGNMENT BY WAY OF SECURITY

Under Public-Private partnerships, Veolia subsidiaries can assign the fraction of future payments guaranteed by local authorities / private customers (recognized in financial receivables pursuant to IFRIC 12 or IFRIC 4-IAS 17) to the bodies funding the project, through discounting or assignment by way of security programs (such as Dailly programs in France).

For the majority of partnerships concerned by these financial receivable assignments, the assignment agreements negotiated and the contractual clauses agreed between the stakeholders are sufficient to satisfy the derecognition criteria set out in IAS 39. The residual risk retained by the companies (considered immaterial) is generally tied solely to late customer payment due to late/deferred invoicing of services by Group subsidiaries. Group subsidiaries are mandated by the financial institutions to manage the invoicing and recovery of the receivables covered by these programs. Veolia analyzed the management and recovery procedures falling to Group subsidiaries and concluded that these services did not constitute continuing involvement.

Two assignments by way of security performed in 2005 and 2006 in connection with the specific terms and conditions of finance lease agreements entered into by the Waste solutions activities operate differently and do not permit the derecognition of the receivables assigned. The assignment terms provide for the provision of a joint surety by the subsidiaries and their partners to the assignee financial institutions.

Receivables of €70.9 million and finance lease obligations maturing in 2025 and 2026 of €71.6 million are recognized in Veolia's balance sheet as of December 31, 2015 in respect of these contracts (€77.1 million and €77.8 million, respectively, as of December 31, 2014).

5.4 Non-current and current operating financial assets

Operating financial assets comprise financial assets resulting from the application of IFRIC 12 on accounting for concession arrangements and from the application of IFRIC 4 on accounting for leases.

Concession arrangements

Pursuant to IFRIC 12, when the operator has an unconditional right to receive cash or another financial asset from the grantor in remuneration for concession services, the financial asset model applies. In this context, the infrastructures managed under these contracts cannot be recorded in assets of the operator as property, plant and equipment, but are recorded as financial assets.

Investment grants received in respect of concession arrangements are generally definitively earned and, therefore, are not repayable. In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets or financial assets depending on the applicable model following an analysis of each concession arrangement (IFRIC 12). Under the financial asset model, investment grants are equated to a means of repaying the operating financial asset.

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue in the Consolidated Income Statement, in accordance with the percentage of completion method laid down in IAS 11 on construction contracts.

Financial receivables are initially measured at the lower of fair value and the sum of discounted future cash flows and subsequently recognized at amortized cost using the effective interest method.

After a review of the contract and its financing, the implied interest rate on the financial receivable is based on either the Group financing rate and /or the borrowing rate associated with the contract.

Leases

IFRIC 4 seeks to identify the contractual terms and conditions of agreements which, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract remuneration. It identifies in such agreements a lease contract which is then analyzed and accounted for in accordance with the criteria laid down in IAS 17, based on the allocation of the risks and rewards of ownership between the lessor and the lessee.

The contract operator therefore becomes the lessor with respect to its customers. Where the lease transfers the risks and rewards of ownership of the asset in accordance with IAS 17 criteria, the operator recognizes a financial asset to reflect the corresponding financing, rather than an item of property, plant and equipment.

Movements in the net carrying amount of non-current and current operating financial assets during 2015 are as follows:

(€ million)	As of December 31, 2014 re- presented	New operating financial assets ⁽²⁾	Repayments/ disposals ⁽³⁾	Impairment losses ⁽¹⁾	Changes in consolidation scope	Foreign exchange translation	Non-current/ current reclassification	Other	As of December 31, 2015
Gross	1,896.8	108.7	(22.5)	-	-	64.3	(193.2)	(88.0)	1,766.1
Impairment losses	(14.3)	-	-	(7.6)	-	(0.3)	0.1	(9.8)	(31.9)
NON-CURRENT OPERATING FINANCIAL ASSETS	1,882.5	108.7	(22.5)	(7.6)	-	64.0	(193.1)	(97.8)	1,734.2
Gross	137.2	0.7	(150.4)	-	-	4.2	193.2	(13.1)	171.8
Impairment losses	(10.0)	-	-	(9.3)	-	(0.1)	(0.1)	10.0	(9.5)
CURRENT OPERATING FINANCIAL ASSETS	127.2	0.7	(150.4)	(9.3)	-	4.1	193.1	(3.1)	162.3
NON-CURRENT AND CURRENT OPERATING FINANCIAL ASSETS	2,009.7	109.4	(172.9)	(16.9)	-	68.1	- (100.9)		1,896.5

(1) Impairment losses are recorded in operating income.

(2) New operating financial assets presented in the Consolidated Cash Flow Statement equal new operating financial assets presented above (€109.4 million), net of the related acquisition debt (€10.9 million as of December 31, 2015).

(3) Repayments of operating financial assets presented in the Consolidated Cash Flow Statement equal repayments of operating financial assets presented above (-€172.9 million), net of amounts receivable on disposals of operating financial assets (-€0.2 million as of December 31, 2015).

The principal **new** operating financial assets in 2015 mainly concern the increase in financial receivables for pre-existing contracts, in particular in the following operating segments:

- Europe excluding France, in the amount of €67.4 million, primarily following investments in the United Kingdom under the Shropshire concession agreement (€12.6 million) and in Germany under the Braunschweig contract (€22.9 million);
- the Rest of the World, in the amount of €28.4 million.

The principal **repayments and disposals of operating financial assets** in 2015 concern the following operating segments:

- the Rest of the World in the amount of -€80.6 million;
- Europe excluding France, in the amount of -€50.2 million;
- France in the amount of -€40.1 million.

Foreign exchange translation gains and losses on current and non-current operating financial assets mainly concern movements in the pound sterling (€33.5 million), the Korean won (€10.6 million) and the Chinese renminbi yuan (€17.4 million) against the euro.

Operating financial assets held by the Group in countries considered high-risk by the International Monetary Fund are not material in amount.

Breakdown of operating financial assets by operating segment:

(€ million)	As of December 31					
	Non-current		Current		Total	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
France	90.5	120.8	7.5	8.7	98.0	129.5
Europe excluding France	990.7	1,061.0	52.2	48.5	1,042.9	1,109.5
Rest of the World	604.5	655.1	101.3	68.5	705.8	723.6
Global Businesses	48.5	45.6	1.3	1.5	49.8	47.1
Other	-	-	-	-	-	-
OPERATING FINANCIAL ASSETS	1,734.2	1,882.5	162.3	127.2	1,896.5	2,009.7

IFRIC 12 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	7.5	18.4	16.6	55.5	98.0
Europe excluding France	36.9	108.5	208.8	568.1	922.3
Rest of the World	25.8	98.1	32.8	204.8	361.5
Global Businesses	-	-	-	-	-
Other	-	-	-	-	-
TOTAL	70.2	225.0	258.2	828.4	1,381.8

IFRIC 4 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than 5 years	Total
France	-	-	-	-	-
Europe excluding France	15.3	21.7	21.3	62.3	120.6
Rest of the World	75.5	88.4	31.3	149.1	344.3
Global Businesses	1.2	1.4	14.4	32.8	49.8
Other	-	-	-	-	-
TOTAL	92.0	111.5	67.0	244.2	514.7

5.5 Construction contracts

As disclosed in Note 5.1, Veolia recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

The percentage of completion is determined by comparing costs incurred at the period end with total estimated costs under the contract. Costs incurred comprise costs directly attributable to the contract and borrowing costs incurred up to completion of the work. However, prospection costs, costs incurred prior to contract signature, and administrative and selling costs are expensed in the period incurred and do not therefore contribute to contract completion.

Where total contract costs exceed total contract revenue, the Group recognizes a loss to completion as an expense of the period, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably. Provisions for losses to completion are recorded as liabilities in the Consolidated Statement of Financial Position.

The amount of costs incurred, plus profits and less losses recognized and intermediary billings is determined on an individual contract basis. In accordance with IAS 11, where positive, this amount is recognized in assets in "amounts due from customers for construction contract work" (in "Other operating receivables"). Where negative, it is recognized in liabilities in "amounts due to customers for construction contract work" (in "Other operating payables").

Partial payments received under construction contracts before the corresponding work has been performed, are recognized in liabilities in the Consolidated Statement of Financial Position under "advances and down-payments received".

At each period end, a contract statement compares the amount of costs incurred, plus profits (including any provisions for losses to completion) with intermediary billings: "Construction contracts in progress / Assets" therefore represents contracts for which the costs incurred and profits recognized exceed amounts billed.

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
Construction contracts in progress / Assets (A)	564.1	698.2
Construction contracts in progress / Liabilities (B)	80.5	145.1
Construction contracts in progress / net (A) - (B)	483.6	553.1
Costs incurred plus income and losses recognized to date (C)	4,001.2	3,732.6
Amounts billed (D)	(3,517.6)	(3,179.5)
Construction contracts in progress / net (C) + (D)	483.6	553.1
Customer advances	23.4	83.3

5.6 Management of supply risks

As part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

Commodity risks are described in Note 8.3.1.3.

5.7 Commitments relating to operating activities

5.7.1 Commitments given

Commitments given relating to operating activities comprise operating guarantees and purchase commitments.

Operational or operating guarantees encompass all commitments not relating to the financing of operations, required in respect of contracts or markets and generally given in respect of the operations and activities of Group companies. Such guarantees include bid bonds accompanying tender offers, advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangements.

The main categories of commitments include:

- Commitments related to site rehabilitation:

Pursuant to environmental texts and legislation concerning the operation of landfill sites, the Group is obliged to provide financial guarantees to local authorities/government agencies. These guarantees notably encompass the rehabilitation and supervision of the site during 30 years or more, depending on national legislation (currently 60 years in the United Kingdom), following its operation.

In this context, performance bonds and letters of credit are issued to local authorities and other public bodies.

Depending on the contract, these guarantees cover the costs necessary for the supervision and rehabilitation of all or part of the site.

These guarantees are quantified in accordance with legal or contractually-defined procedures. These guarantees, which are given in their total amount from the start of operations, expire at the end of the commitment (termination of rehabilitation work and site supervision).

Therefore, the amount of our commitment for the rehabilitation and supervision of landfill sites is in general different from the amount of the provision recorded in the Group accounts (see Note 10). Provisions calculated by the Group are based on different valuations (based on internal policies regarding site security and designed for optimal environmental protection), which take into account the progressive nature of the obligation: operation of the landfill sites results in progressive damage to the site and, as such, a related liability is recognized as the facility is operated (see Note 10).

If the amount of the commitment is less than the provision at the balance sheet date, an off-balance sheet commitment is not disclosed. Conversely, if the amount of the commitment is greater than the provision, an off-balance sheet commitment is disclosed in the amount not provided.

- Commitments related to engineering and construction activities:

Commitments relating to engineering and construction activities primarily comprise commitments given and received in respect of Veolia Water Technologies construction activities. Commitments given in respect of the four main contracts account for approximately 59.3% of total commitments.

- Commitments relating to concession arrangements:

Pursuant to public service contracts with a public entity, the Group may be called on/obliged to invest in infrastructures that will then be operated and remunerated in accordance with contractual terms and conditions.

The contractual commitment may concern both the financing of installations and infrastructures to be used in operations and also the maintenance and replacement of infrastructures necessary to operations.

Expenditure relating to the replacement or rehabilitation of installations is monitored and recognized through any timing differences between the total contractual commitment over the contract term and its realization, in accordance with IAS 37 on Provisions.

Expenditure relating to the construction, maintenance and restoration of concession assets is reviewed with respect to IFRIC 12 and detailed in Note 5.5.

- Firm commodity purchase and sale commitments:

As part of supply management and cost optimization, certain Group subsidiaries may be required, depending on their activities, to set-up derivatives to fix the cost of commodity supplies where the contracts do not offer appropriate protection or contract forward purchases or sales of commodities.

Firm commodity purchase commitments, excluding derivatives, mainly concern:

- gas in the Energy business activities (mainly in Central Europe) and in the Water activities. Most commitments mature in less than 5 years;
- electricity in the Energy business activities (purchase commitments mature in less than 3 years due to poor liquidity in the electricity market for longer maturities);
- biomass and coal in the Energy business activities.

In parallel, firm electricity sales contracts, excluding derivatives, are entered into to secure selling prices over a period of less than 3 years. These commitments concern production activities exposed to the electricity wholesale market and primarily Waste solutions activities in the UK (electricity produced by waste incineration) and Energy business in Central Europe.

Off-balance sheet commitments given break down as follows:

(€ million)	As of December 31, 2014	As of December 31, 2015	Maturing in		
			Less than 1 year	1 to 5 years	More than 5 years
Operational guarantees including performance bonds	9,639.6	10,538.6	4,570.4	4,091.8	1,876.4
Purchase commitments	237.2	202.9	102.6	86.1	14.2
TOTAL COMMITMENTS RELATING TO OPERATING ACTIVITIES	9,876.8	10,741.5	4,673.0	4,177.9	1,890.6

The increase in commitments given between December 31, 2014 and December 31, 2015 (+€864.7 million) is mainly due to foreign exchange translation gains and losses (+€583.2 million).

In addition to the commitments given quantified above, Veolia has also granted commitments of an unlimited amount in respect of completion or performance bonds and a waste construction and treatment contract in Hong Kong, in the Waste solutions and Water businesses.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

Total commitments given in respect of construction activities of Veolia Water Technologies amount to €3,189.7 million as of December 31, 2015, compared with €3,272.8 million as of December 31, 2014.

Commitments given in respect of joint ventures (at 100%) total €624.5 million as of December 31, 2015 compared with €757.4 million as of December 31, 2014 and mainly consist of performance guarantees given to Al Wathba VB in the amount of €432.6 million and to Glen Water Holding in the amount of €95.0 million.

5.7.2 Commitments received

These commitments mainly consist of commitments received from our partners in respect of construction contracts.

They total €1,090.9 million as of December 31, 2015, compared with €1,075.9 million as of December 31, 2014.

Total commitments received in respect of Veolia Water Technologies activities amount to €611.1 million as of December 31, 2015, compared with €588.0 million as of December 31, 2014.

NOTE 6 PERSONNEL COSTS AND EMPLOYEE BENEFITS

6.1 Personnel costs and employee numbers

Personnel costs break down as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Employee costs	(7,100.2)	(6,762.1)
Profit-sharing and incentive schemes	(114.7)	(103.2)
Share-based compensation (IFRS 2)	(10.7) *	(1.2)
PERSONNEL COSTS	(7,225.6)	(6,866.5)

* As disclosed in Note 6.2, share-based compensation concerns the Management Incentive Plan and the Employee Savings Plan.

Average consolidated employees* break down as follows:

By operating segment	2015	2014 **
France	31,958	32,830
Europe excluding France	53,468	44,410
Rest of the World	42,102	39,884
Global Businesses	28,402	30,865
Other	2,850	12,191
CONSOLIDATED EMPLOYEES *	158,780	160,180

By company	2015	2014 **
Fully-consolidated companies	158,725	160,128
Joint operations	55	52
CONSOLIDATED EMPLOYEES *	158,780	160,180

* Consolidated employees, excluding employees of equity-accounted subsidiaries.

** The above figures include employees of discontinued operations of 2,864 in 2014.

The change in the number of employees by operating segment in 2015 is due to:

- in the Europe excluding France and Rest of the World operating segments, the integration of employees of Energy business entities following the Dalkia transaction between the Group and EDF, from July 2014 (see also Note 3.2.2);
- in the Other operating segment, the impact of the divestiture of Dalkia France and Citelum in July 2014 and the Group's activities in Israel at the end of March 2015.

6.2 Share-based compensation

6.2.1 Accounting principles

Pursuant to IFRS 2, Share-based Payment, an expense is recorded in respect of share purchase or subscription plans and other share-based compensation granted by the Group to its employees. The fair value of these plans at grant date is expensed in the Consolidated Income Statement and recognized directly in equity in the period in which the benefit vests and the service is rendered.

The fair value of instruments granted is calculated using the Black and Scholes model, taking into account their expected life, the risk-free interest rate, expected volatility, determined based on observed volatility in the past and dividends expected on the shares.

With regard to Group Savings Plans (GSP), the Veolia Group applies CNC recommendations (press release of December 21, 2004 in respect of Company Savings Plans and complement of February 2, 2007).

The GSP compensation expense corresponds to the difference between the subscription price and the average share price at each subscription date and to the Company's contribution to subscribers. It also takes account of the requirement to hold shares for five years. The discount for non-transferability is calculated as the difference in value between a five-year forward sale of shares and the spot purchase of the same number of shares, financed by a loan. The plan expense is recognized in full at the end of the subscription period.

6.2.2 Veolia Environnement share purchase and subscription option plans

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Current option plans at the end of 2015 were as follows:

	No.8	No.7
	2010	2007
Grant date	09/28/2010	07/17/2007
Number of options granted	2,462,800	2,490,400
Number of options not exercised	0*	0
Plan term	8 years	8 years
Vesting conditions	4 years' service plus performance conditions	4 years' service plus performance conditions
Vesting method	After 4 years	After 4 years
Strike price (in euros)	22.50	57.05

* Given the failure to achieve performance criteria, validated by the Board of Directors' meeting of March 14, 2013. In the event of a public offer for the Company's shares, 2,127,400 options would become available for exercise.

PLAN NO.8

In 2010, Veolia Environnement granted 2,462,800 share options to members of the Executive Committee (excluding the Chief Executive Officer) and three employee groups. The first group comprised Group key management, including members of the Executive Committee. The second group comprised other Group management members and the third one included high-performing executive and non-executive employees.

The options granted under the plan could only be exercised after a period of four years commencing the grant date, that is from September 29, 2014, provided the Group return on capital employed as of December 31, 2012 was at least equal to 8.4% (application of this performance criteria varies according to the employee category).

As this condition was not satisfied at the 2012 year-end, the Board of Directors' meeting of March 14, 2013 duly noted that the options could not be exercised. In the event of a public offer for the Company's shares, 2,127,400 options would become available for exercise.

PLAN NO.7

In 2007, Veolia Environnement granted 2,490,400 share options to two employee groups. The first group comprised Group management, including members of the Executive Committee. The second group comprised senior managers of Group companies and employees recognized for their excellent performance in 2006.

No options were exercised in 2015.

The change in the number of options breaks down as follows:

	Number of options	Weighted average strike price (in euros)
DECEMBER 31, 2013	3,487,097	46.04
Granted	-	-
Exercised	-	-
Cancelled	(70,050)	57.05
Expired	(2,949,147)	44.03
DECEMBER 31, 2014	467,900	57.05
Granted	-	-
Exercised	-	-
Cancelled	-	-
Expired	(467,900)	57.05
DECEMBER 31, 2015	-	-
Average residual life	-	-

6.2.3 Employee savings plans

Veolia Environnement has set-up standard and leveraged savings plans which enable a large number of employees of Veolia Environnement and its subsidiaries to subscribe for Veolia Environnement shares. Shares subscribed by employees under these plans are subject to certain restrictions regarding their sale or transfer by employees.

No savings plans were set up between 2011 and 2014.

In 2015, Veolia proposed a new Group employee share ownership transaction, rolled-out across 20 countries.

Under this transaction, shares are subscribed by employees with a 20% discount on the average opening price of the share during the 20 trading days preceding the date of the Chief Executive Officer's decision setting the subscription price. This price was set at €16.56. In addition, employees receive a gross contribution from the Group equal to 100% of the employee's investment up to a maximum of €300 and a guarantee covering their personal investment as well a minimum return, again limited to the first €300 of the employee's personal investment.

In the United Kingdom, a Share Incentive Plan (SIP) was alternatively implemented, enabling employees to subscribe at the lower of the share price on October 1, 2015 and the share price on March 14, 2016, while benefiting from a contribution from the Group capped at GBP 250.

On December 17, 2015, the Group issued 1,063,022 new shares under the Group savings plan, representing a share capital increase of €5,315,110.

An IFRS 2 expense of €5.9 million was recognized in 2015 in respect of the savings plan, net of a discount for non-transferability of €3.0 million.

The following calculation factors were applied:

	2015
Risk-free rate	0.20%
Interest rate used to calculate the carrying cost	3.20%

6.2.4 Management Incentive Plan

In October 2014, the Group introduced a long-term incentive plan, the "Management Incentive Plan" (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the company's shares, accompanied by the grant, subject to performance conditions, of an "additional" share bonus financed by the Group (primarily through the grant of treasury shares held by the Company).

The initial investment by the beneficiary gives rise to a limited guarantee representing 80% of the value of the investment (excluding any taxes or duties payable by the beneficiary), except for the Chief Executive Officer and Executive Committee members.

The share bonus, granted in three tranches, is tied to the achievement of performance criteria (increase in the share price compared with the acquisition price on initial investment and current net income attributable to owners of the Company per share) determined at three dates (March 2016, March 2017 and March 2018) relating to the publication of the Company's 2015, 2016 and 2017 annual accounts. The three tranches do not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the beneficiaries concerned and the retention by them of the shares initially invested.

The estimated fair values of the instruments are €1.59, €1.86 and €2.01 for each of the three leveraged tranches. These values were calculated using the Black and Scholes model based on the following underlying assumptions: share price and strike price of €13.04, implicit volatility of 33.94%, expected annual yield of 5.37%, risk-free interest rate of between 0.14% and 0.31% and exercise maturity of 3.5 years.

The performance condition relating to the achievement of a given level of net income in 2015, 2016 and 2017 was taken into account in calculating the number of options vested and the compensation expense.

As of December 31, 2015, 423,653 shares are invested in this plan.

An IFRS 2 expense of €4.8 million is recognized in operating income in 2015.

6.3 Pension plans and other post-employment benefits

The following disclosures concern pension plans offered by fully consolidated entities.

6.3.1 Accounting principles

Veolia Environnement and its subsidiaries have several pension plans.

Defined contribution plans: plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments.

These obligations are expensed in the Consolidated Income Statement when due.

Defined benefit plans: all plans which do not meet the definition of a defined contribution plan. The net obligations of each Group entity are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. The amount of the obligation is discounted to present value and the fair value of plan assets is deducted.

Where the calculation shows a plan surplus, the asset recognized is capped at the total of the discounted present value of profits, in the form of future repayments or reductions in plan contributions. The plan surplus is recognized in non-current financial assets.

Certain obligations of the Group or Group entities may enjoy a right to reimbursement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. This right to reimbursement is recognized in non-current financial assets.

The financing of defined benefit pension plans may lead the Group to make voluntary contributions to pension funds. Where applicable, these voluntary contributions are presented in Net cash from operating activities in the Consolidated Cash Flow Statement, in the same way as other employer contributions.

Employee obligations of the Group are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with companies in the Group until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary area. They are determined based on the yield offered by bonds issued by leading companies (rated AA) or treasury bonds where the market is not liquid, with maturities equivalent to the average term of the plans valued in the relevant region. This results in the recognition of pension-related assets or provisions in the Consolidated Statement of Financial Position and the recognition of the related net expenses.

Pursuant to IAS 19, Employee Benefits, actuarial gains and losses are recognized in other comprehensive income.

6.3.2 Description of plans

In accordance with the regulatory environment and collective agreements, the Group has established defined benefit and defined contribution pension plans (companies or multi-employer) in favor of employees and other post-employment benefits.

DEFINED CONTRIBUTION PLANS:

Supplemental pension defined contribution plans have been set up in certain subsidiaries. Expenses incurred by the Group under these plans totaled €82 million for 2015 and €75 million for 2014.

DEFINED BENEFIT PLANS:

The tables in Note 6.3.3 present the obligations in respect of defined benefit pension plans and other post-employment benefits.

The measurement of these obligations is reflected by the DBO (Defined Benefit Obligation). These future outflow commitments may be partially or fully funded ("plan assets").

The most significant obligations are located in the United Kingdom and France.

United Kingdom

The defined benefit obligation in the United Kingdom is €1,121.8 million as of December 31, 2015 (compared with €1,107.0 million as of December 2014) and is funded by plan assets of €1,057.7 million at this date (compared with €1,041.6 million as of December 31, 2014). The increase in the defined benefit obligation is presented in the table below in Note 6.3.3.

The average duration of these plans is approximately 18 years.

In the United Kingdom, defined benefit pension plans are mainly final salary plans. Most of these plans are closed to new employees and the majority are also closed to the accrual of new rights. These plans are financed by employer and employee contributions paid to an independent pension fund (the Trustee). Local regulations ensure the independence of the pension fund, which has 9 members (including 5 employer representatives, 3 representatives of active and retired employees and 1 independent member).

Plan rules authorize the employer to recover excess funds paid at the end of the plans.

These plans allow retirees to take part of the benefit as a lump-sum and the balance as a pension. In the case of a pension, the related risk is tied to the longevity of beneficiaries.

France

In France, the defined benefit obligation for all plans totaled €410.1 million as of December 31, 2015 (€414.0 million as of December 31, 2014) and is funded by plan assets of €97.6 million at this date (€103.3 million as of December 31, 2014). The decrease in the defined benefit obligation is presented in the table below in Note 6.3.3.

Nearly 80% of the obligation relates to retirement indemnities (legally required payments) paid in a lump sum. These indemnities represent a number of months' salary based on Group seniority and are legally required by the applicable collective-bargaining agreement to be paid on an employee's retirement. A portion of these obligations is covered by insurance contracts, but this funding is at the discretion of the employer. The average duration of these plans is approximately 12 years.

The risk associated with this type of plan is legislative risk, in terms of potential adjustments to redundancy payments to which retirement indemnities are linked in certain collective bargaining agreements. Furthermore, the renegotiation of collective bargaining agreements could also generate adjustments to indemnities granted.

The Board of Directors' meeting of March 11, 2014, having received a favorable opinion from the Works Council and at the recommendation of its Nominations and Compensation Committee, approved the closure to new beneficiaries of the defined benefit pension plan open to certain executive managers and the freezing of the rights of current beneficiaries at the level attained on June 30, 2014. The General Shareholders' Meeting of April 24, 2014 approved the resolution authorizing the change in this corporate officer's pension plan which is considered a regulated agreement. The closure and freezing of this pension plan resulted in a provision reversal of €15.3 million recorded in operating income for the year ended December 31, 2014.

MULTI-EMPLOYER PLANS

Under collective agreements, some Group companies participate in multi-employer defined benefit pension plans. However, these plans are unable to provide a consistent and reliable basis for the allocation of the obligation, assets and costs between the different participating entities. They are therefore recorded as defined contribution plans in accordance with IAS 19. The multi-employer plans concern approximately 1,800 employees in 2015 and are mainly located in Germany, where such plans are generally funded by redistribution.

The corresponding expense recorded in the Consolidated Income Statement is equal to annual contributions and totals approximately €6 million in 2015, stable as compared with 2014.

6.3.3 Obligations in respect of defined benefit pension plans and other post-employment benefits

6.3.3.1 ACTUARIAL ASSUMPTIONS

Actuarial assumptions used for calculation purposes vary depending on the country in which the plan is implemented.

The benefit obligation in respect of pension plans and post-employment benefits as of December 31, 2015 and 2014 is based on the following average assumptions:

	As of December 31, 2015	As of December 31, 2014 re-presented
Discount rate	3.18%	3.07%
<i>United Kingdom</i>	3.85%	3.60%
<i>Euro area</i>	2.30%	1.75%
Inflation rate	2.38%	2.53%
<i>United Kingdom (RPI/CPI)</i>	2.95% / 2.00%	2.95% / 2.05%
<i>Euro area</i>	1.75%	1.75%

6.3.3.2 CHANGE IN THE DEFINED BENEFIT OBLIGATION (DBO)

Change in the DBO	As of December 31							
	United Kingdom		France		Other countries		TOTAL	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
(€ million)								
Defined benefit obligation at beginning of year	1,107.0	677.2	414.0	487.5	440.1	226.3	1,961.1	1,391.0
Current service cost	4.8	4.2	21.1	23.8	19.4	17.5	45.3	45.5
Plan amendments or new plans (contract wins)	0.6	-	0.1	(9.6)	(3.6)	0.5	(2.9)	(9.1)
Curtailments and settlements	-	-	(10.0)	(9.6)	(1.5)	(0.7)	(11.5)	(10.3)
Interest cost	41.8	37.3	7.7	12.6	10.8	11.1	60.3	61.0
Actuarial (gains) losses	(63.7)	96.0	(6.9)	57.3	10.0	30.9	(60.6)	184.2
<i>o/w actuarial (gains) losses arising from experience adjustments</i>	<i>(0.1)</i>	<i>(17.7)</i>	<i>0.8</i>	<i>(5.5)</i>	<i>(0.1)</i>	<i>(2.3)</i>	<i>0.6</i>	<i>(25.5)</i>
<i>o/w actuarial (gains) losses arising from changes in demographic assumptions</i>	<i>(9.9)</i>	<i>(2.8)</i>	<i>1.2</i>	<i>5.4</i>	<i>3.2</i>	<i>1.4</i>	<i>(5.5)</i>	<i>4.0</i>
<i>o/w actuarial (gains) losses arising from changes in financial assumptions</i>	<i>(53.7)</i>	<i>116.5</i>	<i>(8.9)</i>	<i>57.4</i>	<i>6.9</i>	<i>31.8</i>	<i>(55.7)</i>	<i>205.7</i>
Plan participants' contributions	0.8	0.8	-	-	1.6	1.4	2.4	2.2
Benefits paid	(38.0)	(28.6)	(17.4)	(21.6)	(21.7)	(19.9)	(77.1)	(70.1)
Benefit obligation assumed on acquisition of subsidiaries	-	261.2	1.0	6.6	0.2	163.3	1.2	431.1*
Benefit obligation transferred on divestiture of subsidiaries	-	-	(0.1)	(133.2)	(6.0)	(1.1)	(6.1)	(134.3)**
Foreign exchange translation	68.4	59.0	-	-	27.5	8.1	95.9	67.1
Other	0.1	(0.1)	0.6	0.2	0.2	2.7	0.9	2.8
(a) Defined benefit obligation at end of year	1,121.8	1,107.0	410.1	414.0	477.0	440.1	2,008.9	1,961.1

* In 2014, benefit obligations assumed on acquisition of subsidiaries mainly concerned Dalkia international entities in the amount of €353.6 million.

** In 2014, benefit obligations transferred on divestiture of subsidiaries mainly concerned the divestiture of Dalkia France in the amount of -€133.5 million.

6.3.3.3 SENSITIVITY OF THE DEFINED BENEFIT OBLIGATION AND THE CURRENT SERVICE COST

The Group defined benefit obligation is especially sensitive to discount and inflation rates.

A 1% increase in the discount rate would decrease the defined benefit obligation by approximately €266 million and the current service cost of the next year by €7 million. A 1% decrease in the discount rate would increase the defined benefit obligation by €312 million and the current service cost of the next year by €8 million.

Conversely, a 1% increase in the inflation rate would increase the defined benefit obligation by approximately €233 million and the current service cost of the next year by €6 million. A 1% decrease in the inflation rate would decrease the defined benefit obligation by €207 million and the current service cost by €5 million.

6.3.4 Change in the funding status of post-employment benefit obligations and the provision

	As of December 31							
	United Kingdom		France		Other countries		TOTAL	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
(€ million)								
(a) Defined benefit obligation at end of year	1,121.8	1,107.0	410.1	414.0	477.0	440.1	2,008.9	1,961.1
(b) Fair value of plan assets at end of year	1,057.7	1,041.6	97.6	103.3	174.2	154.2	1,329.5	1,299.1
Funding status = (b) – (a)	(64.1)	(65.4)	(312.5)	(310.7)	(302.8)	(285.9)	(679.4)	(662.0)
Provisions	(85.6)	(83.1)	(312.6)	(310.8)	(303.2)	(285.9)	(701.4)	(679.8)
Prepaid benefits (regimes with a funding surplus)	21.5	17.7	0.1	0.1	0.4	-	22.0	17.8

Provisions for post-employment benefits total €701.4 million, compared with €679.8 million in 2014. In 2014, this amount included in particular provisions of €5.5 million in respect of operations in the course of divestiture. These operations were presented separately in the Consolidated Statement of Financial Position in Assets classified as held for sale and Liabilities directly associated with assets held for sale.

6.3.5 Plan assets

6.3.5.1 CHANGE IN PLAN ASSETS

The following table presents plan assets funding obligations in respect of defined benefit pension plans and other post-employment benefits.

Change in plan assets	As of December 31							
	United Kingdom		France		Other countries		TOTAL	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
(€ million)								
Fair value of plan assets at beginning of year	1,041.6	606.6	103.3	106.3	154.2	74.7	1,299.1	787.6
Actual return on plan assets	(31.0)	150.5	2.2	2.9	4.9	13.1	(23.9)	166.5
o/w interest income	39.9	34.1	2.0	3.3	2.9	3.3	44.8	40.7
o/w return on plan assets excluding amounts included in interest income	(70.9)	116.4	0.2	(0.4)	2.0	9.8	(68.7)	125.8
Employer contributions	21.1	16.3	0.4	-	4.4	4.3	25.9	20.6
Plan participants' contributions	0.8	0.8	-	-	1.6	1.4	2.4	2.2
Benefit obligation assumed on acquisition of subsidiaries	-	246.5	-	-	-	63.4	-	309.9 *
Benefit obligation transferred on divestiture of subsidiaries	-	-	-	-	-	-	-	-
Settlements	-	(4.2)	-	(0.3)	-	(0.1)	-	(4.6)
Benefits paid	(37.9)	(28.6)	(8.2)	(5.6)	(5.9)	(6.7)	(52.0)	(40.9)
Administrative expenses paid by the fund	(1.0)	(0.5)	-	-	(0.2)	(0.2)	(1.2)	(0.7)
Foreign exchange translation	64.1	54.2	-	-	14.9	2.2	79.0	56.4
Other	-	-	(0.1)	-	0.3	2.1	0.2	2.1
(b) Fair value of plan assets at end of year	1,057.7	1,041.6	97.6	103.3	174.2	154.2	1,329.5	1,299.1

* In 2014, plan assets acquired on acquisition of subsidiaries mainly concern Dalkia international entities in the amount of €251.8 million.

Investment policy

In the **United Kingdom**, the investment policy is defined by the pension fund. Funding levels and the contribution payment schedule are negotiated by the employer and the Trustee, based on triennial actuarial valuations. Contributions include both the funding of the shortfall in relation to past rights and service costs for future years. In 2015, a triennial valuation was performed by three of the eight United Kingdom funds.

United Kingdom pension funds aim to attain 100% technical coverage of liabilities within 10 years, while maintaining a risk level considered as acceptable by all parties (Trustees and employers). In order to achieve that goal, plan assets are allocated within two portfolios:

- A Liability Driven Investment portfolio (where flows best match liabilities and the value of which fluctuates in line with the liability value). This portfolio mainly includes inflation-linked bonds issued or guaranteed by the UK government and derivatives with leading banking counterparties (rated A or higher), with which collateralization contracts have been signed in order to minimize counterparty risk.
- A portfolio of growth assets invested in a diverse range of asset classes (equities, bonds, diversified funds, etc.) and seeking to outperform the liabilities. For most of these asset classes, the investment is implemented through passive management funds with the objective of replicating a given index (the various FTSE indexes for the different global regions in the case of shares, etc.). Over the last few years, an asset class diversification policy has obtained a considerable reduction in the risk exposure of this growth portfolio, while maintaining expected return at a level allowing the deficit reduction objective to be achieved.

Throughout the year, a hedging policy covering some financial risks (particularly foreign exchange, inflation and interest rate) was implemented, in order to reduce the fund's exposure to these risks and therefore reduce the risk of increased contributions. These hedges were implemented using derivatives (currency forwards, total return swaps on gilts, interest rate swaps, etc.).

In **France**, the Group's assets are placed primarily with insurance companies and invested in the general insurance fund. The French General Insurance Code (*Code général des assurances*) requires insurance companies to provide a minimum rate of return on these funds, calculated primarily based on the rate offered by government bonds.

Investment and return on assets

On average, Group pension plan assets were invested as follows as of December 31, 2015 and 2014:

	2015	2014 re-presented
Unquoted assets	17.3%	18.6%
Liquid unquoted assets - Investment funds (general insurance fund)	7.1%	8.4%
Non-liquid unquoted assets - Investment funds *	8.8%	9.3%
Non-liquid unquoted assets - Other	1.4%	0.9%
Quoted assets (liquid)	81.9%	81.2%
Government bonds **	23.9%	26.9%
Corporate bonds	4.2%	4.3%
Shares	8.0%	8.7%
Diversified investment funds	44.2%	41.1%
Liquid quoted assets - Other	1.6%	0.2%
Liquid assets	0.8%	0.2%
TOTAL	100.0%	100.0%

* The line "Non-liquid unquoted assets - Investment funds" consists of funds without guaranteed monthly liquidity (e.g. real estate funds, infrastructure funds).

** The portion of government bonds from high-risk countries is not material.

For the Group as a whole, the actual return rate on plan assets in 2015 and 2014 was -1.8% and 16.0% respectively and reflects market performance based on the asset investment profiles.

In 2015, the value of plan assets decreased, mainly due to the weakness of equity markets, the widening of credit spreads and the slump in commodity prices.

The Group plans to make contributions of €28.6 million to defined benefit plans in 2016.

6.3.5.2 CHANGE IN RIGHT TO REIMBURSEMENT

Right to reimbursement is recorded in assets as of December 31, 2015 at a value of €3.5 million, compared with €4.5 million as of December 31, 2014. Right to reimbursement concerns the portion of employee rights to post-employment benefits corresponding to periods during which the employee was employed by a previous employer or where the operating contract stipulates that employee entitlement to post-employment benefits is assumed by a third party.

6.3.6 Impact on Comprehensive Income

The net benefit cost breaks down as follows:

(€ million)	As of December 31							
	United Kingdom		France		Other countries		TOTAL	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
Service cost	5.4	8.4	16.2	13.4	15.3	17.8	36.9	39.6
o/w Current service cost	4.8	4.2	21.1	23.8	19.4	17.5	45.3	45.5
o/w Past service cost	0.6	4.2	(4.9)	(10.4)	(4.1)	0.3	(8.4)	(5.9)
Net interest expense	1.9	3.2	5.7	9.3	7.9	7.8	15.5	20.3
o/w Interest cost	41.8	37.3	7.7	12.6	10.8	11.1	60.3	61.0
o/w Interest income on plan assets	(39.9)	(34.1)	(2.0)	(3.3)	(2.9)	(3.3)	(44.8)	(40.7)
Interest income on right to reimbursement	-	-	(0.1)	(0.1)	-	0.1	(0.1)	-
Administrative expenses paid by the fund	1.0	0.5	-	-	0.2	0.2	1.2	0.7
Other	-	-	1.0	(0.4)	-	0.3	1.0	(0.1)
Net benefit cost recognized in the Consolidated Income Statement	8.3	12.1	22.8	22.2	23.4	26.2	54.5	60.5
Return on plan assets excluding amounts included in interest income	70.9	(116.4)	(0.2)	0.4	(2.0)	(9.8)	68.7	(125.8)
Actuarial (gains) losses arising from experience adjustments	(0.1)	(17.7)	0.8	(5.5)	(0.1)	(2.3)	0.6	(25.5)
Actuarial (gains) losses arising from changes in demographic assumptions	(9.9)	(2.8)	1.2	5.4	3.2	1.4	(5.5)	4.0
Actuarial (gains) losses arising from changes in financial assumptions	(53.7)	116.5	(8.9)	57.4	6.9	31.8	(55.7)	205.7
Net benefit cost recognized in other comprehensive income	7.2	(20.4)	(7.1)	57.7	8.0	21.1	8.1	58.4
NET BENEFIT COST RECOGNIZED IN TOTAL COMPREHENSIVE INCOME	15.5	(8.3)	15.7	79.9	31.4	47.3	62.6	118.9

The costs expensed in the Consolidated Income Statement are recorded in operating income, except for the net interest expense, recorded in net finance costs.

6.4 Compensation and related benefits of key management (related parties)

Group Executive Committee members and directors represent the key management personnel of the Group.

The following table summarizes amounts paid by the Group in respect of compensation and other benefits granted to members of the Company Executive Committee.

Short-term benefits include fixed and variable compensation, employee benefits and directors' fees. Variable compensation comprises amounts paid in fiscal year Y in respect of respect of fiscal year Y-1.

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Short-term benefits, excluding employer contributions	8.9	7.4
Employer contributions	3.7	2.3
Post-employment benefits ^(a)	0.1	0.1
Other long-term benefits ^(b)	-	-
Share-based payments	1.6	0.4
Other items	-	-
TOTAL	14.3	10.2

(a) Current service cost.

(b) Other compensation vested but payable in the long-term.

As of December 31, 2015, total pension obligations in respect of members of the Executive Committee amount to €2.6 million, compared with €2.4 million as of December 31, 2014.

With the exception of the Chairman and Chief Executive Officer, the members of the Board of Directors receive no compensation other than directors' fees from the Company and, if applicable, from controlled companies. The total gross amount of directors' fees (before withholding tax) paid by the Company and controlled companies to directors and the non-voting members was €747,041 in 2015, compared with €753,998 in 2014.

Chapter 7 section 7.4. of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

NOTE 7 GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

7.1 Goodwill

7.1.1 Movements in goodwill

Goodwill breaks down as follows:

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
Gross	5,725.7	5,576.2
Accumulated impairment losses	(1,106.1)	(1,076.8)
NET	4,619.6	4,499.4

7.1.1.1 MAIN GOODWILL BALANCES BY CASH-GENERATING UNIT

A Cash-Generating Unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment tests, goodwill is allocated, from the acquisition date, to each of the cash-generating units or each of the groups of cash-generating units that are expected to benefit from the business combination, referred to hereafter as “goodwill CGUs”.

Given the Group’s activities, the goodwill CGUs are below operating segments in the organizational structure and generally represent a country or group of countries.

The Group has 26 goodwill CGUs as of December 31, 2015, including 8 with allocated goodwill in excess of €200 million, presented below.

The main goodwill balances in net carrying amount by goodwill CGU (amounts in excess of €200 million) are as follows:

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
British Isles	877.8	828.7
France Water	867.6	867.6
Czech Republic and Slovakia	573.2	573.5
Germany	368.0	367.8
France Waste	316.3	293.6
VWT	297.4	289.1
Poland	247.5	246.3
North America	219.6	213.7
Goodwill balances > €200 million as of December 31, 2015	3,767.4	3,680.3
Other goodwill balances < €200 million	852.2	819.1
TOTAL GOODWILL	4,619.6	4,499.4

Goodwill balances of less than €200 million break down by operating segment as follows:

Goodwill balances < €200 million (€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
France	-	-
Europe excluding France	169.3	158.2
Rest of the World	484.0	482.5
Global Businesses	190.4	169.8
Other	8.5	8.6
TOTAL	852.2	819.1

As of December 31, 2015, accumulated impairment losses total -€1,106.1 million and mainly concern goodwill of the Germany (-€493.0 million), North America (-€201.2 million) and Poland (-€99.4 million) cash-generating units.

7.1.1.2 MOVEMENTS IN THE NET CARRYING AMOUNT OF GOODWILL

Movements in the net carrying amount of goodwill during 2015 are as follows:

(€ million)	As of December 31, 2014 re- presented	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Transfers to Assets classified as held for sale	Other	As of December 31, 2015
France	1,161.2	22.7	-	-	-	-	1,183.9
Europe excluding France	2,174.5	(2.7)	62.9	0.7	0.4	-	2,235.8
Rest of the World	696.2	-	10.2	-	-	(2.8)	703.6
Global Businesses	458.9	18.5	10.5	-	-	(0.1)	487.8
Other	8.6	-	1.8	-	(1.9)	-	8.5
TOTAL GOODWILL	4,499.4	38.5	85.4	0.7	(1.5)	(2.9)	4,619.6

The main movements in Group goodwill **during 2015** were primarily due to foreign exchange translation gains and losses which were mainly due to fluctuations in the pound sterling, the US Dollar and the Czech crown against the euro in the amount of €51.9 million, €21.8 million and €12.5 million, respectively.

Changes in consolidation scope mainly concern the acquisition of Alteryx in the Global Businesses segment in the amount of €15.8 million.

7.1.2 Impairment tests

Veolia performs systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life. More frequent tests are performed where there is indication that the cash-generating unit may have suffered a loss in value.

Changes in the general economic and financial environment, worsening of local economic environments, or changes in the Group's economic performance or stock market capitalization represent, in particular, external indicators of impairment that are analyzed by the Group to determine whether it is appropriate to perform more frequent impairment tests.

Goodwill impairment is recognized in operating income and is definitive.

KEY ASSUMPTIONS UNDERLYING THE DETERMINATION OF RECOVERABLE AMOUNTS

The need to recognize an impairment is assessed by comparing the net carrying amount of the assets and liabilities of the CGU or group of CGUs with their recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Fair value less costs to sell is determined based on available information enabling the best estimate of the amount obtainable from the sale of the cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The value in use determined by the Group is generally equal to the present value of the future cash flows expected to be derived from the CGU or group of CGUs, taking account of their residual value and based on the following:

- Cash flow projections are taken from the Long-Term Plan prepared each year and reflect changes in volumes, prices, direct costs and investment in the period, determined based on contracts and activities and in line with past data and expected changes over the period covered by the Long-Term Plan.
- This plan covers the year in progress and the next six years. This period is representative of the average duration of the Group's long-term contract portfolio and its short-term activities;
- Terminal values are calculated based on discounted forecast flows for the last year of the long-term plan (2021). These flows are determined for each CGU or group of CGUs based on a perpetual growth rate which takes account of factors such as inflation;
- These terminal values are calculated based on discount rates and perpetual growth rates reflecting the country or the geographic area of the cash-generating unit;
- A discount rate (weighted average cost of capital) is determined for each asset, cash-generating unit or group of cash-generating units: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks (see Note 2). The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the CGU or group of CGUs is exposed, with the other risks reflected in the expected future cash flows from the assets;
- Investments included in forecast future cash flows are those investments that enable the level of economic benefits expected to arise from the assets to be maintained in their current condition. Restructuring plans to which the Group is not committed are not included in forecast cash flows used to determine values in use.

Changes in the economic and financial context, as well as changes in the competitive or regulatory environment may impact estimates of recoverable amounts, as may unforeseen changes in the political, economic or legal systems of certain countries.

The assumptions underlying the impairment tests on Group cash-generating units with material goodwill balances are as follows:

Geographic area	Recoverable amount determination method	Discount rate	Perpetual growth rate
France	Value in use	6.30%	1.70%
British Isles (United Kingdom)	Value in use	6.60%	2.00%
Germany	Value in use	6.30%	1.90%
Czech Republic and Slovakia	Value in use	7.00%	2.10%
Poland	Value in use	7.10%	1.60%
North America	Value in use	6.70%	2.40%

7.1.2.1 IMPAIRMENT TESTS RESULTS

Impairment tests were performed on all cash-generating units. No impairment losses were recognized in 2015.

7.1.2.2 SENSITIVITY OF RECOVERABLE AMOUNTS

Recoverable amounts determined for impairment testing purposes were tested for their sensitivity to a 1% increase in discount rates, a 1% decrease in perpetual growth rates and a 5% decrease in operating cash flows.

The changes in operating cash flows taken into account for the purpose of these sensitivity tests include EBITDA, less investments net of divestitures, plus changes in working capital. They also include the impact of Efficiency and Convergence plans launched by each cash-generating unit at the date of preparation of the Long-Term Plan.

These assumptions are considered reasonable given the Group's activities and the geographic areas of its operations.

For a certain number of cash-generating units, these tests lead to the identification of recoverable amounts lower than the net carrying amount of the cash-generating unit, adjusted where appropriate for impairments recognized during the period:

(€ million)			Difference between the recoverable amount and the net carrying amount			
Cash-generating unit	Net carrying amount Data at 100%	<i>o/w goodwill</i>	As of December 31, 2015	With an increase in the discount rate (1%)	With a decrease in the perpetual growth rate (1%)	With a decrease in operating cash flows (5%)
Poland	1,570.7	247.5	+171.9	(103.8)	(47.8)	+84.9

With regards to the France Water cash-generating unit, action plans launched by the new management and particularly the expected impacts of the reorganization plan lead to a recoverable amount in excess of the net carrying amount, including with a 1% increase in the discount rate, a 1% decrease in the perpetual growth rate or a 5% decrease in operating cash flows. The value of this cash-generating unit nonetheless remains sensitive to the realization of the planned savings and the terms and conditions of contract renewal.

7.2 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They mainly consist of certain assets recognized in respect of concession arrangements (IFRIC 12).

Intangible assets purchased separately are initially measured at cost in accordance with IAS 38. Intangible assets acquired through business combinations are recognized at fair value separately from goodwill. Subsequently, intangible assets are measured at cost less accumulated amortization and impairment losses. They are tested for impairment where there is indication of loss in value.

7.2.1 Concession intangible assets

Concession intangible assets correspond to the right of the concession holder to bill users of a public service in return for construction services provided by it to the concession grantor under public service contracts in accordance with IFRIC 12, Service Concession arrangements.

This concession holder right is equal to the fair value of the construction of the concession infrastructure plus borrowings costs recognized during the construction period. It is amortized over the contract term in accordance with an appropriate method reflecting the rate of consumption of the concession asset's economic benefits as from the date the infrastructure is brought into service.

Investment grants received in respect of concession arrangements are generally definitively earned and, therefore, are not repayable. In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets and reduce the amortization charge in respect of the concession intangible asset over the residual term of the concession arrangement.

Movements in the net carrying amount of concession intangible assets during 2015 are as follows:

(€ million)	As of December 31, 2014 re- presented	Additions	Disposals	Impairment losses	Amortization /reversals	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets classified as held for sale	Other	As of December 31, 2015
Concession intangible assets, gross	5,049.3	322.7	(18.0)	-	-	-	79.6	(70.2)	25.1	5,388.5
Amortization and impairment losses	(2,298.8)	-	2.5	1.0	(309.8)	-	(18.7)	0.8	30.9	(2,592.1)
CONCESSION INTANGIBLE ASSETS, NET	2,750.5	322.7	(15.5)	1.0	(309.8)	-	60.9	(69.4)	56.0	2,796.4

Additions mainly concern France (€118.9 million), Europe excluding France (€130.5 million) and the Rest of the World (€71.2 million).

Transfers to assets classified as held for sale concern Europe excluding France and particularly the reclassification of the Aton contract in Italy in the amount of -€69.4 million.

Other movements mainly concern Europe excluding France in the amount of €68.1 million and particularly the Hampshire PFI contract in the United Kingdom in the amount of €56.1 million following the signature of an extension agreement concerning this contract.

Foreign exchange translation gains and losses are primarily due to movements in the pound sterling (€35.1 million), the US Dollar (€17.6 million), the Chinese renminbi (€6.2 million) and the Moroccan dirham (€5.4 million).

Concession intangible assets break down by operating segment as follows:

(€ million)	As of December 31, 2015			Net carrying amount as of December 31, 2014 re- presented
	Gross carrying amount	Amortization and impairment losses	Net carrying amount	
France	1,363.8	(717.4)	646.4	637.1
Europe excluding France	2,381.4	(1,002.3)	1,379.1	1,335.0
Rest of the World	1,616.6	(851.8)	764.8	773.7
Global Businesses	26.7	(20.6)	6.1	4.7
Other	-	-	-	-
CONCESSION INTANGIBLE ASSETS	5,388.5	(2,592.1)	2,796.4	2,750.5

7.2.2 Other intangible assets

Other intangible assets mainly consist of entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations (“contractual rights”), patents, licenses, software and operating rights.

Other intangible assets are amortized on a straight-line basis over their useful life, unless another systematic amortization basis better reflects the rate of consumption of the asset.

Useful lives are as follows:

	Range of useful lives in number of years *
Entry fees paid to local authorities	3 to 80
Purchased contractual rights	3 to 35
Purchased software	3 to 10
Other intangible assets	1 to 30

* The range of useful lives is due to the diversity of intangible assets concerned.

Other intangible assets break down as follows:

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	15.4	16.6
Intangible assets with an indefinite useful life, gross	3,080.2	3,236.1
Amortization and impairment losses	(2,177.6)	(2,262.6)
INTANGIBLE ASSETS WITH AN DEFINITE USEFUL LIFE, NET	902.6	973.5
OTHER INTANGIBLE ASSETS, NET	918.0	990.1

Movements in the net carrying amount of other intangible assets during 2015 are as follows:

(€ million)	As of December 31, 2014 re-presented	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2015
INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE, NET	16.6	-	-	(4.6)	-	0.3	1.6	1.5	15.4
Entry fees paid to local authorities	152.5	1.0	(0.3)	-	(32.6)	-	0.2	(0.8)	120.0
Purchased contractual rights	411.0	0.3	-	(9.9)	(51.7)	3.9	5.1	2.5	361.2
Purchased software	123.4	52.3	(0.7)	(0.2)	(44.0)	0.9	1.4	17.2	150.3
Purchased customer portfolios	35.6	0.2	-	-	(5.4)	(0.3)	1.8	(0.6)	31.3
Other purchased intangible assets	126.7	19.1	(2.6)	1.6	(15.2)	0.4	3.6	(2.3)	131.3
Other internally-developed intangible assets	124.3	16.1	-	0.7	(30.0)	(1.9)	1.9	(2.6)	108.5
INTANGIBLE ASSETS WITH AN DEFINITE USEFUL LIFE, NET	973.5	89.0	(3.6)	(7.8)	(178.9)	3.0	14.0	13.4	902.6
OTHER INTANGIBLE ASSETS	990.1	89.0	(3.6)	(12.4)	(178.9)	3.3	15.6	14.9	918.0

Intangible assets with an indefinite useful life are primarily trademarks.

Entry fees paid to local authorities in respect of public service contracts total €120.0 million as of December 31, 2015, including €91.7 million in France, compared with €152.5 million as of December 31, 2014, including €117.7 million in France. Amortization of entry fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€32.6 million in 2015, including -€26.7 million for France.

Additions mainly concern acquisitions of software in the amount of €52.3 million.

7.3 Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost, less accumulated depreciation and any accumulated impairment losses.

Borrowing costs attributable to the acquisition or construction of identified installations, incurred during the construction period, are included in the cost of those assets in accordance with IAS 23, Borrowing Costs.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life.

Useful lives are as follows:

	Range of useful lives in number of years *
Buildings	20 to 50
Technical installations	7 to 35
Vehicles	3 to 25
Other plant and equipment	3 to 12

* The range of useful lives is due to the diversity of tangible assets concerned.

Property, plant and equipment are primarily depreciated on a straight-line basis, unless another systematic depreciation basis better reflects the rate of consumption of the asset.

They are tested for impairment where there is indication of loss in value.

In accordance with the option offered by IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, investment grants are deducted from the gross carrying amount of property, plant and equipment to which they relate. When the construction of an asset covers more than one period, the portion of the grant not yet used is recorded in "Other liabilities" in the Consolidated Statement of Financial Position.

7.3.1 Movements in the net carrying amount of property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during 2015 are as follows:

(€ million)	As of December 31, 2014 re- presented	Additions	Disposals	Impairment losses	Depreciation	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2015
Property, plant and equipment, gross	16,463.0	924.3	(466.3)	-	-	210.9	305.2	(10.0)	17,427.1
Depreciation and impairment losses	(9,825.5)	-	385.4	(39.7)	(892.9)	(132.0)	(143.5)	41.4	(10,606.8)
PROPERTY, PLANT AND EQUIPMENT, NET	6,637.5	924.3	(80.9)	(39.7)	(892.9)	78.9	161.7	31.4	6,820.3

Additions mainly concern France (€156.0 million), Europe excluding France (€396.8 million) and the Rest of the World (€255.9 million).

Disposals, net of impairment losses and depreciation, of -€80.9 million mainly concern:

- France and primarily the sale of water meters (-€17.2 million);
- Europe excluding France (-€37.8 million), following the sale of Pollington assets in the United Kingdom (-€12.0 million) and the replacement of the Warsaw connection network (-€11.0 million);
- and the Rest of the World (-€20.9 million).

The main **Impairment losses** recognized in 2015 in respect of property, plant and equipment primarily concern the Europe excluding France (-€21.4 million) and Global Businesses (-€20.3 million) operating segments.

Depreciation of -€892.9 million mainly concerns France in the amount of -€207.0 million, Europe excluding France in the amount of -€352.0 million and the Rest of the World in the amount of -€204.5 million.

Foreign exchange translation gains and losses are primarily due to the appreciation of the US Dollar, the pound sterling and the Chinese renminbi against the euro in the amount of €97.3 million, €33.3 million and €28.3 million, respectively.

Other movements mainly concern the balancing entry to the update of site rehabilitation provisions in the United Kingdom in the amount of €9.3 million and in France in the amount of €14.2 million.

Changes in consolidation scope mainly concern Europe excluding France (€68.4 million) and are primarily tied to the acquisition of control of Gesnob activities in Italy (€34.0 million) and the acquisition of the Dutch company, AKG, the European leader in the recycling and manufacture of polypropylene.

Property, plant and equipment break down by operating segment as follows:

(€ million)	As of December 31, 2015			Net carrying amount as of December 31, 2014 re-presented
	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	
France	3,770.9	(2,717.5)	1,053.4	1,101.9
Europe excluding France	7,501.6	(4,367.2)	3,134.4	3,016.2
Rest of the World	3,818.2	(1,837.2)	1,981.0	1,830.0
Global Businesses	2,113.2	(1,528.3)	584.9	614.0
Other	223.2	(156.6)	66.6	75.4
PROPERTY, PLANT AND EQUIPMENT	17,427.1	(10,606.8)	6,820.3	6,637.5

The breakdown of property, plant and equipment by class of assets is as follows:

(€ million)	As of December 31, 2015			Net carrying amount as of December 31, 2014 re-presented
	Gross carrying amount	Depreciation and impairment losses	Net carrying amount	
Land	1,218.0	(651.0)	567.0	580.9
Buildings	2,912.2	(1,638.0)	1,274.2	1,290.4
Technical installations, plant and equipment	9,110.7	(5,456.5)	3,654.2	3,552.2
Travelling systems and other vehicles	2,016.2	(1,535.8)	480.4	417.7
Other property, plant and equipment	1,558.8	(1,298.2)	260.6	253.9
Property, plant and equipment in progress	611.2	(27.3)	583.9	542.4
PROPERTY, PLANT AND EQUIPMENT	17,427.1	(10,606.8)	6,820.3	6,637.5

7.3.2 Finance leases

Pursuant to IAS 17, assets financed by finance lease are initially recorded at the lower of fair value and the present value of future minimum lease payments. Subsequently, the Group does not apply the remeasurement model but the cost model in accordance with IAS 16 and IAS 38.

These assets are depreciated over the shorter of the expected useful life of the asset and the lease term, unless it is reasonably certain that the asset will become the property of the lessee at the end of the contract. This accounting policy complies with IAS 17 and Group accounting methods regarding the recognition and measurement of intangible assets and property, plant and equipment.

The Group uses finance leases to finance the purchase of certain operating property, plant and equipment and real estate assets recognized as assets in the Consolidated Statement of Financial Position.

Assets financed by **finance lease** break down by category as follows:

(€ million)	Property, plant and equipment, net	Concession intangible assets	Operating financial assets	Total
December 31, 2015	82.4	31.0	108.6	222.0
December 31, 2014	84.5	43.5	120.6	248.6

The decrease in assets financed by finance lease between December 31, 2014 and 2015 is mainly due to the amortization of intangible assets in Lithuania (-€10.1 million) and the repayment of financial receivables by Waste solutions entities in France (-€8.9 million).

7.3.3 Operating leases

Future minimum lease payments under operating leases amount to €1,505.5 million as of December 31, 2015, compared with €1,478.9 million as of December 31, 2014.

As of December 31, 2015, future minimum lease payments under these contracts were as follows:

(€ million)	Operating lease
2016	375.7
2017 & 2018	382.4
2019 & 2020	237.8
2021 and thereafter	509.6
TOTAL FUTURE MINIMUM LEASE PAYMENTS	1,505.5

Lease payments for the period break down as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Minimum lease payments expensed in the year	443.7	475.1
Contingent rent expensed in the year	2.5	3.5
TOTAL LEASE PAYMENTS FOR THE YEAR	446.2	478.6

Sub-lease revenue is not material.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial assets and liabilities

Financial assets and liabilities mainly consist of:

- Borrowings and other financial liabilities, presented in Note 8.1.1;
- Other current and non-current financial assets, presented in Note 8.1.2;
- Cash and cash equivalents and bank overdrafts and other cash position items, presented in Note 8.1.3;
- Derivative instruments, presented in Note 8.3.

8.1.1 Financial liabilities

Financial liabilities include borrowings, other financing and bank overdrafts and derivative liabilities.

With the exception of trading liabilities and derivative liabilities which are measured at fair value, borrowings and other financial liabilities are recognized initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

(€ million)	As of December 31					
	Non-current		Current		Total	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014 re-presented
Bond issues	7,291.2	7,482.1	400.2	1,059.6	7,691.4	8,541.7
▪ maturing in < 1 year	-	-	400.2	1,059.6	400.2	1,059.6
▪ maturing in 2-3 years	1,857.6	1,426.6	-	-	1,857.6	1,426.6
▪ maturing in 4-5 years	1,010.9	1,171.2	-	-	1,010.9	1,171.2
▪ maturing in > 5 years	4,422.7	4,884.3	-	-	4,422.7	4,884.3
Other borrowings	731.1	842.4	3,599.9	1,943.5	4,331.0	2,785.9
▪ maturing in < 1 year	-	-	3,599.9	1,943.5	3,599.9	1,943.5
▪ maturing in 2-3 years	330.6	342.4	-	-	330.6	342.4
▪ maturing in 4-5 years	146.7	192.0	-	-	146.7	192.0
▪ maturing in > 5 years	253.8	308.0	-	-	253.8	308.0
TOTAL CURRENT AND NON-CURRENT BORROWINGS	8,022.3	8,324.5	4,000.1	3,003.1	12,022.4	11,327.6

The heading “Net increase/decrease in current borrowings” in the Consolidated Cash Flow Statement includes redemptions of current bonds in the amount of -€1,076.3 million in 2015 and increases and repayments of other current borrowings of -€1,223.6 million. This heading does not include accrued interest payable of -€21.4 million in 2015, presented on the line “Interest paid” in the Consolidated Cash Flow Statement.

The heading “New non-current borrowings and other debts” in the Consolidated Cash Flow Statement includes non-current bond issues in the amount of €356.1 million in 2015 and new other non-current borrowings of €127.9 million. However, it excludes new finance lease obligations of €16.9 million in 2015, presented in investment flows.

The heading “Principal payments on non-current borrowings and other debts” in the Consolidated Cash Flow Statement includes redemptions of non-current bonds in the amount of -€168.8 million in 2015 and principal payments on other non-current borrowings of -€37.3 million.

8.1.1.1 CHANGES IN NON-CURRENT AND CURRENT BOND ISSUES

Non-current and current bond issues break down as follows:

(€ million)	Year ended December 31, 2014 re-presented	Increases/subscriptions	Repayments	Changes in consolidation scope	Fair value adjustments ⁽¹⁾	Foreign exchange translation	Non-current/current reclassification	Other	Year ended December 31, 2015
Non-current bond issues	7,482.1	356.1	(168.8)	0.1	(67.2)	111.1	(422.0)	(0.2)	7,291.2
Current bond issues	1,059.6	-	(1,076.3)	0.1	-	2.5	422.0	(7.7)	400.2
TOTAL BOND ISSUES	8,541.7	356.1	(1,245.1)	0.2	(67.2)	113.6	-	(7.9)	7,691.4

(1) Fair value adjustments are recorded in financial income and expenses.

Increases/subscriptions mainly concern the issue by Veolia Environnement on November 13, 2015 of €350 million in floating-rates notes maturing in May 2017 through a private placement with French institutional investors.

Repayments mainly comprise:

- the repayment at maturity on June 17, 2015 by Veolia Environnement of the 2015 inflation-linked euro bond line in the amount of €1,032 million;
- the exchange, in Veolia Environnement, in early April 2015 of a portion of the bonds maturing in 2019, 2021 and 2022 in the amount of €515 million, for a new €500 million bond issue maturing in January 2028 with a 1.59% coupon. This transaction enabled the Group to smooth out its debt profile, while reducing the associated financing costs.

Non-current/current reclassifications mainly concern the transfer to current bond issues of the Veolia Environnement euro-bond line linked to European inflation maturing in February 2016 in the amount of €383.4 million.

Non-current bond issues break down by maturity as follows:

(€ million)	Year ended December 31, 2014 re-presented	Year ended December 31, 2015	Maturing in		
			2 to 3 years	4 to 5 years	More than 5 years
Publicly offered or traded issuances ^(a)	7,308.7	7,147.3	1,821.4	988.9	4,337.0
European market ⁽ⁱ⁾	6,949.0	6,746.9	1,821.4	988.9	3,936.6
US Market ⁽ⁱⁱ⁾	359.7	400.4	-	-	400.4
Stirling Water Seafeld Finance bond issue ^(b)	81.7	82.2	12.4	14.1	55.7
Other amounts < €50 million in 2014 and 2015	91.7	61.7	23.8	7.9	30.0
NON-CURRENT BOND ISSUES	7,482.1	7,291.2	1,857.6	1,010.9	4,422.7

(a) Publicly offered or traded issuances

- i. European market: as of December 31, 2015, an amount of €7,130.3 million is recorded in the Consolidated Statement of Financial Position in respect of bonds issued under the European Medium Term Notes (EMTN) Program, including €6,746.9 million maturing in more than one year. The impact of the fair value remeasurement of hedged interest rate risk is €11.2 million at the year-end (non-current portion).
 - ii. US market: as of December 31, 2015, remaining nominal outstandings on the bond issues performed in the United States on May 27, 2008 total USD 400.0 million, maturing June 1, 2038 and paying fixed-rate interest of 6.75% (Tranche 3). Tranche 1 of USD 490 million, paying fixed-rate interest of 5.25% matured on June 3, 2013 and Tranche 2, maturing June 1, 2018, of USD 408 million, paying fixed-rate interest of 6% was bought back in full on December 21, 2014.
- (b) Stirling Water Seafeld Finance bond issue: the outstanding nominal balance as of December 31, 2015 on the amortizable bond issue performed in 1999 by Stirling Water Seafeld Finance (Veolia Water UK subsidiary, Water activities), is £64.4 million (current and non-current portion). This bond issue is recognized at amortized cost for a euro equivalent of €82.2 million as of December 31, 2015 (non-current portion). This bond matures on September 26, 2026.

Breakdown of non-current bond issues by main component:

Transaction (all amounts are in € million)	Final maturity	Currency	Nominal	Interest rate	Net carrying amount
Series 11	05/28/2018	EUR	472	5.375%	512
Series 12	11/25/2033	EUR	700	6.125%	695
Series 18	12/11/2020	EUR	431	4.375%	495
Series 21	01/16/2017	EUR	606	4.375%	633
Series 23	05/24/2022	EUR	645	5.125%	699
Series 24	10/29/2037	GBP	886	6.125%	893
Series 26	04/24/2019	EUR	462	6.750%	494
Series 27	06/29/2017	EUR	250	5.700%	255
Series 28 (PEO)	01/06/2021	EUR	638	4.247%	614
Series 29 (PEO)	03/30/2027	EUR	750	4.625%	680
Series 30	06/28/2017	CNY	71	4.500%	71
Series 31 (PEO)	01/10/2028	EUR	500	1.590%	356
Series 32	05/19/2017	EUR	350	Euribor 3 months+0.25%	350
Total bond issues (EMTN)	N/A	N/A	6,761	N/A	6,747
USD Series Tranche 3	06/01/2038	USD	367	6.750%	400
Total publicly offered or traded issuances in USD	N/A	N/A	367		400
Stirling Water Seafeld Finance bond issue	09/26/2026	GBP	81	5.822%	82
Total principal bond issues	N/A	N/A	7,209	N/A	7,229
Total other bond issues	N/A	N/A		N/A	62
TOTAL NON-CURRENT BOND ISSUES	N/A	N/A		N/A	7,291

8.1.1.2 CHANGES IN OTHER FINANCIAL LIABILITIES

(€ million)	Year ended December 31, 2014 re- presented	Net movement	Changes in consolidation scope	Fair value adjustments	Foreign exchange translation	Non-current/ current reclassification	Transfers to Liabilities classified as held for sale	Other	Year ended December 31, 2015
Other non-current financial liabilities	842.4	90.6	20.7	(2.3)	8.9	(234.9)	3.6	2.1	731.1
Other current financial liabilities	1,943.5	1,223.6	(57.0)	(1.0)	309.2	234.9	(29.1)	(24.2)	3,599.9
OTHER FINANCIAL LIABILITIES	2,785.9	1,314.2	(36.3)	(3.3)	318.1	-	(25.5)	(22.1)	4,331.0

Movements in **financial liabilities** during 2015 are as follows:

Other non-current financial liabilities mainly comprise finance lease obligations (€164.9 million as of December 31, 2015 and €181.1 million as of December 31, 2014) and the non-recourse debt carried by Redal and Amendis in Morocco (Water) maturing between December 31, 2018 and March 31, 2023 of €101.7 million and €62.3 million, respectively, as of December 31, 2015 and €127.8 million and €69.4 million, respectively, as of December 31, 2014.

Changes in consolidation scope mainly concern the increase in the amount of +€10.0 million of the Kendall put option in the United States, which was recognized following the acquisition by TNAI of 51% of Kendall Green Energy Holdings LLC and its wholly-owned subsidiary, Kendall Green Energy LLC. The Group received a call option covering the shares held by the joint partner and simultaneously granted a put option to the joint partner exercisable under the same conditions, which was recognized in debt.

Other current financial liabilities total €3,599.9 million as of December 31, 2015, compared with €1,943.5 million as of December 31, 2014.

Net movements in other current financial liabilities in 2015 mainly reflect the increase in treasury notes issued in the amount of €1,674.5 million and the repayment of cash and cash equivalents invested by Transdev Group with Veolia Environnement in the amount of -€66.2 million following the repayment of shareholder loans.

Transfers to Liabilities classified as held for sale mainly concern the reclassification of Aton in Italy in the amount of -€65.0 million and the transfer prior to divestiture of the debt of the Group's activities in Israel in the amount of +€35.0 million.

Changes in consolidation scope mainly concern the divestiture of the Group's activities in Israel in the amount of -€41.2 million and the divestiture of Waste solutions activities in Poland in the amount of -€16.5 million.

As of December 31, 2015, other current borrowings mainly concern:

- Veolia Environnement for €3,123.8 million (including treasury notes of €2,937.3 million and accrued interest on debt of €177.9 million);
- certain subsidiaries of the Other operating segment in the amount of €8.7 million;
- France in the amount of €49.9 million;
- Europe excluding France in the amount of €120.9 million;
- the Rest of the World operating segment in the amount of €241.7 million;
- Global Businesses in the amount of €54.8 million.

The current portion of Group finance lease obligations is €33.4 million as of December 31, 2015, compared with €40.1 million as of December 31, 2014.

8.1.1.3 BREAKDOWN OF NON-CURRENT AND CURRENT FINANCIAL LIABILITIES BY CURRENCY

Financial liabilities are primarily denominated in euro, pound sterling and US Dollar.

Financial liabilities break down by original currency (before currency swaps) as follows:

- euro-denominated debts total €9,470.7 million as of December 31, 2015 and €9,056.5 million as of December 31, 2014, re-presented;
- pound sterling-denominated debts total €1,048.2 million as of December 31, 2015 and €1,020.2 million as of December 31, 2014, re-presented;
- US dollar-denominated debts total €901.0 million as of December 31, 2015 and €556.5 million as of December 31, 2014.

8.1.2 Non-current and current financial assets

Financial assets include assets classified as available-for-sale and held-to maturity, assets at fair value through profit or loss, derivative assets, loans and receivables and cash and cash equivalents.

Financial assets are initially recognized at fair value plus transaction costs, where the assets concerned are not subsequently measured at fair value through profit or loss. Where the assets are measured at fair value through profit or loss, transaction costs are expensed directly to net income.

The Group classifies financial assets in one of the four categories identified by IAS 39 on the acquisition date.

HELD-TO MATURITY ASSETS

Held-to-maturity assets are exclusively financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables that the Group acquires with the positive intention and ability to hold to maturity. After initial recognition at fair value, held-to-maturity assets are recognized and measured at amortized cost using the effective interest method.

Held-to-maturity assets are reviewed for objective evidence of impairment. An impairment loss is recognized if the carrying amount of the financial asset exceeds the present value of future cash flows discounted at the initial effective interest rate (EIR). The impairment loss is recognized in profit or loss.

Net gains and losses on held-to-maturity assets consist of interest income and impairment losses.

AVAILABLE-FOR-SALE ASSETS

Available-for-sale assets mainly consist of non-consolidated investments and marketable securities that do not qualify for inclusion in other financial asset categories. They are measured at fair value, with fair value movements recognized directly in other comprehensive income, except where there is a material or long-term unrealized capital loss. This can arise when future cash flows decrease to such an extent that the fair value of these assets falls materially or long-term below the historical cost. Where this is the case, the impairment loss is recognized in the Consolidated Income Statement. Impairment reversals are recognized in profit or loss for debt securities only (receivables and bonds).

Amounts recognized in other comprehensive income are reclassified to profit or loss on the sale of the available-for-sale assets. Fair value is equal to market value in the case of quoted securities and to an estimate of the fair value in the case of unquoted securities, determined based on financial criteria most appropriate to the specific situation of each security. Non-consolidated investments which are not quoted in an active market and for which the fair value cannot be measured reliably, are recorded by the Group at historical cost less any accumulated impairment losses.

Net gains and losses on available-for-sale assets consist of interest income, dividends, impairment losses and capital gains and losses on disposals.

LOANS AND RECEIVABLES

This category includes loans to non-consolidated investments, operating financial assets, other loans and receivables and trade receivables. After initial recognition at fair value, these instruments are recognized and measured at amortized cost using the effective interest method.

An impairment loss is recognized if, where there exists an indication of impairment, the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR. The impairment loss is recognized in profit or loss.

The impairment of trade receivables is calculated using two methods:

- a statistical method: this method is based on past losses and involves the application of a provision rate by category of aged receivables. The analysis is performed for a group of similar receivables, presenting similar credit characteristics as a result of belonging to a customer category and country;
- an individual method: the probability and amount of the loss is assessed on an individual case basis in particular for non-State public debtors (past due period, other receivables or payables with the counterparty, rating issued by an external rating agency, geographical location).

Net gains and losses on loans and receivables consist of interest income and impairment losses.

ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes:

- trading assets and liabilities acquired by the Group for the purpose of selling them in the near term and which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives not qualifying for hedge accounting are also considered trading assets and liabilities;
- assets designated at fair value and primarily the portfolio of cash UCITS whose performance and management is based on fair value.

Changes in the value of these assets are recognized in the Consolidated Income Statement.

Net gains and losses on assets at fair value through the Consolidated Income Statement consist of interest income, dividends and fair value adjustments.

Net gains and losses on derivatives entered into for trading purposes consist of swapped flows and the change in the value of the instrument.

8.1.2.1 OTHER NON-CURRENT AND CURRENT FINANCIAL ASSETS

Other non-current and current financial assets break down as follows:

(€ million)	As of December 31					
	Non-current		Current		Total	
	2015	2014 re-presented	2015	2014 re-presented	2015	2014
Gross	817.2	920.5	253.4	246.8	1,070.6	1,167.3
Impairment losses	(78.5)	(69.9)	(39.5)	(45.7)	(118.0)	(115.6)
FINANCIAL ASSETS IN RESPECT OF LOANS AND RECEIVABLES, NET	738.7	850.6	213.9	201.1	952.6	1,051.7
OTHER FINANCIAL ASSETS	19.7	16.1	1.8	2.0	21.5	18.1
TOTAL OTHER FINANCIAL ASSETS, NET	758.4	866.7	215.7	203.1	974.1	1,069.8

8.1.2.2 CHANGES IN OTHER NON-CURRENT FINANCIAL ASSETS

Changes in the value of other non-current financial assets during 2015 are as follows:

(€ million)	As of December 31, 2014 re-presented	Additions	Repayments/ disposals	Changes in consolidation scope	Impairment losses ⁽¹⁾	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2015
Gross	920.5	125.1	(244.6)	0.2	-	23.3	(13.5)	8.0	(1.8)	817.2
Impairment losses	(69.9)	-	-	-	(1.3)	(7.6)	0.2	-	0.1	(78.5)
NON-CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	850.6	125.1	(244.6)	0.2	(1.3)	15.7	(13.3)	8.0	(1.7)	738.7
OTHER NON-CURRENT FINANCIAL ASSETS	16.1	10.2	(6.0)	2.3	(3.1)	0.1	(0.1)	-	0.2	19.7
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS, NET	866.7	135.3	(250.6)	2.5	(4.4)	15.8	(13.4)	8.0	(1.5)	758.4

(1) Impairment losses are recorded in financial income and expenses.

Repayments mainly concern the repayment of the Transdev Group loan in the amount of €120.0 million and the repayment of the guarantee deposit following the early repayment of the Tyseley bond issue in the United Kingdom in the amount of €25.1 million.

Non-current financial assets relating to loans and receivables

As of December 31, 2015, the main non-current financial assets in loans and receivables primarily re-presented loans granted to equity-accounted joint ventures totaling €479.1 million, compared with €570.1 million as of December 31, 2014.

These loans mainly concern the loans granted to the Chinese Water concessions in the amount of €108.7 million and to the Transdev Group in the amount of €345.0 million.

Other non-current financial assets

Other non-current financial assets are classified as “Available-for-sale assets” in accordance with the principles set out in Note 8.1.2.

Other financial assets held by the Group in countries considered high-risk by the IMF are not material in amount.

8.1.2.3 MOVEMENTS IN CURRENT FINANCIAL ASSETS

Movements in other current financial assets during 2015 are as follows:

(€ million)	As of December 31, 2014 re- presented	Repayments/ disposals ⁽²⁾	Changes in consolidation scope	Fair value adjustments	Impairment losses ⁽¹⁾	Foreign exchange translation	Non-current/ current reclassification	Transfers to Assets classified as held for sale	Other	As of December 31, 2015
Gross	246.8	(21.2)	(1.0)	-	-	8.7	13.5	(0.1)	6.7	253.4
Impairment losses	(45.7)	-	-	-	8.8	(2.3)	(0.2)	-	(0.1)	(39.5)
CURRENT FINANCIAL ASSETS IN LOANS AND RECEIVABLES, NET	201.1	(21.2)	(1.0)	-	8.8	6.4	13.3	(0.1)	6.6	213.9
OTHER CURRENT FINANCIAL ASSETS	2.0	(0.2)	-	-	-	-	0.1	(0.1)		1.8
TOTAL OTHER CURRENT FINANCIAL ASSETS, NET	203.1	(21.4)	(1.0)	-	8.8	6.4	13.4	(0.1)	6.5	215.7

(1) Impairment losses are recorded in financial income and expenses.

(2) “Net decrease/increase in current loans” in the Consolidated Cash Flow Statement (€21.2 million) includes repayments/disposals of other current financial assets of €21.4 million, excluding the net increase/decrease in other current financial assets available for sale (-€0.2 million) presented in “Purchases of/Proceeds on disposal of financial assets”.

The accounting treatment of other current financial assets relating to loans and receivables complies with the required treatment of loans and receivables as defined by IAS 39. Other financial assets are classified as available-for-sale assets in accordance with the accounting principles described in Note 8.1.2.

8.1.3 Cash and cash equivalents, bank overdrafts and other cash position items

Cash and cash equivalents include all cash balances, certain term deposit accounts, negotiable debt instruments and monetary UCITS.

Cash equivalents are held to meet short-term cash commitments. In order to be considered a cash equivalent, an investment must be readily convertible to a known amount of cash and subject to a negligible risk of change in value, thereby satisfying the requirements of IAS 7.

Term deposit accounts and negotiable debt instruments present characteristics satisfying the requirements of IAS 7 when their yield is based on short-term money-market rates (such as Eonia) and their maturity is less than 3 months (contractually or due to an early exit option exercisable at least every 3 months and held at a low or nil cost, without loss of capital or remuneration received net of the early exit penalty of less than the yield on short-term investments).

UCITS classified in “cash equivalents” comply with Directive 2009/65/EC of the European Commission of July 13, 2009 and constitute short-term monetary UCITS or monetary UCITS (pursuant to the AMF classification no. 2005-02 of January 25, 2005, as amended on May 3, 2011). Pursuant to AMF Position no. 2011-13 of September 23, 2011, these UCITS are presumed to satisfy the cash equivalent criteria defined by IAS 7. These UCITS can be sold daily on demand, conferring on them the characteristics of short-term, highly liquid investments that are readily convertible to known amounts of cash. These instruments are not intended to be held more than three months and offer a yield similar to the EONIA (European Overnight Index Average) interbank rate, thereby limiting sensitivity to interest rates. The regularity of performance trends does not expose them to a material risk of change in value.

Bank overdrafts repayable on demand which form an integral part of the Group's cash management policy represent a component of cash and cash equivalents for the purposes of the Consolidated Cash Flow Statement.

Cash and cash equivalents are valued at fair value through profit or loss. Note 8.2.1 sets out the method of determining fair value. Cash and cash equivalents belong to fair value levels 1 and 2:

- instruments with a quoted price in an active market in level 1;
- other instruments that are not quoted but the fair value of which is determined using valuation techniques involving standard mathematical calculation methods integrating observable market data, in level 2.

8.1.3.1 MOVEMENTS IN CASH AND CASH EQUIVALENTS

Movements in cash and cash equivalents and bank overdrafts and other cash position items during 2015 are as follows:

(€ million)	As of December 31, 2014 re-presented	Changes in business	Changes in consolidation scope	Fair value adjustments ⁽¹⁾	Foreign exchange translation	Transfers to Assets/Liabilities classified as held for sale	Other	As of December 31, 2015
Cash	820.7	91.1	(10.9)	-	15.8	5.5	(1.0)	921.2
Cash equivalents	2,327.9	926.6	(8.6)	-	2.1	7.0	0.1	3,255.1
CASH AND CASH EQUIVALENTS	3,148.6	1,017.7	(19.5)	-	17.9	12.5	(0.9)	4,176.3
Bank overdrafts and other cash position items	216.4	228.1	(146.1)	-	7.8	12.3	0.1	318.6
Net cash	2,932.2	789.6	126.6	-	10.1	0.2	(1.0)	3,857.7

(1) Fair value adjustments are recorded in financial income and expenses.

Changes in consolidation scope mainly concern movements relating to the removal of the net cash of the Group's activities in Israel -€140.5 million.

Cash and cash equivalents total €4,176.3 million, including €254.1 million “subject to restrictions” as of December 31, 2015.

The increase in net cash mainly reflects the increase in treasury notes issued in the amount of €1,674.5 million, the issue in November 2015 of floating rate notes maturing in May 2017 in the amount of €350.0 million and the repayment of the 2015 inflation-linked euro bond line in June 2015 in the nominal amount of €1,032.0 million.

As of December 31, 2015, the France segment held cash of €19.5 million, the Europe excluding France segment held cash of €261.7 million, the Rest of the World segment held cash of €248.0 million, the Global Businesses segment held cash of €143.5 million and the Other segment held cash of €248.4 million (including €155.1 million held by Veolia Environnement).

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement level, are invested in accordance with procedures defined by the Group. Note 8.3.2, “Management of liquidity risk”, presents a breakdown of investments by nature.

As of December 31, 2015, cash equivalents were primarily held by Veolia Environnement in the amount of €3,142.5 million including monetary UCITS of €2,423.3 million and term deposit accounts of €720.4 million.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

8.1.3.2 MANAGEMENT OF EQUITY RISK

As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

8.2 Fair value of financial assets and liabilities

8.2.1 Principles

The recognition and measurement of financial assets and liabilities is governed by IAS 39. Fair value measurement incorporates, in particular, the risk of non-performance by the Group or its counterparties, determined based on default probabilities taken from rating agency tables.

The fair value of all financial assets and liabilities is determined at the period end; either for recognition in the accounts or disclosure in the notes to the financial statements.

Fair value is determined:

- i. Based on quoted prices in an active market (level 1) or;
- ii. Using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of the Group or the counterparty (level 2) or;
- iii. Using internal valuation techniques integrating factors estimated by the Group in the absence of observable market data (level 3).

QUOTED PRICES IN AN ACTIVE MARKET (LEVEL 1)

When quoted prices in an active market are available, they are used in priority for the determination of the market value. Marketable securities and certain quoted bond issues are valued in this way.

FAIR VALUES DETERMINED USING MODELS INTEGRATING OBSERVABLE MARKET DATA (LEVEL 2)

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Group credit risk.

FAIR VALUES DETERMINED USING MODELS INTEGRATING CERTAIN NON-OBSERVABLE DATA (LEVEL 3)

Derivative instruments valued using internal models integrating certain non-observable data include certain electricity derivative instruments for which there are no quoted prices in an active market (notably for electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials, interest-rate curves, etc.), in particular for distant maturities.

8.2.2 Financial assets

The following tables present the net carrying amount and fair value of Group financial assets as of December 31, 2015, grouped together in accordance with IFRS 7 categories.

As of December 31, 2015									
(€ million)	Note	Net carrying amount	Financial assets at fair value			Fair value	Method for determining fair value		
		Total	Available-for-sale assets	Loans and receivables	Assets at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
Non-consolidated investments		52.9	52.9	-	-	52.9	-	52.9	-
Non-current and current operating financial assets	Note 5.4	1,896.5	-	1,896.5	-	2,110.0	-	2,110.0	-
Other non-current financial assets	Note 8.1.2	758.4	19.7	738.7	-	758.4	-	758.4	-
Trade receivables	Note 5.3	6,487.9	-	6,487.9	-	6,487.9	-	6,487.9	-
Other current operating receivables	Note 5.3	537.8	-	537.8	-	537.8	-	537.8	-
Other current financial assets	Note 8.1.2	215.7	1.8	213.9	-	215.7	-	215.7	-
Non-current and current derivative instruments	Note 8.3	131.7	-	-	131.7	131.7	-	123.8	7.9
Cash and cash equivalents	Note 8.1.3	4,176.3	-	-	4,176.3	4,176.3	3,345.8	830.5	-
TOTAL		14,257.2	74.4	9,874.8	4,308.0	14,470.7	3,345.8	11,117.0	7.9

Level 2 cash and cash equivalents mainly consist of negotiable debt instruments and term deposit accounts.

8.2.3 Financial liabilities

The following tables present the net carrying amount and fair value of Group financial liabilities as of December 31, 2015, grouped together in accordance with IFRS 7 categories.

As of December 31, 2015									
		Net carrying amount	Financial liabilities at fair value			Fair value	Method for determining fair value		
		Total	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
(€ million)	Note	Total	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement	Liabilities at fair value through the Consolidated Income Statement	Total	Level 1	Level 2	Level 3
Borrowings and other financial liabilities									
▪ Non-current bond issues	Note 8.1.1	7,291.2	7,291.2	-	-	9,037.0	8,882.7	154.3	-
▪ Other non-current borrowings	Note 8.1.1	731.1	731.1	-	-	727.1		727.1	-
▪ Current borrowings	Note 8.1.1	4,000.1	4,000.1	-	-	4,000.1	-	4,000.1	-
▪ Bank overdrafts and other cash position items	Note 8.1.3	318.6	318.6	-	-	318.6	-	318.6	-
Trade payables	Note 5.3	4,345.2	4,345.2	-	-	4,345.2		4,345.2	-
Non-current and current derivative instruments	Note 8.3	202.3	202.3	-	-	202.3	-	149.5	52.8
Other operating payables	Note 5.3	3,943.1	3,943.1	-	-	3,943.1		3,943.1	-
TOTAL		20,831.6	20,831.6	-	-	22,573.4	8,882.7	13,637.9	52.8

8.2.4 Offsetting of financial assets and liabilities

As of December 31, 2015, derivatives managed under ISDA or EFET agreements are the only financial assets and/or liabilities covered by a legally enforceable master netting agreement. These instruments may only be offset in the event of default by one of the parties to the agreement; therefore they are not presented on a net basis in the Statement of Financial Position.

Such derivatives are recognized in assets in the amount of €131.7 million and in liabilities in the amount of €202.3 million in the Consolidated Statement of Financial Position as of December 31, 2015.

8.3 Market risks and financial instruments

Derivative instruments

The Group uses various derivative instruments to manage its exposure to interest rate and foreign exchange risks resulting from its operating, financial and investment activities. Certain transactions performed in accordance with the Group interest rate and foreign exchange risk management policy do not satisfy hedge accounting criteria and are recorded as trading instruments.

Derivative instruments are recognized at fair value in the Consolidated Statement of Financial Position. Other than the exceptions detailed below, changes in the fair value of derivative instruments are recorded through profit or loss. The fair value of derivatives is estimated using standard valuation models which take into account active market data.

Net gains and losses on instruments at fair value through profit or loss consist of swapped flows and changes in the value of the instrument.

Derivative instruments may be designated as hedges under one of three types of hedging relationship: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation:

- a fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability, or an identified portion of such an asset or liability, that is attributable to a specific risk (primarily interest rate or foreign exchange risk), and could affect profit or loss for the period;
- a cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction (such as a planned purchase or sale) and could affect profit or loss for the period;
- a hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of a foreign operation including loans considered part of the investment (IAS 21, The Effects of Changes in Foreign Exchange Rates).

An asset, liability, firm commitment, future cash-flow or net investment in a foreign operation qualifies for hedge accounting if:

- the hedging relationship is precisely defined and documented at the inception date;
- the effectiveness of the hedge is demonstrated at inception and by regular verification of the offsetting nature of movements in the market value of the hedging instrument and the hedged item. The ineffective portion of the hedge is systematically recognized in the Consolidated Income Statement.

The use of hedge accounting has the following consequences:

- in the case of fair value hedges of existing assets and liabilities, the hedged portion of these items is measured at fair value in the Consolidated Statement of Financial Position. The gain or loss on remeasurement is recognized in the Consolidated Income Statement, where it is offset against matching gains or losses arising on the fair value remeasurement of the hedging financial instrument, to the extent it is effective;
- in the case of cash flow hedges, the portion of the gain or loss on the fair value remeasurement of the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, while the gain or loss on the fair value remeasurement of the underlying item is not recognized in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss. Gains or losses recognized in other comprehensive income are reclassified to profit or loss in the same period or periods in which the asset acquired or liability issued affects profit or loss;
- in the case of net investment hedges, the effective portion of the gain or loss on the hedging instrument is recognized in translation reserves in other comprehensive income, while the ineffective portion is recognized in the Consolidated Income Statement. Gains and losses recognized in foreign exchange translation reserves are reclassified to profit or loss when the foreign investment is sold.

Embedded derivatives

An embedded derivative is a component of a host contract that satisfies the definition of a derivative instrument and whose economic characteristics are not closely related to that of the host contract. An embedded derivative must be separated from its host contract and accounted for as a derivative if, and only if, the following three conditions are satisfied:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the embedded derivative satisfies the definition of a derivative laid down in IAS 39; and
- the hybrid instrument is not measured at fair value with changes in fair value recognized in the Consolidated Income Statement.

Commodity purchases/sales

These purchase / sales contracts are generally recognized outside the scope of IAS 39 ("own use" exemption), except for certain specific transactions in coal and electricity. For these specific transactions, cash flow hedge accounting is systematically preferred.

Options and forward purchase and sale contracts with physical delivery are excluded from the application scope of IAS 39 if entered into for own use ("exception for own-use").

This exception is applicable when the following conditions are satisfied:

- the volumes purchased or sold under the contracts reflect the operating requirements of the subsidiary;
- the contracts are not subject to net settlement as defined by IAS 39 and, in particular, physical delivery is systematic;
- the contracts are not equivalent to sales of options, as defined by IAS 39.

Certain subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IAS 39.

Instruments falling within the application scope of IAS 39 are derivative instruments and are measured at fair value, calculated using models mostly based on data. Fair value movements are recorded in operating income. The net impact of the unwinding of these transactions is recorded in revenue.

The Group is exposed to the following financial risks in the course of its operating and financial activities:

- Market risks presented:
 - interest-rate risk (interest-rate fair value hedges, cash flow hedges and derivatives not qualifying for hedge accounting),
 - foreign exchange risk (hedges of a net investment in a foreign operation, hedges of balance sheet foreign exchange exposure by derivatives not qualifying for hedge accounting, embedded derivatives, overall foreign exchange risk exposure),
 - commodity risk (fuel and electricity risks, greenhouse gas emission rights);
- Liquidity risk;
- Credit risk.

Equity risk is presented in Notes 8.1.3.2 and 9.2.2.2.

8.3.1 Market risk management

The Group uses derivatives to manage and reduce its exposure to fluctuations in interest rates, exchange rates and commodity prices.

The fair value of derivatives in the Consolidated Statement of Financial Position breaks down as follows:

(€ million)	Note	As of December 31, 2015		As of December 31, 2014 re-presented	
		Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	8.3.1.1	51.0	8.2	125.4	26.1
Fair value hedges		12.2	-	81.2	-
Cash flow hedges		34.8	0.5	39.7	16.2
Derivatives not qualifying for hedge accounting		4.0	7.7	4.5	9.9
Foreign currency derivatives	8.3.1.2	70.9	123.8	71.9	161.7
Net investment hedges		5.1	21.1	14.1	8.3
Fair value hedges		9.4	26.6	6.4	29.4
Cash flow hedges		2.2	2.6	5.6	2.6
Derivatives not qualifying for hedge accounting		54.2	73.5	45.8	121.4
Commodity derivatives	8.3.1.3	9.8	70.3	7.6	53.2
TOTAL DERIVATIVES		131.7	202.3	204.9	241.0
o/w non-current derivatives		58.9	114.7	101.9	112.5
o/w current derivatives		72.8	87.6	103.0	128.5

The fair value of derivatives recognized in the Consolidated Statement of Financial Position is determined (as described in Note 8.2.1) and breaks down as follows:

(€ million)	As of December 31, 2015		Level 2 (in %)		Level 3 (in %)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	51.0	8.2	100%	100%	-	-
Foreign currency derivatives	70.9	123.8	100%	100%	-	-
Commodity derivatives	9.8	70.3	18.4%	25.0%	81.6%	75.0%
TOTAL DERIVATIVES	131.7	202.3	94%	73.9%	6.0%	26.1%

Derivatives valued using internal models integrating certain non-observable data are primarily electricity derivatives (see Note 8.3.1.3) for which there are no quoted prices in an active market (mainly electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials), in particular for distant maturities. In such cases, data is estimated by Veolia experts.

(€ million)	As of December 31, 2014 re-presented		Level 2 (in %)		Level 3 (in %)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	125.4	26.1	100%	100%	-	-
Foreign currency derivatives	71.9	161.7	100%	100%	-	-
Commodity derivatives	7.6	53.2	5.8%	19.4%	94.2%	80.6%
TOTAL DERIVATIVES	204.9	241.0	96.5%	82.2%	3.5%	17.8%

8.3.1.1 MANAGEMENT OF INTEREST RATE RISK

The financing structure of the Group exposes it naturally to the risk of interest rate fluctuations. As such, the cash and cash equivalents position covers floating-rate debt which impacts future financial results according to fluctuations in interest rates.

Short-term debt is primarily indexed to short-term indexes (Eonia for the treasury Note program and Euribor/Libor for the main short-term credit lines). Medium and long-term debt comprises both fixed and floating-rate debt.

The Group manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments.

These swaps may be classified as fair value hedges or cash flow hedges.

The following table shows the interest-rate exposure of gross debt (defined as the sum of non-current borrowings, current borrowings and bank overdrafts and other cash position items) before and after hedging.

(€ million)	As of December 31, 2015		As of December 31, 2014 re-presented	
	Outstandings	% total debt	Outstandings	% total debt
Fixed rate	7,579.5	61.4%	7,694.2	67.1%
Floating rate	4,766.4	38.6%	3,765.5	32.9%
Gross debt before hedging	12,345.9	100.0%	11,459.7	100.0%
Fixed rate	7,754.6	62.8%	7,088.8	61.4%
Floating rate	4,586.4	37.2%	4,455.2	38.6%
Gross debt after hedging and fair value remeasurement of fixed-rate debt	12,341.0	100.0%	11,544.0	100.0%
Fair value adjustments to (asset)/liability hedging derivatives	4.9		(84.3)	
GROSS DEBT AT AMORTIZED COST	12,345.9		11,459.7	

Total gross debt as of December 31, 2015, after hedging, is 62.8% fixed-rate and 37.2% floating-rate.

As of December 31, 2015, the Group has cash and cash equivalents of €4,176.3 million, the majority of which bears interest at floating rates.

The Group manages its exposure to interest rate fluctuations based on floating-rate gross debt net of cash.

The Group's net floating rate position after hedging (liability position) is -€444.3 million, maturing €159.6 million in less than one year, -€485.3 million in 1 to 5 years and -€118.6 million after 5 years.

Interest rate fair value hedges

The risk of volatility in the value of debt is hedged by fixed-rate receiver/floating-rate payer swaps which change bond issues to floating-rate debt (see Note 8.1.1.1).

Fair value hedging swaps represent a notional outstanding amount of €204.4 million as of December 31, 2015, compared with €736.8 million as of December 31, 2014, with a net fair value in the Consolidated Statement of Financial Position of €12.2 million as of December 31, 2015, compared with €81.2 million as of December 31, 2014, as follows:

(€ million)	Notional contract amount by maturity				Fair value of derivatives	
	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
December 31, 2015	204.4	68.1	136.2	-	12.2	-
December 31, 2014 re-presented	736.8	64.2	192.6	480.0	81.2	-

The decrease in the nominal value of the fair value hedging portfolio is mainly due to:

- the expiry or early termination of certain swaps hedging the euro EMTN issues maturing in 2020 and 2022 and the 2037 pound sterling EMTN issue in the amount of €544 million;
- the impact of exchange rate fluctuations on the nominal amount of swaps denominated in pound sterling of +€12.0 million.

The decrease in the fair value of floating-rate payer swaps is mainly due to the early termination of part of the portfolio and the appreciation of the pound sterling against the euro.

Interest rate cash flow hedges

Floating-rate receiver / fixed-rate payer swaps / purchases of caps	Notional contract amount by maturity				Fair value of derivatives	
	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
December 31, 2015	1,359.2	5.4	350.0	1,003.8	34.8	0.5
December 31, 2014 re-presented	894.7	885.5	5.4	3.8	39.7	16.2

The increase in the nominal value of the cash flow hedging portfolio is mainly due to:

- the expiry at maturity of swaps hedging the inflation-linked bond issue in the amount of €875.0 million;
- the set-up of swaps hedging the 2017 floating-rate EMTN issue and pre-hedging swaps for a future issue in the amount of €1,350.0 million.

An amount of -€9.9 million, net of tax, was recorded directly in equity attributable to owners of the Company in respect of cash flow hedge interest-rate derivatives as of December 31, 2015.

Contractual flows on interest rate swaps are paid at the same time as contractual flows on floating-rate borrowings and the amount recorded in other comprehensive income is released to net income in the period in which interest flows on the debt impact the Consolidated Income Statement.

The increase in the fair value of fixed-rate payer swaps is mainly due to the change in the portfolio, the expiry at maturity of swaps hedging the inflation-linked bond issue and the set-up of new swaps.

Interest-rate derivatives not qualifying for hedge accounting

A certain number of derivatives do not qualify as hedges under IAS 39. The Group does not, however, consider these transactions to be of a speculative nature and views them as necessary for the effective management of its exposure to interest rate risk.

	Notional amount as of December 31, 2015				Fair value of derivatives	
	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Total firm financial instruments	3,098.0	3,036.5	-	61.5	4.0	7.7
Total optional financial instruments	-	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	3,098.0	3,036.5	-	61.5	4.0	7.7

The increase in the portfolio of interest rate derivatives not qualifying for hedge accounting between 2014 and 2015 is mainly due to:

- the expiry at maturity of short-term financial instruments hedging cash investments totaling approximately €2,078.0 million;
- the set-up of new transactions hedging cash investments in the amount of €3,028.0 million.

Recap: the breakdown as of **December 31, 2014** is as follows:

	Notional amounts as of December 31, 2014				Fair value of derivatives	
	Total	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Total firm financial instruments	2,148.1	2,078.3	8.3	61.5	4.5	9.9
Total optional financial instruments	-	-	-	-	-	-
TOTAL INTEREST-RATE DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING	2,148.1	2,078.3	8.3	61.5	4.5	9.9

8.3.1.2 MANAGEMENT OF FOREIGN EXCHANGE RISK

The Group's international activities generate significant foreign currency flows.

The Group's central treasury department manages foreign exchange risk centrally within limits set by the Chief Finance Officer.

Foreign exchange risk, as defined by IFRS 7, mainly results from:

- a) foreign currency-denominated purchases and sales of goods and services relating to operating activities and the related hedges (e.g. currency forwards). The Group has no significant exposure to foreign exchange transaction risk. The activities of the Group are performed by subsidiaries operating in their own country and their own currency. Exposure to foreign exchange risk is therefore naturally limited;
- b) foreign currency-denominated financial assets and liabilities including foreign currency-denominated loans/borrowings and related hedges (e.g. forex swaps). With many operations worldwide, Veolia organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. In order to limit the impact of this risk, Veolia has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with intercompany receivables denominated in the same currency. The asset exposure hedging strategy primarily involves hedging certain net foreign investments and ensuring that Group companies do not have a material balance sheet foreign exchange position that could generate significant volatility in foreign exchange gains and losses;
- c) investments in foreign subsidiaries reflected by the translation of accounts impacting the translation reserves.

Translation risk

Due to its international presence, the translation of the income statements of the Group's foreign subsidiaries is sensitive to exchange rate fluctuations.

The following table summarizes the sensitivity of certain Group Consolidated Income Statement aggregates to a 10% increase or decrease in foreign exchange rates against the euro, with regard to the translation of financial statements of foreign subsidiaries.

(€ million)	Contribution to the consolidated financial statements								Sensitivity to a change of:		
	Euro	Pound sterling	US dollar	Polish zloty	Czech crown	Australian dollar	Chinese renminbi yuan	Other currencies	Total	+10%	-10%
Revenue	12,238.2	2,501.2	2,293.1	897.7	1,032.5	1,010.2	547.2	4,444.7	24,964.8	(1,118.5)	1,367.1
Operating income	240.5	175.9	162.6	98.7	78.4	45.8	119.3	201.6	1,122.8	(78.2)	95.5

Foreign exchange risk with regard to the net finance cost

With many operations worldwide, Veolia organizes financing in local currencies.

The foreign currency debt borne by the parent company, Veolia Environnement SA, is generally hedged using either derivative instruments or assets in the same currency.

The net finance cost of the Group, i.e. a euro-equivalent of -€445.9 million in 2015, is primarily denominated in EUR (55%), GBP (15%), USD (8%), CNY (5%) PLN (4%) and MAD (3%).

A +10% increase in the main currencies to which the Group is exposed (GBP, USD, PLN, MAD and CNY) against the euro would result in a -€17.3 million decrease in the net finance cost, while a 10% decrease in these currencies would result in a +€14.1 million increase in the net finance cost.

Foreign exchange and translation risk in the Consolidated Statement of Financial Position

Due to its international presence, the Group's Consolidated Statement of Financial Position is exposed to exchange rate fluctuations. A fluctuation in the euro impacts the translation of subsidiary foreign currency denominated assets in the Consolidated Statement of Financial Position. For its most significant assets, the Group has issued debt in the relevant currencies.

The main net assets of the Group are located in the United States, the United Kingdom, China, Poland and the Czech Republic.

A 10% increase in the currencies of the above countries would increase net assets by €301 million, while a 10% decrease in these currencies would reduce net assets by €246 million.

Hedge of a net investment in a foreign operation

Financial instruments designated as net investment hedges break down as follows:

Financial instrument	Notional amount as of December 31, 2015 by maturity				Fair value of derivatives	
	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Currency payer swaps	886.2	833.6	-	52.6	2.4	7.0
Options	406.4	406.4	-	-	2.7	2.6
Embedded derivatives (forward sale)	45.4	19.1	26.3	-	-	2.8
Cross currency swaps	244.5	93.7	90.8	60.0	-	8.7
Total foreign currency derivatives	1,582.5	1,352.8	117.1	112.6	5.1	21.1
USD borrowings	367.4	-	-	367.4	n/a	n/a
Total financing	367.4	-	-	367.4	n/a	n/a
TOTAL	1,949.9	1,352.8	117.1	480.0	5.1	21.1

The above currency swaps are short-term but are generally renewed at maturity, until financing of an appropriate term is secured in the currency of the related country.

Fair value movements compared with December 31, 2014 are mainly due to:

- the decrease in the fair value of cross currency swaps in the amount of -€13.3 million, including a -€9.9 million decrease in the value of the euro/Chinese renminbi cross currency swap;
- the decrease in the fair value of currency swaps for -€7.6 million.

Inter-company loans and receivables forming part of a foreign investment (IAS 21) are nearly systematically hedged by foreign currency external financing or foreign currency derivatives (cross currency swaps, currency forwards) meeting IAS 39 criteria for hedge accounting. Foreign exchange gains and losses recorded in foreign exchange translation reserves in respect of hedging instruments are systematically offset by foreign exchange gains and losses recognized in foreign exchange translation reserves on loans forming part of the net investment, unless:

- the inter-company loan forming part of the net investment in a foreign operation is not hedged;
- the hedge is partially ineffective due to a difference between the nominal amount of the hedge and the amount of the hedged net asset;
- only the net assets of the foreign subsidiary (excluding the loan forming part of the net investment) are hedged.

Net foreign exchange gains recorded in Group foreign exchange translation reserves as of December 31, 2015 of €64.5 million mainly comprise the impact of investment hedges in:

- US dollar (+€61.4 million);
- Hong Kong dollar (-€133.8 million);
- Chinese renminbi (+€86.3 million).

Recap: the breakdown as of **December 31, 2014** is as follows:

Financial instrument	Notional amount as of December 31, 2014 re-presented, by maturity				Fair value of derivatives	
	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Currency payer swaps	1,010.1	957.5	-	52.6	7.2	5.6
Options	410.5	410.5	-	-	2.4	0.9
Embedded derivatives (forward sale)	60.2	19.0	41.2	-	-	1.4
Cross currency swaps	172.5	21.7	90.8	60.0	4.5	0.4
Total foreign currency derivatives	1,653.3	1,408.7	132.0	112.6	14.1	8.3
USD borrowings	329.5	-	-	329.5	n/a	n/a
Total financing	329.5	-	-	329.5	n/a	n/a
TOTAL	1,982.8	1,408.7	132.0	442.1	14.1	8.3

Foreign currency fair value hedges

Financial instruments designated as fair value hedges break down as follows:

Financial instrument	Notional amounts as of December 31, 2015 by maturity				Fair value of derivatives	
	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Forward purchases	143.5	133.7	9.8	-	7.7	5.0
Forward sales	450.7	377.5	73.2	-	1.7	21.6
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE				-	9.4	26.6

The fair value hedges presented above mainly consist of foreign currency hedges in respect of construction contracts for water treatment plants and sludge incineration plants (Hong Kong sludge contract).

Financial instrument	Notional amounts as of December 31, 2014 re-presented, by maturity				Fair value of derivatives	
	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Forward purchases	154.8	135.1	19.7	-	5.7	7.7
Forward sales	364.0	279.3	84.7	-	0.7	21.7
FOREIGN CURRENCY DERIVATIVES: FAIR VALUE HEDGE					6.4	29.4

Foreign currency cash flow hedges

Financial instruments designated as cash flow hedges break down as follows:

Financial instrument	Notional amounts as of December 31, 2015 by maturity				Fair value of derivatives	
	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Forward purchases	41.1	37.9	3.2	-	0.6	0.3
Forward sales	138.9	101.5	37.4	-	1.6	2.3
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE				-	2.2	2.6

The cash flow hedges presented above mainly consist of forward purchases/sales of foreign currencies different from the functional currencies of the entities concerned, in connection with their own activities and particularly hedges entered into in respect of Private Finance Initiatives (PFI) in the United Kingdom and currency hedges in respect of commodity purchases and sales in the Czech Republic.

Financial instrument	Notional amounts as of December 31, 2014 re-presented, by maturity				Fair value of derivatives	
	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Forward purchases	3.7	0.6	3.1	-	1.7	0.6
Forward sales	151.1	60.2	90.9	-	3.9	2.0
FOREIGN CURRENCY DERIVATIVES: CASH FLOW HEDGE					5.6	2.6

Hedges of currency exposure in the Consolidated Statement of Financial Position by derivatives not qualifying for hedge accounting

Financial instrument	Notional amounts as of December 31, 2015 by maturity				Fair value of derivatives	
	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Currency receiver swaps and forward purchases	1,693.5	1,689.8	3.7	-	8.1	13.9
Currency payer swaps and forward sales	5,333.9	5,330.7	3.2	-	46.1	33.7
Currency options	-	-	-	-	-	-
Embedded derivatives	87.4	19.0	68.4	-	-	25.9
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING				-	54.2	73.5

The above portfolio of foreign currency derivatives was mainly contracted by Veolia Environnement to hedge its foreign currency-denominated net financial debt (comprising foreign currency-denominated borrowings and foreign currency-denominated inter-company loans and borrowings).

Financial instrument	Notional amounts as of December 31, 2014 re-presented, by maturity				Fair value of derivatives	
	Amount	Less than 1 year	1 to 5 years	More than 5 years	Total assets	Total liabilities
(€ million)						
Currency receiver swaps and forward purchases	1,169.3	1,146.8	22.5	-	17.6	8.8
Currency payer swaps and forward sales	5,475.0	5,438.6	36.4	-	27.8	74.3
Currency options	0.7	0.7	-	-	-	-
Embedded derivatives	108.2	22.1	81.6	4.5	0.4	38.4
FOREIGN CURRENCY DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING					45.8	121.5

8.3.1.3 MANAGEMENT OF COMMODITY RISK

As part of its collection activities, the Group can use firm fuel purchase contracts (classified as “for own use”) and derivatives.

The Group has also entered into long-term gas, coal, electricity and biomass purchase contracts in order to secure its supplies. The majority of these commitments are reciprocal; the third parties concerned are obliged to deliver the quantities negotiated in these contracts and the Group is obliged to take them.

As part of electricity sales activities on the wholesale market, the Group may be required to contract forward electricity sales contracts aimed at securing future production (with maturities not exceeding 3 years).

Fuel or electricity prices can be subject to significant fluctuations. The long-term contracts entered into by Veolia generally include price review and/or indexation clauses which enable it to pass on the majority of any increases in commodity or fuel prices to the price of services sold to customers, even if this may be performed with a time delay.

Nonetheless, as part of supply management and cost optimization measures or to hedge future production, certain Group subsidiaries may be required, depending on their activities, to contract forward purchases or sales of commodities and set-up derivatives to fix the cost of commodities supply or the selling price of commodities produced (electricity).

As of December 31, 2015, the fair value of commodity derivatives is recorded €9.8 million in assets and €70.3 million in liabilities. The -€14.9 million decrease in fair value on December 31, 2014 is mainly due to the impact of:

- a -€5.4 million decrease in the fair value of electricity instruments, due to a fall in electricity prices;
- a -€2.1 million decrease in the fair value of coal transactions, due to a fall in the forward price of coal;
- a -€7.4 million decrease in the fair value of gas/crude oil/metal transactions, due to the fall in the price of crude oil and gas.

	As of December 31, 2015		As of December 31, 2014 re-presented	
(€ million)	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	9.8	70.3	7.6	53.2
Electricity	9.6	55.7	7.2	48.0
Petroleum products *	-	1.3	-	-
CO ₂	-	-	-	-
Coal *	0.2	7.1	0.4	5.2
Gas *	-	6.2	-	-
Other	-	-	-	-

* Transactions concerning gas, coal or other petroleum products are primarily financial instruments maturing in 2016 and 2017.

These derivatives break down by hedge type as follows:

	As of December 31, 2015		As of December 31, 2014 re-presented	
(€ million)	Assets	Liabilities	Assets	Liabilities
Commodity derivatives	9.8	70.3	7.6	53.2
Fair value hedges	-	-	-	-
Cash flow hedges	0.2	14.1	0.4	4.7
Derivatives not qualifying for hedge accounting	9.6	56.2	7.2	48.5

Electricity risk

	Notional contract amount as of December 31, 2015 by maturity			
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years
Electricity purchase instruments:				
▪ in Gwh	7,516	1,097	3,651	2,768
▪ in € million	229	35	111	83
Electricity sales instruments:				
▪ in Gwh	1,828	1,150	678	-
▪ in € million	60	39	21	-

Electricity purchase instruments maturing between 2016 and 2025 have a market value of -€46 million (based on valuation assumptions at the year-end) and sales instruments maturing in 2016 have a net market value of +€1.0 million. These transactions are recorded in the Consolidated Statement of Financial Position at fair value based on the quoted price of commodities with similar maturities and using internal models integrating non-observable data in the absence of a liquid market.

A 10% increase or decrease in the price of electricity (all other things being equal) would have an impact on net income of +€8.5 million and -€7.9 million, respectively.

	Notional contract amount as of December 31, 2014 re-presented, by maturity			
(€ million)	Total	Less than 1 year	1 to 5 years	More than 5 years
Electricity purchase instruments:				
▪ in Gwh	7,746	769	2,825	4,152
▪ in € million	423	41	154	228
Electricity sales instruments:				
▪ in Gwh	1,752	876	876	-
▪ in € million	64	34	30	-

Greenhouse gases

As explained in Chapter 1 section 1.6. of the Registration Document, the increase in greenhouse gases in the atmosphere led certain States and the international community to introduce regulatory measures to limit this trend.

Under European regulations, the actual emissions position is determined each year and the corresponding rights surrendered. The Group then purchases or sells emission rights, depending on whether actual emissions are greater or lesser than emission rights allocated.

In the absence of specific IFRS provisions, the Group has adopted the “net liability approach,” which involves the recognition of a liability at the period end if actual emissions exceed allowances held, in accordance with IAS 37.

Allowances are managed as a production cost and, in this respect, are recognized in inventories at:

- nil value, when they are received free of charge;
- acquisition cost, if purchased for valuable consideration on the market.

Consumption of this inventory is recognized on a weighted-average unit cost basis.

Transactions in these allowances performed on the forward market are generally recognized outside the application scope of IAS 39 (“own use” exemption), except for certain specific transactions related to the hedging of electricity production activities.

The position in 2015 is as follows:

Volume (in thousands of metric tons)	As of January 1, 2015	Changes in consolidation scope	Granted	Purchased/ Sold/Cancelled	Used	As of December 31, 2015
TOTAL	2,956	159	5,094	3,473	(9,830)	1,852

Free allocations still to be received in respect of phase III of the Emissions Trading Scheme covering the period 2016 to 2020 are estimated at €89.5 million for the Group, based on a valuation at the spot price as of December 31, 2015.

8.3.2 Management of liquidity risk

The operational management of liquidity and financing is managed by the Treasury and Financing Department. This management involves the centralization of major financing in order to optimize liquidity and cash.

The Group secures financing on international bond markets, international private placement markets, the treasury Note market and the bank lending market (see Note 8.1.1.3, Non-current and current borrowings).

8.3.2.1 MATURITY OF FINANCIAL LIABILITIES

As of December 31, 2015, **undiscounted contractual flows on net financial debt** (nominal value) break down by maturity date as follows:

	As of December 31, 2015		Maturity of undiscounted contractual flows					
	Carrying amount	Total undiscounted contractual flows	2016	2017	2018	2019	2020	More than 5 years
(€ million)								
Bond issues ⁽¹⁾	7,691.4	7,336.4	421.2	967.3	488.2	471.2	458.8	4,529.7
Other borrowings	4,649.6	4,382.4	3,918.5	107.4	96.3	55.1	47.7	157.5
Gross borrowings excluding the impact of amortized cost and hedging derivatives	12,341.0	11,718.8	4,339.7	1,074.7	584.5	526.3	506.5	4,687.2
Impact of derivatives hedging debt	4.9							
Gross borrowings	12,345.9							
Cash and cash equivalents	(4,176.3)							
Net financial debt	8,169.7							

(1) Excluding the impact of amortized cost and derivatives hedging debt.

8.3.2.2 NET LIQUID ASSET POSITIONS

Net liquid assets of the Group as of December 31, 2015 break down as follows:

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
Veolia Environnement:		
Undrawn MT syndicated loan facility	3,000.0	2,962.5
Undrawn MT bilateral credit lines	925.0	350.0
Undrawn ST bilateral credit lines	-	625.0
Letters of credit facility	49.3	190.7
Cash and cash equivalents	3,297.6	2,302.0
Subsidiaries:		
Cash and cash equivalents	878.7	846.6
TOTAL LIQUID ASSETS	8,150.6	7,276.8
Current debts and bank overdrafts and other cash position items		
Current debt	4,000.1	3,003.1
Bank overdrafts and other cash position items	318.6	216.4
TOTAL CURRENT DEBTS AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	4,318.7	3,219.5
TOTAL LIQUID ASSETS NET OF CURRENT DEBT AND BANK OVERDRAFTS AND OTHER CASH POSITION ITEMS	3,831.9	4,057.3

As of December 31, 2015, Veolia had total liquid assets of €8.2 billion, including cash and cash equivalents of €4.2 billion.

As of December 31, 2015, cash equivalents were mainly held by Veolia Environnement in the amount of €3,142.5 million. They comprise monetary UCITS of €2,423.3 million and term deposit accounts of €720.4 million.

Improved credit outlook

In early May, S&P confirmed Veolia's A-2 / BBB credit rating, while raising the Group's outlook from negative to stable. This decision illustrates the recognition of Veolia's restructuring efforts, improved results and the benefits arising from active debt management, as well as the rating agencies' confidence in the Group's strategic outlook.

The Company is rated P-2 / Baa1, with a stable outlook, by Moody's.

Refinancing of the multi-currency liquidity lines

On November 6, 2015, Veolia signed a new multi-currency syndicated loan facility for an amount of €3 billion, maturing 2020, with the possibility of an extension to 2022. It may be drawn in eastern European currencies and the Chinese renminbi yuan.

This syndicated loan facility replaces the two syndicated loan facilities set-up in 2011: a 5-year €2.5 billion multi-currency loan facility and a 3-year €500 million loan facility available for drawdown in Polish zloty, Czech crown and Hungarian forint.

Renewal of bilateral credit lines

Veolia Environnement renegotiated all bilateral credit lines in 2015. Undrawn amounts total €925 million as of December 31, 2015.

Veolia Environnement may draw on the multi-currency syndicated loan facility and all credit lines at any time.

Undrawn confirmed credit lines mature as follows:

(€ million)	As of December 31, 2015	Maturing in				
	Total	2016	2017	2018	2019	2020
Undrawn syndicated loan facility	3,000.0	-	-	-	-	3,000.0
Credit lines	925.0	-	100.0	100.0	325.0	400.0
Letters of credit facility	49.3	0.7	-	48.6	-	-
TOTAL	3,974.3	0.7	100.0	148.6	325.0	3,400.0

8.3.2.3 INFORMATION ON EARLY DEBT REPAYMENT CLAUSES

Veolia Environnement debt

The legal documentation for bank financing and bond issues contracted by the Company does not contain any financial covenants, i.e. obligations to comply with a debt coverage ratio or a minimum credit rating which, in the event of non-compliance, could lead to the early repayment of the relevant financing.

Subsidiary debt

Certain project financing or financing granted by multilateral development banks to the Group's subsidiaries contain financial covenants (as defined above).

Based on diligences performed within the subsidiaries, the Company considers that the covenants included in the documentation of material financing were satisfied (or had been waived by lenders) as of December 31, 2015.

8.3.3 Management of credit risk

The Group is exposed to counterparty risk in various areas: its operating activities, cash investment activities and derivatives.

8.3.3.1 COUNTERPARTY RISK RELATING TO OPERATING ACTIVITIES

Credit risk must be considered separately with respect to operating financial assets and operating receivables. Credit risk on operating financial assets is appraised via the rating of primarily public customers. Credit risk on other operating receivables is appraised through an analysis of risk dilution and late payments for private customers and exceptionally, for public customers, by a credit analysis.

Group customer credit risk analysis may be broken down into the following four categories (Public customers - Delegating authority, Private customers - Individuals, Public customers - Other and Private customers - Companies):

		As of December 31, 2015			Breakdown by customer type			
		Gross carrying amount	Impairment losses	Net carrying amount	Public customers – Delegating authority	Private customers – Individuals	Public customers – Other	Private customers – Companies
(€ million)	Note							
Non-current and current operating financial assets	5.4	1,937.9	(41.4)	1,896.5	1,414.5	-	60.5	421.5
Trade receivables	5.3	7,290.1	(802.2)	6,487.9	1,193.6	1,356.0	1,261.0	2,677.3
Other current operating receivables	5.3	611.6	(73.8)	537.8	30.8	65.0	90.3	351.7
Non-current financial assets in loans and receivables	8.1.2	817.2	(78.5)	738.7	24.4	42.4	14.1	657.8
Current financial assets in loans and receivables	8.1.2	253.4	(39.5)	213.9	48.2	9.9	6.4	149.4
LOANS AND RECEIVABLES		10,910.2	(1,035.4)	9,874.8	2,711.5	1,473.3	1,432.3	4,257.7
Other financial assets	8.1.2	36.2	(14.7)	21.5	0.4	2.3	0.4	18.4
TOTAL AS OF DECEMBER 31, 2015		10,946.4	(1,050.1)	9,896.3	2,711.9	1,475.6	1,432.7	4,276.1
TOTAL AS OF DECEMBER 31, 2014		11,050.6	(953.5)	10,094.1	2,349.2	1,445.8	1,607.6	4,691.5

Assets past due and not impaired break down as follows:

(€ million)	Note	Assets past due but not impaired				
		Net carrying amount	Amount not yet due	0-6 months	6 months – 1 year	More than 1 year
Non-current and current operating financial assets	5.4	1,896.5	1,883.6	6.0	3.9	3.0
Trade receivables	5.3	6,487.9	4,701.7	1,294.8	195.0	296.4
Other current operating receivables	5.3	537.8	449.0	43.7	14.3	30.8
Non-current financial assets in loans and receivables	8.1.2	738.7	738.7	-	-	-
Current financial assets in loans and receivables	8.1.2	213.9	159.5	10.7	15.6	28.1
LOANS AND RECEIVABLES as of December 31, 2015		9,874.8	7,932.5	1,355.2	228.8	358.3
Other non-current and current financial assets	8.1.2	21.5	21.4	-	-	0.1
TOTAL as of December 31, 2015		9,896.3	7,953.9	1,355.2	228.8	358.4
TOTAL as of December 31, 2014		10,094.1	8,117.6	1,459.9	208.8	307.8

Assets past due over six months are mainly concentrated in Italy and France.

In Italy, net “trade receivables” of all Group subsidiaries total €112.4 million as of December 31, 2015, compared with €129.3 million as of December 31, 2014 for receivables past due over six months. Furthermore, in this country, trade receivables consist of private customers, local authorities and state bodies for which the recovery period is long.

In France, net trade receivables past due over 6 months total €96.5 million at the end of 2015 (€100.1 million at the end of 2014), representing 3.2% of customer outstandings (including €49.9 million past due over one year).

8.3.3.2 COUNTERPARTY RISK RELATING TO INVESTMENT AND HEDGING ACTIVITIES

The Group is exposed to credit risk relating to the investment of its surplus cash and its use of derivative instruments in order to manage interest rate and foreign exchange risk. Credit risk corresponds to the loss that the Group may incur should a counterparty default on its contractual obligations. In the case of derivative financial instruments, this risk corresponds to the fair value of all the instruments contracted with a counterparty insofar as this value is positive.

The Group minimizes counterparty risk through internal control procedures limiting the choice of banking counterparties to leading banks and financial institutions (banks and financial institutions with a minimum Moody's, Standard & Poor's or Fitch's rating of A3/P3/F3 respectively for transactions with a term of less than one year and of A2/A/A respectively for transactions with a term of more than one year, unless justified). Limits are determined for each counterparty based primarily on the rating awarded by the rating agencies, the size of their equity and commitments given to the Group and are reviewed regularly. In addition, new derivative transactions must only be entered into with counterparties with whom the Group has an ISDA or FBF framework agreement.

Counterparty risk on financial transactions is monitored on an ongoing basis by the middle-office within the Group Finance Department. The Group is not exposed to any risk as a result of material concentration.

As of December 31, 2015, Veolia Environnement outstandings exposed to credit risk total €3,297.5 million with regard to investments and €11.9 million with regard to derivative instruments (sum of the fair values of assets and liabilities). These counterparties are investment grade for 100% of the total exposure.

Veolia Environnement cash surpluses (€3.3 billion as of December 31, 2015) are managed with a profitability objective close to that of the money market, avoiding exposure to capital risk and maintaining a low level of volatility.

They were injected into the following types of investment:

- non-dynamic monetary UCITS (with the AMF classification of short-term monetary or monetary) for €2,423.3 million;
- term deposit accounts classified as cash equivalents, mainly with leading international banks, with a short-term rating from Standard & Poor's, Moody's or Fitch of A3/P3/F3, for €720.4 million.

8.4 Financial income and expenses

8.4.1 Net finance costs

Finance costs consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

Interest costs included in payments under lease finance contracts are recorded using the effective interest rate method.

Finance income consists of gains on interest rate derivatives, both qualifying and not qualifying as hedges and income from cash investments and equivalents.

Interest income is recognized in profit or loss when earned, using the effective interest method.

Finance costs and finance income represent the cost of borrowings net of income from cash and cash equivalents. In addition, net finance costs include net gains and losses on derivatives allocated to borrowings, irrespective of whether they qualify for hedge accounting.

Financial income totals €40.1 million, while financial expenses total -€486.0 million in 2015.

Net finance costs presented in the Consolidated Cash Flow Statement reflect the net finance costs of continuing operations presented above and the net finance costs of discontinued operations of nil in 2015.

The heading "Interest paid" in the Consolidated Cash Flow Statement reflects the net finance costs of continuing and discontinued operations adjusted for accrued interest of -€21.4 million and fair value adjustments to hedging derivatives of +€42.1 million in 2015.

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Expenses on gross debt	(397.2)	(551.5)
Assets at fair value through the Consolidated Income Statement (fair value option) *	21.2	34.6
Net gains and losses on derivative instruments, hedging relationships and other	(69.9)	(27.0)
COST OF NET FINANCIAL DEBT	(445.9)	(543.9)

* Cash equivalents are valued at fair value through the Consolidated Income Statement.

Net gains and losses on derivative instruments, hedging relationships and other mainly include the following amounts for fiscal year 2015:

- a net interest expense on hedging relationships (fair value hedges and cash flow hedges) of -€6.6 million;
- net losses on derivatives not qualifying for hedge accounting of -€63.0 million, mainly on foreign currency derivatives.

In addition, the charge relating to the ineffective portion of net investment hedges and cash flow hedges was not material in 2015 or 2014.

8.4.2 Other financial income and expenses

Other financial income and expenses primarily include income on financial receivables, excluding I4 and I12 financial receivables, calculated using the effective interest rate method, capital gains and losses on disposals of financial assets, net of disposal costs, dividends, foreign exchange gains and losses, impairment losses on financial assets and the unwinding of discounts on provisions.

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Net gains and losses on loans and receivables	43.2	47.7
Capital gains and losses on disposals of financial assets, net of disposal costs	59.5	544.7
Net gains and losses on available-for-sale assets ⁽¹⁾	4.0	3.1
Assets and liabilities at fair value through the Consolidated Income Statement	-	-
Unwinding of the discount on provisions	(39.0)	(45.3)
Foreign exchange gains and losses	6.4	-
Other	(46.2)	(19.7)
OTHER FINANCIAL INCOME AND EXPENSES	27.9	530.5

(1) Including dividends received of €3.6 million in 2015, compared with €3.1 million in 2014.

In 2015, other financial income and expenses include impacts of disposals of financial assets and notably impacts related to the divestiture of the Group's activities in Israel in the amount of +€45.4 million, of an investment in Singapore in the amount of +€16.4 million and of Change in China in the amount of +€13.3 million. In 2014, the impacts mainly concerned the fair value remeasurement of the investment previously held in Dalkia International.

Net gains and losses on loans and receivables include income from joint venture loans, including loans to:

- Dalkia International for €35.6 million in 2014;
- Transdev Group for €12.0 million in 2015 and €14.6 million in 2014.

8.5 Financing commitments

8.5.1 Commitments given

Debt guarantees: these relate to guarantees given to financial institutions in connection with the borrowings of non-consolidated companies and equity-accounted entities, when the commitment covers the entire amount.

Letters of credit: letters of credit delivered by financial institutions to Group creditors, customers and suppliers guaranteeing operating activities.

Off-balance sheet commitments given break down as follows:

(€ million)	Year ended as of December 31, 2014	As of December 31, 2015	Maturing in		
			Less than 1 year	1 to 5 years	More than 5 years
Letters of credit	284.8	225.1	211.2	7.9	6.0
Debt guarantees	190.9	206.3	48.3	108.6	49.4
TOTAL FINANCING COMMITMENTS GIVEN	475.7	431.4	259.5	116.5	55.4

Commitments on lease contracts entered into by the Group are analyzed in Note 7.3.

Commitments given in respect of joint ventures (at 100%) total €10.8 million as of December 31, 2015 compared with €20.3 million as of December 31, 2014.

Furthermore, as of December 31, 2015, lines of credit granted to Transdev Group of €180 million (maturing December 2016) and the €200 million credit line which was extended to March 3, 2017, are disclosed in Note 13.

8.5.2 Commitments received

Commitments received total €168.4 million as of December 31, 2015 and €280.1 million as of December 31, 2014.

8.5.3 Collateral guaranteeing borrowings

As of December 31, 2015, the Group has given €196 million of collateral guarantees in support of borrowings including €121.5 million in support of borrowings of its joint ventures.

The breakdown by type of asset is as follows (€ million):

Type of pledge / mortgage (€ million)	Amount pledged (a)	Total Consolidated Statement of Financial Position (b)	Corresponding % (a)/(b)
Intangible assets	-	918	-
Property, plant and equipment	24	6,820	0.4%
Financial assets *	144		
TOTAL NON-CURRENT ASSETS	168		
Current assets	28	14,358	0.2%
TOTAL ASSETS	196		

* As a majority of financial assets pledged as collateral are shares of consolidated subsidiaries and other financial assets, the ratio is not significant.

The breakdown by maturity is as follows:

(€ million)	As of December 31, 2014	As of December 31, 2015	Maturing in		
			Less than 1 year	1 to 5 years	More than 5 years
Intangible assets	2	-	-	-	-
Property, plant and equipment	46	24	-	14	10
Mortgage pledge	20	8	-	8	-
Other PP&E pledge ⁽¹⁾	26	16	-	6	10
Financial assets ⁽²⁾	134	144	15	89	40
Current assets	31	28	21	1	6
Pledges on receivables	30	27	20	1	6
Pledges on inventories	1	1	1	-	-
TOTAL	213	196	36	104	56

(1) Mainly equipment and traveling systems.

(2) Including non-consolidated investments of €125.1 million and other financial assets (primarily operating financial assets) of €18.6 million as of December 31, 2015.

NOTE 9 EQUITY AND EARNINGS PER SHARE

9.1 Share capital management procedures

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure easy access to French and international capital markets, to enable investments in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining an “Investment Grade” credit rating.

With effect from September 30, 2014 and for a period of 12 months renewable by tacit agreement, Veolia Environnement has entrusted ROTHSCCHILD & Cie BANQUE with the implementation of a liquidity contract. To this end, an amount of thirty million euros (€30,000,000) was allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders’ Meeting of April 24, 2014.

9.2 Equity attributable to owners of the Company

9.2.1 Share capital

The share capital is fully paid-up.

9.2.1.1 SHARE CAPITAL INCREASES

In 2014, Veolia Environnement performed a share capital increase of €174.3 million (net of issuance costs) on the payment of scrip dividends. As decided at the General Shareholders’ Meeting of April 24, 2014, Veolia Environnement offered shareholders a choice of payment of the dividend in cash or shares. The option to receive payment of the dividend in shares led to the creation of 13,426,093 shares.

9.2.1.2 SHARE CAPITAL INCREASE RESERVED FOR GROUP EMPLOYEES

In accordance with the delegation of powers granted by the Combined General Meeting of April 24, 2014 in the twenty-second resolution, the Board of Directors approved, during the meeting held on February 25, 2015 the principle and the main terms and conditions of a share capital increase reserved for employee members of France and International Group Savings Plans and delegated the necessary powers to perform this share capital increase to the Chairman and Chief Executive Officer.

Using this delegation, the Chairman and Chief Executive Officer duly noted on December 17, 2015, the performance of this share capital increase for a total amount of €17.6 million.

Under this share capital increase, a total of 1,063,022 shares were created in respect of employee subscriptions and the Group contribution, including 258,748 shares in respect of the Group contribution; the par value increase in share capital was €5,315,110, with an increase in additional paid-in capital of €12,288,534.32 Transactions costs were deducted from issue premiums for a net of tax amount of €1,343,413.57.

New shares rank for dividends from January 1, 2015; they are equivalent to existing shares and will confer entitlement to dividends distributed in 2016 in respect of fiscal year 2015.

9.2.1.3 NUMBER OF SHARES OUTSTANDING AND PAR VALUE

The number of shares outstanding was 562,301,801 as of December 31, 2014 and 563,364,823 as of December 31, 2015. The par value of each share is €5.

9.2.1.4 AUTHORIZED BUT UNISSUED SHARES

The Veolia Environnement Combined General Meeting generally grants two types of share issuance authorizations to the Board of Directors: (i) authorizations for the issuance of new shares, which are collectively limited to 70% of the number of shares outstanding on the date of the General Shareholders' Meeting; and (ii) authorizations for the preferential issuance of warrants, which is limited to 25% of the number of shares outstanding on the date of the issue decision and which may only be used in the context of an outstanding tender offer on the Company's shares. The first category of authorizations yields an exact number of authorized but unissued shares, whereas the number of shares authorized but unissued under the second category of authorizations will depend on the number of shares already outstanding on the date of the decision. Both types of authorizations, with the same limitations on issuance, i.e. 70% and 25%, were approved at the Combined General Meetings in 2009 and 2010.

Fiscal years 2014 and 2015

For 2014, authorized but unissued shares under the first category amounted to 384,212,996 shares on the basis of 548,875,708 shares outstanding on April 24, 2014, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2014, 13,426,093 shares had been issued from among the 384,212,996 above-mentioned authorized shares.

For 2015, authorized but unissued shares under the first category amounted to 393,611,261 shares on the basis of 562,301,801 shares outstanding on April 22, 2015, the date of the General Shareholders' Meeting voting the authorizations.

As of December 31, 2015, 1,063,022 shares had been issued from among the 393,611,261 above-mentioned authorized shares.

9.2.2 Offset of treasury shares against equity

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

9.2.2.1 PURCHASES AND SALES OF TREASURY SHARES

Purchase and sale transactions in Veolia Environnement shares under the liquidity contract in 2015 and 2014 were as follows:

	2014	2015
Number of shares purchased during the year	4,093,104	18,266,190
Number of shares sold during the year	4,093,104	18,266,190

As of December 31, 2014 and 2015, Veolia Environnement did not hold any shares under the liquidity contract. A €30 million drawdown authorization was granted for the operation of this liquidity contract.

In 2014, Veolia Environnement sold 439,952 treasury shares in the context of the Management Incentive Plan (see Note 6.2.4). 13,797,975 treasury shares were held as of December 31, 2014 and December 31, 2015.

9.2.2.2 EQUITY RISK

As of December 31, 2015, Veolia Environnement holds 13,797,975 of its own shares, of which 8,389,059 are allocated to external growth operations and 5,408,916 were acquired for allocation to employees under employee savings plans, with a market value of €301.7 million, based on a share price of €21.865 and a net carrying amount of €436.5 million deducted from equity.

9.2.3 Appropriation of net income and dividend distribution

The Combined General Meeting of April 22, 2015 set the cash dividend for 2014 at €0.70 per share. This dividend was paid from May 7, 2015 in the total amount of €383,952,678.

A dividend of €384 million was distributed by Veolia Environnement in 2015 and deducted from “Additional paid-in capital” and “Reserves”. The 2014 net profit attributable to owners of the Company of €241.8 million was appropriated to “Consolidated reserves”.

9.2.4 Foreign exchange gains and losses

Accumulated foreign exchange translation reserves total €270.1 million as of December 31, 2014 (Group share).

The change in foreign exchange translation reserves primarily reflects the appreciation of the Chinese renminbi (+€153.7 million), the US Dollar (+€99.9 million), the Czech crown (-€16.3 million), the Hong Kong dollar (-€106.8 million) and the pound sterling (+€19.1 million).

Accumulated foreign exchange translation reserves total €334.6 million as of December 31, 2015 (Group share).

The change in foreign exchange translation reserves primarily reflects fluctuations in the Chinese renminbi yuan (+€86.3 million), the US dollar (+€61.4 million) and the Hong Kong dollar (-€133.8 million).

MOVEMENTS IN FOREIGN EXCHANGE TRANSLATION RESERVES (ATTRIBUTABLE TO OWNERS OF THE COMPANY AND TO NON-CONTROLLING INTERESTS)

(€ million)	Total	o/w Attributable to owners of the Company
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	521.2	441.2
Translation differences on net foreign investments	(173.1)	(171.1)
As of December 31, 2014	348.1	270.1
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	227.4	186.6
Translation differences on net foreign investments	(121.3)	(122.1)
Movements in 2015	106.1	64.5
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	748.6	627.8
Translation differences on net foreign investments	(294.4)	(293.2)
AS OF DECEMBER 31, 2015	454.2	334.6

BREAKDOWN BY CURRENCY OF FOREIGN EXCHANGE TRANSLATION RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY

(€ million)	As of December 31, 2014 re-presented	Change	As of December 31, 2015
Chinese renminbi	404.1	86.3	490.4
Czech crown	25.9	12.0	37.9
Australian dollar	51.7	3.7	55.4
US Dollar	158.2	61.4	219.6
Pound sterling	(135.4)	(22.1)	(157.5)
Hong Kong dollar	(130.1)	(133.8)	(263.9)
Polish zloty	(14.7)	0.1	(14.6)
Other currencies	(89.6)	56.9	(32.7)
TOTAL	270.1	64.5	334.6

9.2.5 Fair value reserves

Fair value reserves attributable to owners of the Company total -€60.2 million as of December 31, 2014 and -€15.7 million as of December 31, 2015, and break down as follows:

(€ million)	Available- for-sale securities	Commodity derivatives hedging cash flows	Foreign currency derivatives hedging cash flows	Interest rate derivatives hedging cash flows	Total	o/w Attributable to owners of the Company
As of December 31, 2014	11.4	(9.7)	0.3	(61.6)	(59.6)	(60.2)
Fair value adjustments	(0.2)	(5.1)	(2.6)	51.7	43.8	45.6
Other movements	0.6	0.3	(1.8)	-	(0.9)	(1.1)
AS OF DECEMBER 31, 2015	11.8	(14.5)	(4.1)	(9.9)	(16.7)	(15.7)

Amounts are presented net of tax.

No material amounts were released to the Consolidated Income Statement in respect of interest rate derivatives hedging cash flows and recorded in finance costs and income.

9.3 Non-controlling interests

Pursuant to IFRS 10, non-controlling interests in fully consolidated subsidiaries are considered a component of equity.

Furthermore, in accordance with IAS 32, Financial Instruments: Presentation, non-controlling interest put options are recognized as liabilities.

9.3.1 Non-controlling interests

A breakdown of the movement in non-controlling interests is presented in the Statement of Changes in Equity.

As of December 31, 2015, non-controlling interests mainly include:

- in Europe excluding France : Poland (€201.3 million), Czech Republic (€150.0 million) and Germany (€104.1 million);
- in the Rest of the World operating segment: China (€369.2 million).

The change in non-controlling interests in 2015 is mainly due to net income for the year (€101.1 million), changes in consolidation scope (-€20.2 million), dividend distributions (-€128.0 million) and foreign exchange translation gains and losses (€41.6 million).

9.3.2 Net income (loss) attributable to non-controlling interests

Net income attributable to non-controlling interests is €101.1 million for the year ended December 31, 2015, compared with €83.8 million for the year ended December 31, 2014.

Net income (loss) attributable to non-controlling interests breaks down by operating segment as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
France	2.5	3.0
Europe excluding France ^(a)	53.5	11.0
Rest of the World ^(b)	51.6	27.3
Global Businesses	(7.1)	2.7
Other	0.6	39.8
NON-CONTROLLING INTERESTS	101.1	83.8

(a) Including net income attributable to non-controlling interests in Central Europe (€43.7 million);

(b) Including net income attributable to non-controlling interests in Latin America (€20.7 million).

The increase in net income attributable to non-controlling interests in 2015 is tied to the Dalkia transaction performed in July 2014. This primarily impacted the Other operating segment following the divestiture of Dalkia France entities (-€27.7 million)

and the Europe excluding France and Rest of the World operating segments with the inclusion of Energy business entities in Poland (+€44.5 million) and China (+€11.7 million) for 12 months in 2015.

9.4 Deeply-subordinated securities

In January 2013, Veolia Environnement issued deeply subordinated perpetual securities in euros and pound sterling redeemable from April 2018. The issue comprised a euro tranche of €1 billion at 4.5% yield and a pound sterling tranche of £400 million at 4.875% yield.

This instrument is recognized in equity, pursuant to IAS 32.11 and given its intrinsic terms and conditions (no mandatory repayment, no obligation to pay a coupon, except in the event of a dividend distribution to shareholders or the buyback of own shares).

The coupon cost attributable to holders of deeply subordinated securities is -€71.5 million in 2015 compared with -€68.0 million in 2014.

9.5 Earnings per share

Basic earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year.

Pursuant to IAS 33, the weighted average number of shares outstanding taken into account for the calculation of net income per share is adjusted for the distribution of scrip dividends during the year. Pursuant to IAS 33.9 and 12, net income attributable to owners of the Company has been adjusted to take into account the cost of the coupon payable to holders of deeply subordinated securities issued by Veolia Environnement.

Diluted earnings per share is calculated by dividing adjusted net income attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the fiscal year plus the weighted average number of ordinary shares that would be issued following the conversion into ordinary shares of all potentially dilutive ordinary shares.

Net income and the number of shares used to calculate basic and diluted earnings per share are presented below for all activities.

	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Weighted average number of ordinary shares <i>(in millions of shares)</i>	548.5	543.0
Weighted average number of ordinary shares for the calculation of basic earnings per share	548.5	543.0
Theoretical number of additional shares resulting from the exercise of share purchase and subscription options	0	0
Weighted average number of ordinary shares for the calculation of diluted earnings per share <i>(in millions of shares)</i>	548.5	543.0
Net income (loss) attributable to owners of the Company per share <i>(in millions of euros)</i>		
Net income (loss) attributable to owners of the Company	378.7*	173.8*
Net income (loss) attributable to owners of the Company per share:		
Basic	0.69	0.32
Diluted	0.69	0.32
Net income (loss) from discontinued operations attributable to owners of the Company per share <i>(in millions of euros)</i>		
Net income (loss) from discontinued operations attributable to owners of the Company	-	(11.9)
Net income (loss) from discontinued operations attributable to owners of the Company per share:		
Basic	-	(0.02)
Diluted	-	(0.02)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY PER SHARE <i>(in millions of euros)</i>		
Net income (loss) from continuing operations attributable to owners of the Company	378.7	185.7
Net income (loss) from continuing operations attributable to owners of the Company per share:		
Basic	0.69	0.34
Diluted	0.69	0.34

* Pursuant to IAS 33.9 and IAS 12, adjusted net income attributable to owners of the Company includes the coupon cost attributable to holders of deeply subordinated securities issued by Veolia Environnement (-€71.5 million in 2015 and -€68.0 million in 2014)

The only potentially dilutive instruments recognized by Veolia Environnement are the share subscription and purchase options presented in Note 6.2.2.

NOTE 10 PROVISIONS

Pursuant to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions cover all losses that are considered probable, and that relate to litigation (taxation, employee or other) arising in the normal course of Veolia's business operations.

As part of its obligations under public services contracts, Veolia generally has contractual obligations for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there are delays in work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

In the case of provisions for rehabilitation of landfill facilities, Veolia accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component and taking into account inflation and the date on which expenses will be incurred (discounting). The asset is amortized based on its depletion.

Provisions for closure and post-closure costs encompass the legal and contractual obligations of the Group on the completion of operating activities at a site (primarily site rehabilitation provisions) and, more generally, expenditure associated with environmental protection as defined in the ethics charter of each entity (provision for environmental risks).

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

Movements in non-current and current provisions during 2015 are as follows:

(€ million)	As of December 31, 2014 re- presented	Additions Charge	Repayment / Utilization	Reversal	Actuarial gains (losses)	Unwindin g of the discount	Changes in consolidatio n scope	Foreign exchange translatio n	Non-current/ current reclassificatio n	Other	As of December 31, 2015
Tax litigation	160.5	39.0	(42.5)	(13.9)	-	-	2.1	(0.4)	-	(1.1)	143.7
Employee litigation	21.7	7.5	(4.2)	(2.2)	-	-	0.4	(0.3)	-	0.1	23.0
Other litigation	137.0	81.0	(19.3)	(11.7)	-	0.2	0.3	3.6	-	2.7	193.8
Contractual commitments	185.8	205.8	(208.4)	(1.5)	-	0.7	-	(0.1)	-	(0.1)	182.2
Provisions for work-in- progress and losses to completion on long-term contracts	133.6	39.9	(34.5)	(3.7)	-	1.2	-	2.9	-	0.9	140.3
Closure and post-closure costs	640.5	11.9	(44.2)	(20.6)	-	49.1	(0.4)	14.4	-	5.9	656.6
Restructuring provisions	72.2	16.1	(47.5)	(38.0)	-	-	-	0.4	-	22.7	25.9
Self- insurance provisions	126.5	38.1	(19.9)	(12.8)	-	1.0	-	1.4	-	28.9	163.2
Other provisions	255.5	69.8	(61.2)	(23.2)	-	-	3.5	2.8	-	(32.4)	214.8

(€ million)	As of December 31, 2014 re- presented	Additions Charge	Repayment / Utilization	Reversal	Actuarial gains (losses)	Unwindin g of the discount	Changes in consolidatio n scope	Foreign exchange translatio n	Non-current/ current reclassificatio n	Other	As of December 31, 2015
Non-current provisions excl. pensions and other employee benefits	1,733.3	509.1	(481.7)	(127.6)	-	52.2	5.9	24.7	-	27.6	1,743.5
Provisions for pensions and other employee benefits	778.4	58.3	(62.5)	(22.4)	8.4	19.1	2.1	18.0	-	4.3	803.7
TOTAL PROVISION S	2,511.7	567.4	(544.2)	(150.0)	8.4	71.3	8.0	42.7	-	31.9	2,547.2
NON- CURRENT PROVISION S	1,958.8	401.9	(271.0)	(52.1)	8.4	71.3	6.9	36.6	(135.3)	42.6	2,068.1
CURRENT PROVISION S	552.9	165.5	(273.2)	(97.9)	-	-	1.1	6.1	135.3	(10.7)	479.1

Provisions for litigation total €360.5 million overall as of December 31, 2015, compared with €319.2 million as of December 31, 2014.

The France, Europe excluding France, Rest of the World and Global Businesses operating segments account for €92.2 million, €85.3 million, €60.1 million and €67.8 million of these provisions, respectively, as of December 31, 2015.

Additional information on the main litigation is presented in Note 12.

As of December 31, 2015, **provisions for contractual commitments** primarily concern the Rest of the World operating segment in the amount of €106.3 million, including €101.6 million in Gabon.

Provisions for work-in-progress and losses to completion on long-term contracts total €140.3 million as of December 31, 2015 and mainly concern the France operating segment in the amount of €23.6 million, the Europe excluding France, operating segment in the amount of €34.6 million, the Rest of the World operating segment in the amount of €43.3 million and the Global Businesses operating segment in the amount of €38.7 million.

Provisions for closure and post-closure costs total €656.6 million as of December 31, 2015 compared with €640.5 million as of December 31, 2014 and mainly concern the following operating segments:

- France in the amount of €230.6 million in 2015, compared with €229.2 million in 2014;
- Europe excluding France, in the amount of €236.4 million in 2015, compared with €229.7 million in 2014.

The increase in these provisions in 2015 is mainly due to the unwinding of the discount in the amount of €49.1 million, net reversals of provisions in the amount of -€52.9 million and foreign exchange translation gains and losses in the amount of €14.4 million.

By nature of obligation, these provisions concern:

- provisions for site rehabilitation in the amount of €570.5 million at the end of 2015 compared with €545.4 million at the end of 2014;
- provisions for environmental risks in the amount of €59.6 million at the end of 2015 compared with €66.1 million at the end of 2014;
- provisions for plant dismantling in the amount of €26.5 million at the end of 2015, compared with €28.9 million at the end of 2014.

Self-insurance provisions were mainly recorded by Group insurance and reinsurance subsidiaries.

Other provisions include various obligations recorded as part of the normal operation of the Group's subsidiaries and which are of immaterial individual amount. They primarily concern the following operating segments:

- France in the amount of €38.2 million as of December 31, 2015, compared with €79.2 million as of December 31, 2014;
- Europe excluding France, in the amount of €61.1 million as of December 31, 2015, compared with €55.3 million as of December 31, 2014;
- the Rest of the World in the amount of €44.1 million as of December 31, 2015, compared with €44.4 million as of December 31, 2014.

Provisions for pensions and other employee benefits as of December 31, 2015 total €803.7 million, and include provisions for pensions and other post-employment benefits of €701.4 million (governed by IAS 19 and detailed in Note 6.3) and provisions for other long-term benefits of €102.3 million.

NOTE 11 INCOME TAX EXPENSE

11.1 Income taxes

The income tax expense (income) includes the current tax expense (income) and the deferred tax expense (income).

11.1.1 Analysis of the income tax expense

The income tax expense breaks down as follows:

(€ million)	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Current income tax (expense) income	(227.0)	(203.4)
France	(33.5)	(63.0)
Other countries	(193.5)	(140.4)
Deferred tax (expense) income	27.5	38.5
France	0.3	(13.1)
Other countries	27.2	51.6
TOTAL INCOME TAX EXPENSE	(199.5)	(164.9)

The income tax expense presented in the Consolidated Cash Flow Statement reflects the income tax expense of continuing operations presented above and the income tax expense of discontinued operations.

A number of French subsidiaries elected to form a consolidated tax group with Veolia Environnement as the head company (five-year agreement, renewed in 2011). Veolia Environnement is liable to the French treasury department for the full income tax charge, calculated based on the group tax return. Any tax savings are recognized at Veolia Environnement level.

11.1.2 Effective tax rate

	Year ended December 31, 2015	Year ended December 31, 2014 re-presented
Net income (loss) from continuing operations (a)	551.3	347.5
Share of net income (loss) of associates (b)	25.6	17.0
Share of net income (loss) of joint ventures (c)	73.1	76.1
Share of net income (loss) of other equity-accounted entities (d)	45.9	11.5
Income tax expense (e)	(199.5)	(164.9)
Net income from continuing operations before tax (f) = (a)-(b)-(c)-(d)-(e)	606.2	407.8
Effective tax rate (e)/(f)	32.90%	40.43%
Theoretical tax rate ⁽¹⁾	34.43%	34.43%
Net impairment losses on goodwill not deductible for tax purposes	1.13%	12.37%
Differences in tax rate	-9.32%	16.34%
Capital gains and losses on disposals	-1.97%	-45.65%
Dividends	4.48%	3.53%
Taxation without basis	0.79%	13.83%
Effect of tax projections ⁽²⁾	14.64%	21.14%
Other permanent differences	-11.28%	-15.55%
EFFECTIVE TAX RATE	32.90%	40.43%

(1) The tax rate indicated is the statutory tax rate in France excluding the exceptional contribution applicable in fiscal years 2011 to 2015.
(2) Effect of tax projections include primarily impairment losses on deferred tax assets as well as tax grouping surplus.

The main elements explaining the effective tax rate in 2015 are as follows:

- the consolidation for 12 months of Dalkia International activities in Central Europe where the tax rate is lower than the Group tax rate (consolidated from July 25 only in 2014);
- the non-capitalization of Veolia tax group losses combined with the reduced capitalization of US tax group losses.

It is recalled that the main elements explaining the effective tax rate in 2014 were as follows:

- the impacts of the Dalkia redistribution transaction which significantly impacted the lines "Capital gains and losses on disposals", "Net impairment losses on goodwill", "Differences in tax rates" and "Taxation without basis";
- the non-capitalization of Veolia tax group losses.

11.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are generally recognized on timing differences and/or tax loss carry forwards.

Deferred tax assets arising from timing differences are only recognized when it is probable that:

- there are sufficient taxable timing differences within the same tax group or tax entity that are expected to reverse in the same periods as the expected reversal of such deductible timing differences or in the periods when the deferred tax assets arising from tax losses can be carried back or forward;
- or the Group is likely to generate sufficient future taxable profits against which the asset can be offset.

At each period end, the Group reviews the recoverable amount of deferred tax assets arising from material tax losses carried forward.

Deferred tax assets arising from these tax losses are no longer recognized or are reduced when required by the specific facts and circumstances of each company or tax group concerned, and particularly when:

- the forecast period and uncertainties regarding the economic environment no longer enable the probability of utilization to be assessed;
- the companies have not started utilizing the losses;
- the forecast utilization period exceeds the carry forward period authorized by tax legislation;
- offset against future taxable profits is uncertain due to the risk of different interpretations of the application of tax legislation.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

Movements in deferred tax assets and liabilities during 2015 are as follows:

(€ million)	December 31, 2014 re-presented	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Transfers to Assets/Liabilities classified as held for sale	Other	December 31, 2015
Deferred tax assets, gross	2,569.1	(131.0)	(4.7)	5.3	79.3	(2.3)	3.4	2,519.1
Deferred tax assets not recognized	(1,431.8)	96.2	3.9	(5.0)	(30.8)	2.7	0.2	(1,364.6)
DEFERRED TAX ASSETS, NET	1,137.3	(34.8)	(0.9)	0.3	48.5	0.4	3.7	1,154.5
DEFERRED TAX LIABILITIES	1,135.3	(62.4)	4.7	3.7	33.8	1.5	0.5	1,117.1

As of December 31, 2015, deferred tax assets not recognized totaled -€1,364.6 million, including -€981.8 million on tax losses and -€382.8 million on timing differences. As of December 31, 2014, such deferred tax assets totaled -€1,431.8 million, including -€1,029.1 million on tax losses and -€402.7 million on timing differences.

In France, based on taxable projected income, the Veolia tax group restricted the recognition of deferred tax assets to the amount of deferred tax liabilities, as at the previous year end.

Deferred tax assets and liabilities **break down by nature** as follows:

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
DEFERRED TAX ASSETS		
Tax losses	1,331.1	1,337.2
Provisions and impairment losses	371.1	400.9
Employee benefits	245.1	247.1
Financial instruments	122.1	148.2
Operating financial assets	56.6	63.5
Fair value of assets purchased	9.8	12.7
Foreign exchange gains and losses	-3.0	25.3
Finance leases	10.8	11.5
Intangible assets and Property, plant and equipment	18.4	24.0
Other	357.1	298.7
DEFERRED TAX ASSETS, GROSS	2,519.1	2,569.1
DEFERRED TAX ASSETS NOT RECOGNIZED	(1,364.6)	(1,431.8)
RECOGNIZED DEFERRED TAX ASSETS	1,154.5	1,137.3

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
DEFERRED TAX LIABILITIES		
Intangible assets and Property, plant and equipment	505.9	417.3
Fair value of assets purchased	151.2	226.6
Operating financial assets	94.9	94.2
Financial instruments	67.1	50.6
Finance leases	80.3	92.7
Provisions	40.8	42.4
Foreign exchange gains and losses	13.4	37.1
Employee benefits	46.1	46.9
Other	117.4	127.5
DEFERRED TAX LIABILITIES	1,117.1	1,135.3

The breakdown by **main tax group** as of December 31, 2015 is as follows:

(€ million)	Recognized deferred tax assets on tax losses	Recognized deferred tax assets on timing differences	Deferred tax liabilities on timing differences	Net recognized deferred tax position
France Veolia tax group	-	182.8	(182.8)	-
United States tax group	246.5	177.1	(222.1)	201.5
United Kingdom tax group	-	56.6	(142.6)	(86.0)
TOTAL FOR THE MAIN TAX GROUPS	246.5	416.5	(547.5)	115.5

As of December 31, 2015, the tax group in the United States has ordinary tax losses carried forward, relating to the restructuring of Water activities in 2006 and associated with losses incurred by the former activities of USFilter.

The **timing schedule** for the reversal of the net deferred tax position on timing differences and the deferred tax asset position on tax losses of the France tax group and the United States tax group is as follows:

(€ million)	Deferred tax assets on tax losses			Net deferred tax on timing differences			Total		
	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total	5 years or less	More than 5 years	Total
France Veolia tax group	-	-	-	-	-	-	-	-	-

United States tax group	246.5	-	246.5	90.9	(135.5)	(45.0)	336.9	(135.5)	201.5
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The **expiry schedule** for deferred tax assets on tax losses recognized and not recognized as of December 31, 2015 is as follows:

(€ million)	Expiring in			Total
	5 years or less	More than 5 years	Unlimited	
Recognized tax losses	74.7	11.9	262.4	349.1
Tax losses not recognized	(119.0)	(104.5)	(758.3)	(981.8)

Deferred tax assets and liabilities **break down by destination** as follows:

(€ million)	As of December 31, 2015	As of December 31, 2014 re-presented
DEFERRED TAX ASSETS, NET		
Deferred tax assets through net income	1,073.9	1,058.9
Deferred tax assets through equity	80.6	78.4
DEFERRED TAX ASSETS, NET	1,154.5	1,137.3
DEFERRED TAX LIABILITIES		
Deferred tax assets through net income	1,087.9	1,110.6
Deferred tax assets through equity	29.2	24.7
DEFERRED TAX LIABILITIES	1,117.1	1,135.3

11.3 Tax audits

In the normal course of their business, the Group entities in France and abroad are subject to regular tax audits. Revised assessments and identified uncertain tax positions in respect of which a revised assessment has not yet been issued are adequately provided, and provision amounts are regularly reviewed in accordance with IAS 37 criteria.

The tax authorities have carried out various tax audits in respect of both consolidated tax groups and individual entities. To date, none of these reviews have led to liabilities to the tax authorities materially in excess of amounts estimated during the review of tax risks.

In estimating the risk as of December 31, 2015, the Group took account of the expenses that could arise as a consequence of these audits, based on a technical analysis of the positions defended by the Group before the tax authorities. The Group periodically reviews the risk estimate in view of developments in the audits and legal proceedings.

On March 10, 2010, Veolia through its subsidiary VNA (formerly VENAO) received notices of proposed adjustments (“NOPAs”) from the US Internal Revenue Service (IRS) relating to a number of tax positions concerning its US subsidiaries, including primarily tax losses resulting from the reorganization of the former U.S. Filter (Worthless Stock Deduction), in the amount of USD 4.5 billion (tax base). They also relate to certain other issues relating to tax losses for the 2004, 2005 and 2006 tax years, in an aggregate amount of a similar order of magnitude as the Worthless Stock Deduction. The NOPAs are preliminary assessments that do not reflect a definitive audit position and are subject to change. These NOPAs were received following the request by the Group for a pre-filing agreement from the IRS in order to validate the amount of tax losses as of December 31, 2006.

Since 2010, the Group continues to discuss these NOPAs with the IRS with a view to resolving or narrowing the issues and the issuance of a formal assessment notice for any unresolved issues, which could be appealed within the IRS or in court. As of December 31, 2015, the remaining NOPAs, before any penalties, relate to the Worthless Stock Deduction for USD 4.5 billion (tax base). As the NOPAs are still subject to the continuing IRS audit process, there is no requirement at this time for any payment of taxes. Based on information available to the Company at the year-end, Veolia has not recorded any provision in its consolidated financial statements in respect of the NOPAs and has recorded a deferred tax asset in respect of a portion of these tax losses.

In the context of this audit, the IRS issued several summonses in reply to which VNA (formerly VENAO) submitted a number of documents. On January 5, 2013, considering the response to the summonses inadequate, the US Department of Justice brought an action against VNA (formerly VENAO) before the US District Court of the State of Delaware for enforcement of the summonses. These proceedings are now finished and VNA forwarded the required documents to the IRS at the end of August 2015. The IRS is currently reviewing these documents and no formal notice has been received to date.

Furthermore, the audit launched in 2011 in respect of fiscal years 2007 and 2008 for all of the Group’s US entities is still ongoing. No revised assessments have been notified to date. A new audit covering fiscal years 2009 to 2011 was launched by the IRS at the end of 2013. This audit is still ongoing and no revised assessments have been notified to date.

NOTE 12 CONTINGENT ASSETS AND LIABILITIES

In accordance with IAS 37 criteria, management does not consider it appropriate to record a provision or, as the case may be, an additional provision, or to recognize deferred income with respect to the following legal or arbitration proceedings as of December 31, 2015, due to the uncertain nature of their outcome.

The main contingent assets and liabilities relating to legal or arbitration proceedings are presented below:

North America

United States – HPD vs. TETRA Technologies

In November 2007, HPD, LLC, an indirect subsidiary of the Company, entered into an engineering and equipment supply contract (the “Contract”) with TETRA Technologies (“TETRA”) for a new calcium chloride manufacturing plant located near El Dorado, Arkansas in the United States. The Contract contains clauses providing for delay and performance liquidated damages, a waiver of consequential damages, a limitation of liability capped at the amount of the Contract and an arbitration clause providing for mandatory arbitration of any disputes according to the rules of the American Arbitration Association. The amount of the Contract was fully paid by TETRA.

On March 23, 2011, TETRA filed an action against HPD in the local court of the state of Arkansas (the “Circuit Court of Union County Arkansas”) claiming that the plant’s production does not comply with the expected quantities and concentration levels. TETRA is asserting claims against HPD for:

- Principally, professional negligence and design errors and omissions, as well as fraud; to this end, TETRA alleges that the Contract is null and void, on the grounds that HPD was not licensed as an engineering company in the state of Arkansas;
- Alternatively, contractual breaches.

In April 2011, HPD asked the Circuit Court of Union County to apply the arbitration clause provided for by the Contract and to transfer the dispute to arbitration; in parallel, it contested being subject to the licensing requirement. On November 1, 2012, the Supreme Court of Arkansas granted HPD’s request, which had been rejected by the Circuit Court of Union County in November 2011.

The parties appointed the members of the arbitral tribunal. In a decision dated October 2, 2014, the tribunal confirmed its jurisdiction of the dispute. There is favorable language in its ruling that the parties Contract does not allow for the award of consequential damages. On January 29, 2015, TETRA asserted its claim for damages and interest at \$86 million, of which \$26.6 million is for past remedial action, \$36 million for future remedial action and \$24 million for lost profits. Since that time, the amount of Tetra’s damage claim has changed and, in October 2015, it stood at \$93 million.

The proceeding is pending. The next arbitration hearing is scheduled for March 21, 2016 in Houston.

TETRA suggested that the parties mediate their disputes. Mediation is scheduled for March 8-9, 2016 in San Francisco, CA.

This dispute was subject to claims under the insurance policy taken out by HPD. Zurich insurance company has reserved its rights with respect to the guarantee from which HPD benefited in the event of a potential unfavorable decision in the current proceeding. Zurich has agreed to participate in the mediation although it has made no commitment as to its level of participation in any settlement proposals.

Central and Eastern Europe

Romania

In 2000, Apa Nova Bucuresti (ANB), Veolia Eau’s Romanian subsidiary in which it holds a 74% stake, signed a 25-year concession agreement for water distribution and wastewater services with the city of Bucharest.

At the end of July 2015, the National Anticorruption Division of Ploiesti (“NAD”) opened an investigation on influence peddling involving several persons, in particular several Romanian subsidiaries of the Company.

ANB and certain of its executives or former executives are suspected of having bought, between 2008 and 2015, influence of three natural persons in order to obtain favorable decisions from Bucharest’s public authorities, resulting in significant increases in water prices. In exchange, ANB allegedly made significant payments to companies controlled by these three persons or related persons, without these payments being proportionate to the services rendered, or without these services necessarily being real.

Since August 2015, ANB, as well as other subsidiaries of the Company with water and energy activities, provided the NAD, at its request, with numerous documents.

Throughout October 2015, three executives or former executives of ANB were questioned by the NAD, and then placed under the status of “*inculpat*” and under judicial supervision.

On October 30, 2015, ANB was placed under this same status, for taking bribe, buying influence, invasion of privacy, tax evasion and money laundering.

The investigation continues and ANB is cooperating with the NAD. To date, it only has partial access to the criminal case file.

Lithuania - Energy

Between 2000 and 2003, the Group signed a number of contracts with Lithuanian cities, of which the most significant was with the city of Vilnius in 2002 to operate and modernize the heating and electricity production and distribution infrastructure. The Group made significant investments over the years for which it is awaiting a cost evaluation and a return on its investment.

The government publicly, and on numerous occasions, accused the Group of being responsible for high heating prices by waging a sustained campaign against it.

Several steps were thus taken by the authorities and public entities against the Lithuanian subsidiaries of the Group, UAB Vilniaus Energija (“UVE”) and UAB Litesko (“Litesko”).

Actions to pass on consumer heating costs to UVE and Litesko:

- With Vilnius’s approval, UVE installed individual energy-efficient heat exchange sub-stations in residential buildings. In September 2011, the law governing the heating sector was amended to transfer the ownership of these sub-stations to apartment owners, without compensating the investors. Although the courts and the national commission for energy and price control (the “National Commission”) recognized UVE’s right to compensation, they nevertheless ruled that they lacked jurisdiction to enforce the exercise of such right. To date, UVE has still not received any compensation.
- In 2008 and 2009, UVE respectively proposed to Vilnius and the National Commission to invest in a smoke condenser. Both entities refused to approve this investment. UVE thus, pursuant to the applicable regulation, invested on a private basis. However, in October 2014, the National Commission unilaterally reduced UVE’s heating prices to capture the savings realized with the help of this condenser despite no legal basis.
- On December 11, 2015, the regional administrative court of Vilnius cancelled the heating prices that the National Commission had established for UVE for a period of five years (2011-2015), by calling on the National Commission to retroactively reduce its prices. UVE appealed on December 28, 2015. The appeal has suspensive effect.

Actions to render the Group's combined heat power plants economically non-viable :

- Vilnius’ contract requires UVE to operate combined heat power plants, producing both heat and electricity , and to produce electricity for sale. The government established an annual electricity purchasing quota for the national public electricity company (Lesto) at a specific price, ensuring sufficient demand for electricity generated by the combined heat power plants.
- The government decided to terminate the electricity purchasing quota system as of January 1, 2016. Without these quotas, the most important of the combined heat power plants operated by UVE, VE-3, is no longer economically viable. As a result, UVE notified the municipal heating network company, controlled by Vilnius, Vilniaus Silumos Tinklai (“VST”), that VE-3 would cease operating on January 1, 2016 and would be returned.
- VST declared its refusal to take back VE-3, requiring UVE to bear such costs until the end of the agreement in March 2017.

Actions to sanction the Group due to heat price increases

- Competition Council

(i) UVE

On January 18, 2011, UVE signed with a company a 5-year biofuel supply agreement (the “Contract”) in order to provide heat to the city of Vilnius, for which it manages the network. On February 25, 2013, the Competition Council of the Republic of Lithuania (the “Competition Council”) decided to carry out an investigation regarding compliance of operators in heat and biofuel production and supply with Lithuanian competition law.

On December 2, 2015, the Competition Council imposed a €19 million fine on UVE for restricting competition under the Contract. UVE believes that (i) the supplies involved were subject to a call for tenders and in accordance with applicable laws, (ii) the relevant market of biofuel used by the Competition Council for its investigation is not justified and (iii) this fine is disproportionate as it is established on all of UVE’s heating sales while only 15% of these sales are generated from biofuels.

On December 22, 2015, UVE initiated an appeal against this decision before the administrative court of Vilnius, which suspended the payment for the duration of the proceeding.

(ii) Litesko

On August 2, 2001, a 15-year agreement was concluded between Litesko, the city of Alytus (“Alytus”) and its municipal utility, Alytus Silumos Tinklai (“AST”) to operate and modernize the heat infrastructure of Alytus. In June 2005, a 10-year extension was agreed upon (until 2026) in return for a commitment on Litesko’s part to invest. In December 2007, Alytus requested an additional investment from Litesko: a new biofuel plant. In exchange, Alytus agreed to allow Litesko to remain the owner of the plant after the agreement’s expiration in 2026.

On September 9, 2015, the Competition Council concluded that Alytus had violated competition law by extending the agreement and by accepting that Litesko would remain the owner of the biofuel plant. It called upon Alytus to reconsider the commitments made in 2005 and 2007. On September 29, 2015, Litesko lodged an appeal against the decisions of the Competition Council before the administrative court of Vilnius. A hearing was held on February 9, 2016. The ruling is expected on February 29, 2016.

On October 30, 2015, Alytus accepted the Competition Council’s decision by not filing an appeal.

On January 15, 2016, Alytus informed Litesko that the commitments granted in 2005 and 2007 were null and void and that, consequently, the biofuel plant was to be transferred to AST on June 1, 2016. In both of these cases, the issue of compensation must be discussed. This letter describes Alytus’ position without representing, at this stage, a legal claim and/or a final decision.

▪ Potential criminal liability of the managers of UVE and Litesko

In February 2012, an investigation was launched by the public prosecutor of Vilnius for suspected misuse of corporate assets and fraud against the managers of UVE, Litesko and Dalkia Lietuva in connection with a natural gas purchase by UVE and Litesko, between 2003 and 2005, through a gas trading subsidiary, Dalkia Lietuva (liquidated in March 2014).

This gas purchase through Dalkia Lietuva complied with the law.

Following the end of the investigation in October 2014, the case file was remanded to the Vilnius court, which is currently hearing witnesses. The prosecutor was recused by the court after having threatened a witness with legal action.

Vilnius’ refusal to pay heating invoices (€27M)

Before the municipal elections of March 2015, the practice was that the invoices owed by UVE to the municipal water distribution utility of Vilnius (Vilniaus Vandenys) were offset by heating invoices owed by Vilnius to UVE. This compensation was formalized in a tripartite agreement.

Between the end of March 2015 and June 2015, Vilniaus Vandenys submitted three claims before UVE for the payment of UVE’s debts (€15 million). On January 27, 2016, UVE lost one of the three claims and will appeal the decision. Decisions for the two other claims are expected by the end of March 2016.

UVE filed its claim before the courts on August 17, 2015 for payment of Vilnius’s heating invoices (€27 million). A hearing is scheduled for March 15, 2016.

Proceeding initiated against Lithuania before the International Center for the Settlement of Investment Disputes (“ICSID”).

Given the multitude of actions and decisions described as both inequitable and discriminatory, on January 26, 2016, the Group filed a request for arbitration against Lithuania before the International Center for the Settlement of Investment Disputes (“ICSID”). The Group considers it suffered damages in excess of €100 million.

Italy – Environmental Services

As a result of the severe economic imbalances in the concession contracts of its two principal subsidiaries, Termo Energia Calabria (“TEC”) and Termo Energia Versilia (“TEV”), and as a result of chronic late payments by the concession authorities to those companies, the group of companies Veolia Servizi Ambientali Tecnitalia S.p.A (“VSAT”), which specializes in waste incineration in Italy, filed on April 18, 2012 a request for an amicable settlement procedure, called *concordato preventivo di gruppo* (“CPG”) with La Spezia Civil Court. On March 20, 2013, La Spezia Civil Court acknowledged that the majority of creditors had voted in favor of the CPG. On July 17, 2013, the Court approved the CPG. Several creditors appealed this ruling before the Genoa Court, which reversed the decision on January 9, 2014.

On March 12, 2014, the judge of the Genoa Court of Appeals rejected the request to suspend the January 9, 2014 decision filed by the companies of the VSAT group. The March 12, 2014 ruling is contrary to established case law and to the position of the Italian Supreme Court; it represents an isolated decision and a reversal in case law.

In light of the foregoing, on May 19, 2014, the companies of the VSAT group filed a request for the opening of judicial liquidation proceedings (*fallimento*) with La Spezia Court, which decided on June 25, 2014 to place these companies under

judicial liquidation in a single procedure and appointed two receivers. One creditor requested that the receivers and reporting judge appointed by the La Spezia Court be removed. A hearing took place before such court on August 29, 2014, and the court subsequently rejected the request on September 23, 2014. The creditor then lodged an appeal before the Genoa Court of Appeals, which also rejected the request on December 29, 2014. A first hearing was held on March 4, 2015 before La Spezia Court to discuss the current liabilities of the companies of the VSAT group with the creditors of the group. Three other hearings, on the same topics, were held on April 8, April 29 and May 27, 2015.

On November 20, 2015, the bankruptcy judge prepared a statement of liabilities and adjudicated the admission of claims by Veolia Servizi Ambientali (“VSA”), the Italian holding company of the VSAT group. On December 22, 2015, a creditor opposed this admission. Following this opposition, the Court scheduled a first appearance hearing of the parties for March 23, 2016.

Additionally, on April 3, 2014, the Company was informed of a notice of the Reggio Calabria (Calabre) prosecutor’s office relating to the conclusion of the preliminary investigation with the indictment of certain former TEC executives, certain TEC site managers, the former Calabria extraordinary commissioner and deputy commissioners, and certain transporters and managers of private landfills, as well as TEC as a legal entity. The alleged facts include fraud in the execution of the concession contract, illegal traffic of waste in an organized syndicate, fraud against a public legal person, fraud in public markets and allegations of corruption. The Reggio Calabria prosecutor’s office requested that the indicted individuals and legal entity (TEC) face trial before the Criminal Court.

The hearing is planned on March, 7, 2016.

Other segments – Société Nationale Maritime Corse Méditerranée (“SNCM”)

On November 20, 2015, the Marseille commercial court issued a judgment establishing a plan for the sale of SNCM’s assets and activities to the Rocca group and declared the subsequent judicial liquidation of SNCM. In early January 2016, the Rocca group started entering into possession of SNCM’s assets and activities included within the scope of the sale, in accordance with the deadline set by the court. Mid-February 2016, the Rocca group signed for the acquisition of SNCM ships.

By its decision of December 4, 2015, the Marseille commercial court approved the transactional agreement under which the bodies of the proceeding waive all requests for payment for insufficient assets, proceedings for liability and personal sanctions against Transdev and Veolia, in exchange for Transdev and Veolia’s irrevocable withdrawal of their claims declared as SNCM’s liabilities, and the payment of damages provided for by the transactions signed on May 28, 2015 and December 3, 2015, these two transactions being conditional on one another.

In parallel, at the end of November 2015, the Corsica Maritima consortium of companies, whose application to take over SNCM was dismissed by the Marseille commercial court, lodged an appeal in third-party proceedings before such court, seeking to cancel the decision of November 20 and to reexamine the proposals. The Marseille commercial court’s review of this appeal, initially scheduled for December 17, 2015, was postponed to January 19, 2016, and then to March 8, 2016.

In this context, the Group used the accounting treatment as described in Note 3.3.2 above.

Other segments - Regional aid to passenger road transportation

Transdev Group was informed by a letter from the President of the Ile-de-France Regional Council dated March 3, 2014, that on June 4, 2013, the Paris Administrative Court had instructed the Ile-de-France Region to proceed with the recovery of subsidies granted to operators under the plan for the improvement of public transportation services. These subsidies were deemed to be illegal state aid by a decision of the Paris Administrative Court of Appeals of July 12, 2010, on the grounds that no notification was made to the European Commission. According to the terms of the letter, this restitution obligation could affect certain of Transdev Group’s subsidiaries that may have benefited from these subsidies, because the Paris Administrative Court rejected on December 31, 2013 the Ile-de-France region’s request for a stay of implementation on the restitution injunction. The Region appealed the administrative court decision of June 4, 2013; this appeal does not stay the injunction.

This first notification was also sent to other regular line operators in the outer Paris suburbs. This request for repayment is a legal dispute between the Ile-de-France Region and an occasional transportation company, and no subsidiary of the Transdev Group is a party to it. Although the Region mentions in its letter an estimated subsidized amount of approximately €98.7 million (not including interest) attributed to Transdev Group’s subsidiaries, this estimate remains uncertain due to the complexity of the assessment resulting from, (i) the time the plan has existed, (ii) the number of operators that received the subsidies, a large number of which have since restructured/consolidated their activities, and (iii) the guidelines of the plan, which involve local authorities with evolving scopes of responsibility and are either intermediaries (the sums paid by the Region passing through them) or economic beneficiaries under the plan.

If the Ile-de-France Region were to issue a recovery order, the Transdev Group or its concerned subsidiaries would challenge it before the administrative court.

At this stage, Transdev Group maintains the position that the local authorities (departments, municipal associations, towns, among others), rather than Transdev Group and its subsidiaries, are, in almost all cases, the direct recipients of this financial aid because they benefit from contractual terms with reduced prices for transportation services billed to these local authorities.

Transdev Group, together with OPTILE (*Organisation Professionnelle des Transports d'Ile-de-France*, an association of all the private companies that operate regular lines in the Ile-de-France Transportation Plan), intends to contest any potential claims for repayment and intends to take legal action necessary to defend its interests.

Finally, in a press release dated March 11, 2014, the European Commission announced that, following a complaint filed in 2008, it is opening an in-depth investigation into the subsidies granted to companies that operate public transportation services in Ile-de-France. It also stated that the total amount of subsidies between 1994 and 2008 equaled €263 million and involved 235 recipients. In particular, the Commission will verify whether the recipients took on additional costs related to the obligation of public service, and, if so, whether or not their services were subject to overcompensation. Lastly, the Commission stated that its investigation will focus on a similar system of subsidies that may have continued after 2008. The opening of an in-depth investigation does not in any way affect the outcome of the ongoing investigation described above.

As this decision was published on May 9, 2014 in the Official Journal of the European Union, Transdev Group had until June 9, 2014 to submit its comments as an interested third party. By letter of May 27, Transdev Group requested a one-month time period to reply, which it obtained. On July 9, 2014, Transdev Ile-de-France filed, on its own behalf and on that of all the entities of the group active in Ile-de-France, observations in addition to those filed by OPTILE in the interest of all its members. These observations, accompanied by an economic expert's report, tend to demonstrate the total neutrality for the carriers of the disputed aid, which in reality benefits local communities, and the corresponding impossibility to seek any restitution whatsoever from the companies.

In parallel, Transdev Ile-de-France (as well as OPTILE) filed on February 27, 2015 before the Paris Administrative Court of Appeals:

- an application as a third party against the decision rendered by the same court on July 12, 2010 that had stated that the subsidies in question were illegal, in which proceedings it was not a party.
- voluntary intervention, before the same Court, in the context of the appeal filed before the Ile-de-France Region against the decision of the Paris Administrative Court on June 4, 2013, asking that the Ile-de-France Region issue, as a consequence of the proceeding cited above, the enforceable titles allowing the recovery of the aid at issue. Under this proceeding, on May 26, 2015, Transdev Ile-de-France filed a statement of additional observations for a stay of proceedings pending the forthcoming ruling of the European Commission or, at least, pending the ruling of the Paris Administrative Court of Appeals under the third-party proceeding (see above).

By decisions of November 27, 2015, the Paris Administrative Court of Appeals:

- rejected the voluntary intervention;
- rejected the third-party proceeding and required the Ile-de-France region to determine the amounts that should be returned by each beneficiary company of the aid scheme, taking into account the nature of the subsidized investments and the type of transportation activity that was conducted, and to proceed with the recovery of the aid within a nine-month period. The Ile-de-France region indicated to the Administrative Court of Appeals that it would be extremely difficult for it to calculate the amount of the subsidies to be recovered given that a portion of the subsidies are targeted;

On January 27, 2016, Transdev Ile-de-France lodged an appeal against the decision to reject their third-party proceeding.

NOTE 13 RELATED PARTY TRANSACTIONS

The Group identifies related parties in accordance with the provisions of paragraph 9 of IAS 24 revised, Related Party Disclosures.

A breakdown of compensation and related benefits of key management (related parties) is presented in Note 6.4.

A breakdown of relations with joint ventures is presented in Note 5.2.4.1.

Relations with other related parties break down as follows:

Caisse des dépôts et consignations (8.62% shareholding as of December 31, 2015)

The Caisse des dépôts et consignations, considered a related party, sits on the Board of Directors of Veolia Environnement as a legal entity.

The financing agreements between the two groups bear interest at market conditions.

On May 4, 2010, the Caisse des dépôts et consignations and Veolia Environnement concluded their agreement on the Transdev-Veolia Transport combination by the creation of a 50/50 joint venture combining Transdev and Veolia Transport.

This combination was effectively completed on March 3, 2011. In accordance with IAS/IFRS, Veolia Environnement, with a reduced 50% stake, now accounts for Transdev Group and its subsidiaries in accordance with the equity method.

The combination gave rise on the same date to contract amendments and agreements resulting from the shareholders' agreement between Veolia Environnement and Caisse des dépôts et consignations.

This shareholders' agreement determines in particular the financing policy of the new entity and the terms and conditions of the call option granted to Caisse des dépôts et consignations over all shares in Veolia Transdev and its subsidiaries held by Veolia Environnement exercisable in the event of a change in control of this latter.

On March 3, 2011, in accordance with the financing policy set out in the shareholders' agreement, two loan agreements were signed between Transdev Group and Veolia Environnement and between Caisse des dépôts et consignations and Transdev Group, respectively, under the terms of which Veolia Environnement and Caisse des dépôts et consignations each undertook to make available to Transdev Group term loans of €900 million (the "shareholders' loans"). In order to provide Transdev Group with the financial flexibility necessary to its development and strengthen its balance sheet, Veolia Environnement and Caisse des dépôts et consignations extended the terms of their respective loans and concomitantly performed a share capital increase for a total amount of €560 million on December 18, 2013, by offset against shareholder loan receivables. In addition, on December 16, 2013, Veolia and Caisse des dépôts et consignations accepted to grant Transdev Group one-year liquidity lines of €180 million and €150 million respectively (the "liquidity lines"). As the shareholders' loans and liquidity lines expired on December 19, 2014, Transdev Group signed an agreement with Veolia Environnement and Caisse des dépôts et consignations, respectively, organizing (i) their extension for a period of one year, and (ii) the partial repayment of the shareholders' loans and their restructuring as a bullet loan (of €345 million per shareholder) and a loan facility (of €200 million per shareholder).

In December 2015, Veolia Environnement and Caisse des dépôts et consignations decided to extend for a further year the terms of the shareholders' loans (maturing March 3, 2017) and the liquidity lines granted to Transdev Group (maturing December 22, 2016) with a view to a bank refinancing of these loans and lines during 2016.

In December 2015, pursuant to a settlement agreement involving primarily Transdev Group, Caisse des dépôts et consignations and Société Nationale Maritime Corse Méditerranée (SNCM), Veolia Environnement agreed to waive all its receivables as reported to the receiver during the judicial receivership proceedings, i.e. a total of €14,535,239.80.

Relations with Soficot

Soficot is a company providing services to Veolia Environnement and the Group. The company's Chairman is Serge Michel who sits on the Board of Directors of Veolia Environnement. The services provided by Soficot to Veolia Environnement in 2015 are described in the Special Auditors' Report on Regulated Agreements.

In addition, until the end of June 2015, Soficot continued to provide services and assistance to:

- (i) VE-CGE (primarily information systems rationalization services, systems management and online document management services, in particular for the company's contracts) for total consideration of €750,000, including VAT; and
- (ii) Veolia Energie International, (assistance services for the turnaround of its Italian subsidiary, SIRAM) for consideration of €150,000, including VAT.

With effect from 1 July 2015, these contractual relations with Soficot were terminated early, primarily as VE-CGE decided to bring the IT services outsourced to this company back in-house. Total compensation of €1.5 million was paid to Soficot in respect of the early termination of these contracts, in return for it waiving the continuation of these contracts until their term.

NOTE 14 SUBSEQUENT EVENTS

Acquisition of Kurion

On February 3, 2016, Veolia announced the signature of the acquisition of the US company Kurion, the California-based company credited for stabilizing Japan's Fukushima Daiichi nuclear power plant and a specialist in nuclear waste clean-up technology, for an acquisition price of USD 350 million.

The acquisition completes a critical part of Veolia's strategy in the nuclear clean-up sector. Its objectives in this area were announced in 2013 with the signature of a collaboration agreement with the French Alternative Energies and Atomic Energy Commission (CEA) and the creation of Asteralis.

With the addition of Kurion's expertise and technology, Veolia is rounding out its portfolio of services to the nuclear industry and will now be able to provide all existing solutions and know-how in both nuclear facility clean-up and the treatment of low and medium-level radioactive waste.

Germany train accident

A frontal collision occurred on February 9, 2016 in Bavaria between two regional trains operated by a subsidiary of Transdev Group. The accident caused the death of 11 people and about twenty serious injuries were reported.

On February 16, 2016, during a press conference of the commission of inquiry into the causes of the accident, the Traunstein prosecutor in charge of the investigation said: "There is no evidence relating to a technical problem This is a human error". The magistrate indicated that the person in charge of the switch, the day of the accident, an employee from the network's administrator, was charged with negligence resulting in homicide, injuries and dangerous action in rail traffic. As a result, the Transdev group subsidiary Bayerische Oberlandbahn (BOB), which has operated the line since December 2013, seems exonerated in the accident, the traffic control being performed by a third party.

NOTE 15 MAIN COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

In 2015, Veolia Group consolidated or accounted for a total of 2,259 companies and 1,602 companies excluding Transdev Group, of which main companies are:

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Environnement SA 36-38, avenue Kléber 75116 Paris	40 321 003 200 047	FC	100.00	100.00
FRANCE				
Water				
Veolia Eau – Compagnie Générale des Eaux 163-169, avenue Georges Clemenceau 92000 Nanterre	57 202 552 600 029	FC	100.00	100.00
Veolia Water 163-169, avenue Georges Clemenceau 92000 Nanterre	42 134 504 200 012	FC	100.00	100.00
Compagnie des Eaux et de l'Ozone 163-169, avenue Georges Clemenceau 92000 Nanterre	77 566 736 301 597	FC	100.00	100.00
Société Française de Distribution d'Eau 28 boulevard de Pesaro 92000 Nanterre	54 205 494 500 382	FC	99.60	99.60
Compagnie Fermière de Services Publics 6 rue Nathalie Sarraute 44100 Nantes	57 575 016 100 912	FC	99.87	99.87
Compagnie Méditerranéenne d'Exploitation des Services d'Eau – CMESE 12, boulevard René-Cassin 06100 Nice	78 015 329 200 112	FC	99.72	99.72
Société des Eaux de Melun Zone Industrielle – 198/398, rue Foch 77000 Vaux Le Pénil	78 575 105 800 047	FC	99.32	99.32
Société des Eaux de Marseille 25, rue Edouard-Delanglade 13006 Marseille	5 780 615 000 017	FC	97.91	97.91
Waste solutions				
Veolia Propreté Parc des Fontaines – 163/169, avenue Georges Clemenceau 92000 Nanterre	57 222 103 400 778	FC	100.00	100.00
Routière de l'Est Parisien 28 boulevard de Pesaro 92000 Nanterre	61 200 696 500 182	FC	100.00	100.00
ONYX Auvergne Rhône-Alpes 105 avenue du 8 mai 1945 69140 Rillieux-La-Pape	30 259 089 800 524	FC	100.00	100.00
Onyx Est ZI de la Hardt – Route de Haspelschiedt 57230 Bitché	30 520 541 100 070	FC	95.00	95.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Paul Grandjean SACO 6 rue Nathalie Sarraute 44200 Nantes	86 780 051 800 609	FC	100.00	100.00
OTUS 28 boulevard de Pesaro 92000 Nanterre	62 205 759 400 385	FC	100.00	100.00
Bartin Recycling Group and its subsidiaries 5 rue Pleyel 93200 Saint Denis	48 141 629 500 022	FC	100.00	100.00
OTHER EUROPEAN COUNTRIES				
Veolia Water UK Plc and its subsidiaries 210 Pentoville Road London N1 9JY (United Kingdom)		FC	100.00	100.00
Veolia ES (UK) Ltd and its subsidiaries 8 th floor – 210 Pentonville Road London - N19JY (United Kingdom)		FC	100.00	100.00
Veolia Umweltservice GmbH and its subsidiaries Hammerbrookstrasse 69 20097 Hamburg (Germany)		FC	100.00	100.00
Veolia Deutschland GmbH and its subsidiaries Lindencorso Unter den linden 21 10117 Berlin (Germany)		FC	100.00	100.00
Braunschweiger Versorgungs- AG &Co.KG Taubenstrasse 7 38106 Braunschweig (Germany)		FC	74.90	74.90
Aquiris SA Avenue de Vilvorde, 450 1130 Brussels (Belgium)		FC	99.00	99.00
Apa Nova Bucuresti Srl Strada Aristide Demetriade nr 2, Sector 1 Bucharest (Romania)		FC	73.69	73.69
Veolia Central & Eastern Europe and its subsidiaries 136-138, avenue Kléber 75116 Paris	434 934 809 00016	FC	100.00	100.00
Prazske Vodovody A Kanalizace a.s. 11 Parizska 11000 Prague 1 (Czech Republic)		FC	100.00	100.00
Severoceske Vodovody A Kanalizace a.s. 1 689 Pritkovska 41550 Teplice (Czech Republic)		FC	50.10	50.10
Sofiyska Voda AD Mladost region Mladost 4 Business Park Street Building 2a 1000 Sofia Sofia (Bulgaria)		FC	77.10	77.10
Veolia Energy UK PLC and its subsidiaries Elizabeth House – 56-60 London Road Staines-upon-Thames TW18 4BQ (United Kingdom)		FC	100.00	99.95
Veolia NV-SA and its subsidiaries 52, quai Fernand-Demets 1070 – Brussels (Belgium)		FC	100.00	100.00
Siram SPA and its subsidiaries Via Bisceglie, 95 20152 Milan (Italy)		FC	100.00	99.95
Veolia Espana S.L.U. and its subsidiaries Cl Juan Ignacio Luca De tena, 4 28027 Madrid (Spain)		FC	100.00	99.95
Veolia SGPS SA and its subsidiaries Estrada de Paço d'Arcos 2770 – 129 Páco d'Arços (Portugal)		FC	100.00	99.95

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Energia Polska ul. Puławska 2, Budynek Plac Unii C 02-566 Warszawa (Poland)		FC	60.00	59.97
Veolia Term SA and its subsidiaries ul. Ostrobramska 75C 04-175 Warszawa (Poland)		FC	100.00	59.97
Veolia Energia Warszawa and its subsidiary Ul Stefana Batorego 2 02-591 Warszawa (Poland)		FC	96.45	57.84
Veolia Nordic AB and its subsidiaries Hälsingegatan 47 113 31 Stockholm (Sweden)		FC	100.00	99.95
Vilnius Energija Joconiu St. 13 02300 Vilnius (Lithuania)		FC	100.00	99.95
Veolia Energia Zrt. and its subsidiaries Budafoki út 91-93 H-1117 Budapest (Hungary)		FC	99.97	99.92
Veolia Energia Slovensko A.S. and its subsidiaries Einsteinova 25 851 01 Bratislava (Slovakia)		FC	100.00	99.95
Veolia Energie CR A.S. and its subsidiaries 28.Rijna 3123/152 709 74 Ostrava (Czech Republic)		FC	73.06	73.03
REST OF THE WORLD				
Veolia Water Americas, LLC and its subsidiaries 101 W. Washington Street, Suite 1400E Indianapolis, IN 46204 (United States)		FC	100.00	100.00
Veolia Environmental Services North America 200 East Randolph Street – Suite 7900 Chicago, IL 60601 (United States)		FC	100.00	100.00
VES Technical Solutions LLC Butterfield Center 700 East Butterfield Road, #201 Lombard, IL 60148 (United States)		FC	100.00	100.00
Veolia ES Industrial Services, Inc. 4760 World Houston Parkway, Suite 100 Houston, 77032 TEXAS (United States)		FC	100.00	100.00
Veolia ES Canada Industrial Services Inc. 1705, 3 ^{ème} avenue H1B 5M9 Montreal – Quebec (Canada)		FC	100.00	100.00
PROACTIVA Medio Ambiente SA Calle Cardenal Marcelo Spinola 8 – 3A 28016 Madrid (Spain)		FC	100.00	100.00
Thermal North America Inc. 99 summer street ; suite 900 Boston Massachusetts 02110 (United States)		FC	100.00	100.00
Shenzhen Water (Group) Co. Ltd and its subsidiaries 23 Floor, Wan De Building Shennan Zhong Road Shenzhen (China)		EA	45.00	25.00
Shanghai Pudong Veolia Water Corporation Ltd No. 703 Pujian Road, Pudong New District 200127 Shanghai (China)		EA	50.00	50.00
Changzhou CGE Water Co Ltd No.12 Juqian Road, Changzhou Municipality, Jiangsu Province 213000 (China)		EA	49.00	24.99
Kunming CGE Water Supply Co Ltd No.6 Siyuan Road, Kunming Municipality, Yunnan Province 650231 (China)		EA	49.00	24.99
Veolia Korea and its subsidiaries East 16 F Signature Towers Building Chungyecheou-ro 100 Jung-gu (South Korea)		FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
Veolia Water Australia and its subsidiaries Level 4, Bay Center, 65 Pirrama Road, Pyrmont NSW 2009 (Australia)		FC	100.00	100.00
Société d'Énergie et d'Eau du Gabon 356 Avenue Felix Eboué – BP 2082 – Libreville (Gabon)		FC	51.00	51.00
Veolia Middle East and its subsidiaries 136-138, avenue Kléber 75116 Paris	505 190 801 00017	FC	100.00	100.00
Veolia Water Middle East North Africa (Veolia Water MENA) and its subsidiaries 136-138, avenue Kléber 75116 Paris	403 105 919 00027	FC	100.00	100.00
Amendis 23, rue Carnot 90 000 Tangiers (Morocco)		FC	100.00	100.00
REDAL SA 6 Zankat Al Hoceima, BP 161 10 000 Rabat (Morocco)		FC	100.00	100.00
Lanzhou Veolia Water (Group) Co LTD No. 2 Hua Gong Street, Xigu District, LANZHOU, Gansu Province (China)		EA	45.00	22.95
Sharqiyah Desalination Co. SAOC PO Box 685, PC 114 Jibroo, (Sultanate of Oman)	1 011 277	EA	35.75	35.75
Tianjin Jinbin Veolia Water Co Ltd No2 Xinxiang Road, Bridge 4 Jin Tang Expressway, Dongli District Tianjin Municipality (China)		EA	49.00	49.00
Veolia Water – Veolia Environmental Service (Hong Kong) - VW- VES (HK) Ltd Units 7601-03&06-13,76/F, The Center, 99 Queen's Road Central, (Hong Kong)		FC	100.00	100.00
Veolia Environmental Services Australia Pty Ltd Level 4, Bay Center – 65 Pirrama Road NSW 2009 – Pyrmont (Australia)		FC	100.00	100.00
Veolia Environmental Services Asia Pte Ltd 5 Loyang Way 1-WMX Technologies Building 508706 (Singapore)		FC	100.00	100.00
Veolia Environmental Services China LTD Rm 4114 Sun Hung Kai Centre – 30 Harbour Road Wanchai – (Hong Kong)		FC	100.00	100.00
GLOBAL BUSINESSES				
Sade-Compagnie Générale de Travaux d'Hydraulique (CGTH-SADE) and its subsidiaries ZAC François Ory 23/25 avenue du docteur Lannelongue 75014 Paris	56 207 750 302 576	FC	100.00	99.42
Veolia Water Technologies and its subsidiaries l'Aquarène 1, place Montgolfier 94417 St Maurice Cedex	41 498 621 600 037	FC	100.00	100.00
OTV l'Aquarène – 1 place Montgolfier 94417 St Maurice Cedex	433 998 473 000 14	FC	100.00	100.00
SARP Industries and its subsidiaries 427, route du Hazay – Zone Portuaire Limay-Porcheville 78520 Limay	30 377 298 200 029	FC	100.00	99.86
Société d'Assainissement Rationnel et de Pompage (SARP) and its subsidiaries 52 avenue des Champs Pierreux – 92000 Nanterre	77 573 481 700 387	FC	100.00	99.67
Biothane Systems International B.V. Thanthofdreef 21 – PO BOX 5068 2623 EW Delft (Netherlands)	27267973	FC	100.00	100.00
Société Internationale de Dessalement (SIDEM) 20-22 rue de Clichy – 75009 Paris	342 500 956 000 20	FC	100.00	100.00

Company and address	French company registration number (Siret)	Consolidation method	% control	% interest
OTHER				
Veolia Energie International 36-38, avenue Kléber 75116 Paris	43 353 956 600 011	FC	99.95	99.95
Including Transportation activities				
Transdev Group and its subsidiaries Immeuble Sereinis 32 boulevard Gallieni 92 130 Issy Les Moulineaux	52 147 785 100 013	EA	50.00	50.00
<i>Consolidation method. FC: Full consolidation – EA: Equity associate.</i>				

The German subsidiaries of the Group are included in the enclosed consolidated financial statements. In accordance with section 264-B of the German Commercial Code (HGB), these entities may be exempted from the obligation of publishing an annual report and publishing consolidated financial statements under German GAAP. Subsidiaries that have opted for this exemption are listed below:

Exemption according to Section 264b HGB (German commercial code)		COMPANY NAME	COUNTRY	CURRENCY
		ALTAVATER CHERNIVZY	Ukraine	UAH
		ALTVATER KIEV	Ukraine	UAH
		ALTVATER KRYM	Ukraine	RUB
		ALTVATER TERNOPIL	Ukraine	UAH
		AQUA CONSULT INGENIEUR GmbH	Germany	EUR
		AWATECH ENTSORGUNGSDIENSTE HOLDING GmbH	Germany	EUR
		BIOCYCLING GmbH	Germany	EUR
		BIOCYCLING BARDOWICK GmbH	Germany	EUR
Yes		BIOCYCLING BARDOWICK GmbH & Co. KG	Germany	EUR
		BMA ESSENHEIM GmbH	Germany	EUR
		BRAUNSCHWEIGER NETZ GmbH	Germany	EUR
Yes		BRAUNSCHWEIGER VERSORGUNGS-AG & Co. KG	Germany	EUR
Yes		BRAUNSCHWEIGER VERSORGUNGS-VERWALTUNGS-AG	Germany	EUR
		CLEANAWAY PET SVENSKA AB	Sweden	SEK
		EVG ENTSORGUNGS- END VERWERTUNGSGESELLSCHAFT mbH	Germany	EUR
		GASVERSORGUNG GÖRLITZ GmbH	Germany	EUR
		GERAER STADTWIRTSCHAFT GmbH	Germany	EUR
Yes		GLOBALIS SERVICE GmbH & CO. KG	Germany	EUR
		GLOBALIS BETEILIGUNGSGESELLSCHAFT mbH	Germany	EUR
Yes		GUD GERAER UMWELTDIENSTE GmbH & Co. KG	Germany	EUR
		GUD GERAER UMWELTDIENSTE VERWALTUNGS GmbH	Germany	EUR
		HRH RECYCLING GmbH	Germany	EUR
		JOB & MEHR GmbH	Germany	EUR
		KANALBETRIEBE FRITZ WITHOFS GmbH	Germany	EUR
		MHWA MITTELHESSISCHE WASSER UND ABWASSER GmbH	Germany	EUR
		OEWA KÖNIGSBRÜCK GmbH	Germany	EUR
		OEWA STORKOW GmbH	Germany	EUR
		OEWA WASSER UND ABWASSER GmbH	Germany	EUR
		OEWA WEGELEBEN GmbH	Germany	EUR
		ORKS ONYX ROHR- UND KANAL-SERVICE GmbH	Germany	EUR
		RECYCLING & ROHSTOFFVERWERTUNG KIEL GmbH	Germany	EUR
		RECYPET AG	Switzerland	CHF
Yes		ROHSTOFFHANDEL KIEL GmbH & Co. KG	Germany	EUR
		STADTENWAESSERUNG BRAUNSCHWEIG GmbH	Germany	EUR
		STADTWERKE GÖRLITZ Aktiengesellschaft	Germany	EUR

Exemption according to Section 264b HGB (German commercial code)			
	COMPANY NAME	COUNTRY	CURRENCY
	STADTWERKE PULHEIM DIENSTE GmbH	Germany	EUR
	STADTWERKE THALE GmbH	Germany	EUR
	STADTWERKE WEISSWASSER GmbH	Germany	EUR
	TVF WASTE SOLUTIONS GmbH	Germany	EUR
	VBG VERWALTUNGS- UND BETEILIGUNGSGESELLSCHAFT mbH	Germany	EUR
	VEOLIA DEUTSCHLAND GmbH	Germany	EUR
	VEOLIA ENERGIE DEUTSCHLAND GmbH (ex. VEOLIA PROJEKT GmbH)	Germany	EUR
	VEOLIA ENVIRONNEMENT LAUSITZ GmbH	Germany	EUR
	VEOLIA INDUSTRIESERVICE INDUSTRIESERVICE GmbH Deutschland	Germany	EUR
	VEOLIA STADTWERKE BRAUNSCHWEIG BETEILIGUNGS- GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE & CONSULTING GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE BAYREUTH GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE BETEILIGUNGSVERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE DUAL GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE GmbH DEUTSCHLAND	Germany	EUR
	VEOLIA UMWELTSERVICE NORD GmbH	Germany	EUR
Yes	VEOLIA UMWELTSERVICE OST GmbH & Co. KG	Germany	EUR
	VEOLIA UMWELTSERVICE OST VERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE PET RECYCLING GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE RESSOURCENMANAGEMENT GmbH	Germany	EUR
Yes	VEOLIA UMWELTSERVICE SÜD GmbH & Co. KG	Germany	EUR
	VEOLIA UMWELTSERVICE SÜD VERWALTUNGS GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE WERTSTOFFMANAGEMENT GmbH	Germany	EUR
	VEOLIA UMWELTSERVICE WEST GmbH	Germany	EUR
	VEOLIA VERWALTUNGSGESELLSCHAFT mbH	Germany	EUR

NOTE 16 AUDIT FEES

Audit fees incurred by the Group, including fees related to subsidiaries accounted for under the equity method, during fiscal years 2015 and 2014 total €32.1 million and €37.3 million, respectively, including:

- €28.4 million in 2015 and €31.5 million in 2014 in respect of the statutory audit of the accounts; and
- €3.7 million in 2015 and €5.8 million in 2014 in respect of services falling within the scope of diligences directly related to the audit engagement.

Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Year ended December 31, 2015

To the Shareholders,

In compliance with the assignment entrusted to us at your Annual General Meetings, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Veolia Environnement;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2015 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 1-2 - Change in accounting method and presentation - to the consolidated financial statements which sets out the change in accounting method related to the application as of January 1, 2015 of IFRIC Interpretation 21 and the changes of presentation of the consolidated income statement.

2. Justification of our assessments

Accounting estimates underlying the preparation of the accounts were made in an uncertain economic and financial environment (volatile financial markets, government austerity measures and unpredictability on raw material prices, etc.) making economic forecasting more difficult.

Such is the context in which we made our own assessments and we bring to your attention the following matters in accordance with the requirements of Article L.823-9 of the Code de commerce (French Commercial Code):

Management's significant judgments and estimations, disclosed in Note 2 to the consolidated financial statements, are determined based on past experience and other factors considered as reasonable given the circumstances. As a result, those estimates may not accurately reflect reality.

These judgments and estimates relate principally to:

- Goodwill and other intangible assets with an indefinite useful life which are subject to regular annual impairment tests, or when a triggering event occurs as described in Notes 5-2-4 and 7-1 to the consolidated financial statements. We have analyzed the implementation procedures for these tests and the assumptions used to compute future cash flows and have verified that the information disclosed in Notes 7-1 and 7-2 to the consolidated financial statements is appropriate.
- Fixed assets and other intangible assets with a definite useful life (Notes 5-2-1, 7-2 and 7-3), financial assets (Notes 5-4 and 8-1-2), Operating receivables (Notes 5-3 and 8-3-3-1), income taxes (Note 11), post-employment benefits, provisions and contingent liabilities (Notes 6-2, 6-3, 10 and 12) and financial instruments (Notes 8-2 and 8-3). Our work consisted in assessing the financial information and assumptions underlying these judgments and estimates, reviewing, on a test basis, the calculations made by your group and verifying that the information disclosed in the notes to the consolidated financial statements is appropriate.
- Assets and liabilities available for sale and methods of determining possible impairments are described in Notes 3-1 and 3-4 to the consolidated financial statements. We have analyzed the classification criteria and the valuation and have verified that the information disclosed in Note 3-4 to the consolidated financial statements is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

French original signed by

Paris-La Défense, March 15, 2016

KPMG Audit

A division of KPMG S.A.

Jean-Paul Vellutini Karine Dupré

ERNST & YOUNG et Autres

Gilles Puissochet Xavier Senent

4.2 Company Financial Statements **AFR**

BALANCE SHEET AS OF DECEMBER 31, 2015

Assets

	As of December 31, 2015			As of December 31, 2014
(in € thousands)	Gross	Deprec., amort. & provisions	Net	Net
Share capital subscribed but not called	-	-	-	-
Non-current assets				
Intangible assets				
Preliminary expenses	-	-	-	-
Research & development expenditure	-	-	-	-
Concessions, patents, licenses, trademarks, processes and software rights and similar	3,043	2,116	927	1,250
Purchased goodwill ⁽¹⁾	448,088		448,088	448,088
Other intangible assets				-
Intangible assets under construction	7,037		7,037	5,600
Property, plant and equipment				
Land				-
Buildings				-
Industrial and technical plant				-
Other property, plant and equipment	663	615	48	304
Property, plant and equipment in progress				-
Payments on account - PP&E				-
Long-term loans and investments ⁽²⁾				
Equity investments	14,792,350	3,803,116	10,989,234	10,964,183
Loans to equity investments	10,833,986	92,299	10,741,687	6,621,612
Long-term portfolio investments (TIAP)				-
Other long-term investment securities	677		677	2,145
Loans	470,187		470,187	744,568
Other long-term loans and investments	316,138	116,856	199,282	141,508
TOTAL (I)	26,872,169	4,015,002	22,857,167	18,929,257
Current assets				
Inventories and work-in-progress				
Raw materials & supplies				-
Work in process - goods and services				-
Semi-finished and finished goods				-
Bought-in goods				-
Payments on account – inventories	1,661		1,661	2,363
Receivables ⁽³⁾				
Operating receivables				
Trade receivables and related accounts	200,919	9,890	191,029	201,471
Other receivables	1,690,817	21,028	1,669,789	4,946,298
Miscellaneous receivables				
Share capital subscribed and called but not paid in				-

	As of December 31, 2015			As of December 31, 2014
(in € thousands)	Gross	Deprec., amort. & provisions	Net	Net
Marketable securities				
Treasury shares	124,026	40,481	83,545	76,758
Other securities	2,424,296		2,424,296	1,014,003
Treasury instruments - Assets	194,287		194,287	157,418
Cash at bank and in hand	359,470		359,470	564,129
Prepayments ⁽⁴⁾	7,110		7,110	15,765
TOTAL (II)	5,002,586	71,399	4,931,187	6,978,204
Accrued income and deferred charges				
Deferred charges (III)	83,901		83,901	84,468
Bond redemption premiums (IV)	185,853		185,853	67,214
Unrealized foreign exchange losses (V)	236,459		236,459	195,618
GRAND TOTAL (I+II+III+IV+V)	32,380,968	4,086,401	28,294,567	26,254,762
(1) Of which leasehold rights			-	-
(2) Portion due in less than one year			384,024	773,019
(3) Portion due in more than one year			172,891	163,101
(4) Portion due in more than one year			4,808	5,440

Equity and liabilities

<i>(in € thousands)</i>	As of December 31, 2015	As of December 31, 2014
Shareholders' equity		
Share capital (of which paid in: 2,816,824)	2,816,824	2,811,509
Additional paid-in capital	6,978,299	6,978,299
Revaluation reserves	-	-
Equity-accounting revaluation reserve	-	-
Reserves		
Reserve required by law	273,628	239,251
Reserves required under the Articles of Association or contractually	-	-
Special long-term capital gains reserve	-	-
Other reserves	-	-
Retained earnings	61,262	-
Net income for the period	343,600	468,647
Sub-total: shareholders' equity	10,473,613	10,497,706
Investment subsidies	-	-
Tax-driven provisions	2,486	1,067
TOTAL (I)	10,476,099	10,498,773
Equity equivalents		
Proceeds from issues of equity equivalent securities	-	-
Subordinated loans	-	-
Other	-	-
TOTAL (I B)	-	-
Provisions		
Provisions for contingencies	342,785	294,325
Provisions for losses	40,316	3,849
TOTAL (II)	383,101	298,174
Liabilities ⁽¹⁾		
Convertible bonds	-	-
Other bond issues	7,687,981	8,319,109
Bank borrowings ⁽²⁾	35,049	32,525
Other borrowings ⁽³⁾	8,852,061	6,258,860
Payments received on account for work-in-progress	-	-
Operating payables		
Trade payables and related accounts	106,469	151,271
Tax and employee-related liabilities	99,374	145,567
Other operating payables	-	-
Miscellaneous liabilities		
Amounts payable in respect of PP&E and related accounts	753	816
Tax liabilities (income tax)	-	-
Other miscellaneous liabilities	52,345	43,504
Treasury instruments – Liabilities	189,924	156,423
Accrued income and deferred charges		
Deferred income	240,484	264,574
TOTAL (III)	17,264,440	15,372,649
UNREALIZED FOREIGN EXCHANGE GAINS (IV)	170,927	85,165
GRAND TOTAL (I+II+III+IV)	28,294,567	26,254,762
<i>(1) Portion due in more than one year</i>	<i>8,796,595</i>	<i>8,861,363</i>
<i>Portion due in less than one year</i>	<i>8,467,845</i>	<i>6,511,287</i>
<i>(2) Of which overdrafts and current bank facilities</i>	<i>35,049</i>	<i>32,525</i>
<i>(3) Of which equity equivalent loans</i>	<i>-</i>	<i>-</i>

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

<i>(in € thousands)</i>	2015	2014
Operating revenue ⁽¹⁾		
Sales of bought-in goods		-
Sales of own goods and services	472,764	446,588
Net sales	472,764	446,588
Of which export sales		
Changes in inventory of own production of goods and services		-
Own production capitalized	5,095	4,320
Operating subsidies	173	171
Write-back of provisions (depreciation and amortization) and expense reclassifications	7,221	11,634
Other revenue	81,004	193,836
TOTAL (I)	566,257	656,550
Operating expenses ⁽²⁾		
Purchases of bought-in goods		-
Change in inventories of bought-in goods		-
Purchases of raw materials and other supplies		-
Change in inventories of raw materials and other supplies		-
Other purchases and external charges*	251,426	257,830
Duties and taxes other than income tax	16,881	24,755
Wages and salaries	125,542	157,094
Social security contributions	66,045	58,478
Depreciation, amortization and charges to provisions:		
On non-current assets: depreciation and amortization	12,081	12,584
On non-current assets: charges to provisions	215	-
On current assets: charges to provisions	3,965	6,081
For contingencies and losses: charges to provisions	48,767	11,800
Other expenses	110,683	206,015
TOTAL (II)	635,605	734,637
1. OPERATING LOSS (I – II)	(69,348)	(78,087)
Joint venture operations	209	
Profits transferred in or losses transferred out (III)	209	-
Profits transferred out or losses transferred in (IV)	-	-
* Of which:		
Equipment finance lease installments		
Real estate finance lease installments		
(1) Of which income relating to prior periods		
(2) Of which expenses relating to prior periods		

<i>(in € thousands)</i>	2015	2014
Financial income ⁽³⁾		
Financial income from equity investments	737,174	629,705
Financial income from other securities and long-term receivables	9,183	10,682
Other interest and similar income	240,619	274,029
Write-back of provisions for financial items and expense reclassifications	502,368	273,174
Foreign exchange gains	2,423,402	943,396
Net proceeds from sales of marketable securities	2,559	9,268
TOTAL (V)	3,915,305	2,140,254
Financial expenses		
Amortization and charges to provisions for financial items	323,603	345,460
Interest and similar expenses ⁽⁴⁾	734,723	620,098
Foreign exchange losses	2,558,377	1,008,256
Net expenses on sales of marketable securities	47	-
TOTAL (VI)	3,616,750	1,973,814
2. NET FINANCIAL INCOME (V-VI)	298,555	166,440
3. NET INCOME FROM ORDINARY ACTIVITIES BEFORE TAX (I-II+III-IV+V-VI)	229,415	88,352
Exceptional income		
Exceptional income from non-capital transactions	13	75
Exceptional income from capital transactions	4,171	3,655,751
Exceptional write-back of provisions and expense reclassifications	20,337	-
TOTAL (VII)	24,521	3,655,825
Exceptional expenses		
Exceptional expenses on non-capital transactions	674	12,705
Exceptional expenses on capital transactions	3,942	3,343,919
Exceptional depreciation, amortization and charges to provisions	13,040	16,194
TOTAL (VIII)	17,656	3,372,819
4. NET EXCEPTIONAL ITEMS (VII-VIII)	6,865	283,007
STATUTORY EMPLOYEE PROFIT-SHARING (IX)		-
INCOME TAX EXPENSE (X)	107,319	97,287
TOTAL INCOME (I+III+V+VII)	4,506,292	6,452,629
TOTAL EXPENSES (II+IV+VI+VIII+IX-X)	4,162,692	5,983,982
NET INCOME	343,600	468,647
<i>(3) Of which income from related parties</i>	<i>1,529,701</i>	<i>1,014,641</i>
<i>(4) Of which interest charged by related parties</i>	<i>7,225</i>	<i>27,157</i>

PROPOSED APPROPRIATION OF 2015 NET INCOME

(in euros)	2015
2015 net income	343,600,384
Distributable reserves	4,375,160
Prior year retained earnings	61,262,412
i.e. a total of	409,237,955
To be appropriated as follows ⁽¹⁾	
to the reserve required by law	8,054,156
to dividends (€0.73 x 549,566,848 shares) ⁽²⁾	401,183,799
Shareholders' equity accounts after appropriation and distribution of the dividend	
Share capital	2,816,824,115
Additional paid-in capital	6,973,923,559
Reserve required by law	281,682,412
Other reserves	-
2015 retained earnings	-
TOTAL ⁽³⁾	10,072,430,085

(1) Subject to the approval of the General Shareholders' Meeting.

(2) The total dividend distribution presented in the above table is calculated based on 563,364,823 shares outstanding as of December 31, 2015, including 13,797,975 treasury shares and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date. Consequently, amounts deducted from "2015 retained earnings" and/or "distributable reserves" may change depending on the definitive dividend amount paid.

(3) After appropriation of net income and distribution of the proposed dividend for 2015, the shareholders' equity of the Company shall be €10,072,430,085.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(in € thousands)	2015	2014
Source of funds		
Operating cash before changes in working capital ⁽¹⁾	357,580	164,890
Disposals or decreases in non-current assets:	-	-
Disposals of intangible assets and PP&E	3,655	860
Disposals of equity investments ⁽²⁾	64	3,654,064
Disposals of long-term investment securities	-	2,730
Repayment of financial receivables (long-term advances)	1,263,740	1,078,037
Repayment of other long-term loans and investments	474,402	20,266
Increase in shareholders' equity ⁽³⁾	16,260	-
New borrowings	350,000	-
TOTAL SOURCE OF FUNDS	2,465,701	4,920,847
Application of funds		
Dividend distribution (including registration fees)	383,953	199,971
Acquisitions or increases in non-current assets:		
Intangible assets and PP&E	5,131	6,275
Long-term loans and investments:		
Equity investments ⁽⁴⁾	35,125	2,796,428
Long-term financial receivables ⁽⁵⁾	5,226,574	293,348
Other long-term loans and investments	-	90,809
Decrease in shareholders' equity	-	-
Principal payments on borrowings	1,183,797	1,073,379
TOTAL APPLICATION OF FUNDS	6,834,580	4,460,210
Increase / decrease in working capital requirements	(4,368,879)	460,637
TOTAL	2,465,701	4,920,847

(1) The increase in operating cash flow before changes in working capital is mainly due to a €145 million increase in dividends received and a €50 million decrease in interest paid on borrowings.

(2) 2014 was marked by the sale of equity investments as part of the restructuring of the Dalkia group.

(3) The share capital increase was performed in the context of France and International employee savings plans.

(4) The main equity investment transaction concerns the share capital increase performed by Campus VE for €35 million.

(5) Including €4,972 million of financial receivables payable to Veolia Environnement Finance. From December 2015, a multi-currency revolving credit line was set-up between Veolia Environnement and Veolia Environnement Finance to replace current account-based financing.

Notes to the Company Financial Statements

NOTE 1 MAJOR EVENTS OF THE PERIOD

1.1 Share capital increase reserved for Group employees

In accordance with the delegation of powers granted by the Combined General Meeting of April 24, 2014 in the twenty-second resolution, the Board of Directors approved, at its meeting of February 25, 2015, the principle and the main terms and conditions of a share capital increase reserved for employee members of France and International Group savings plans and delegated the necessary powers to perform this share capital increase to the Chairman and Chief Executive Officer.

Using this delegation, the Chairman and Chief Executive Officer duly noted on December 17, 2015, the performance of this share capital increase for a total amount of €17.6 million.

Under this share capital increase, a total of 1,063,022 shares were created in respect of employee subscriptions and the Group contribution, including 258,748 shares in respect of the Group contribution; the par value increase in share capital was €5,315,110, with an increase in additional paid-in capital of €12,288,534.32. Transactions costs were deducted from issue premiums for a net of tax amount of €1,343,413.57.

New shares rank for dividends from January 1, 2015; they are equivalent to existing shares and will confer entitlement to dividends distributed in 2016 in respect of fiscal year 2015.

1.2 Events regarding bond issues

1.2.1 Redemption of bond lines and issue of a new bond line

On April 9, 2015, Veolia Environnement proceeded with the early refinancing of a portion of the bonds maturing in 2019, 2021 and 2022 in the amount of €515 million, by issuing a new bond maturing in January 2028 for €500 million with a 1.59% coupon. This transaction has enabled the Group to smooth out its debt profile, while reducing the associated financing costs.

The redemption premium of €137 million paid in respect of the previous bond lines is amortized over the residual term of the new issue, i.e. until 2028.

1.2.2 Redemption of the inflation-linked bond

On June 17, 2015, Veolia Environnement repaid on maturity the 2015 inflation-linked euro bond line in the amount of €1,037 million.

1.2.3 Reversal of debt hedges

As part of the management of interest-rate risk on its euro-denominated debt, the Group reversed early a series of floating-rate payer swaps. Balancing amounts paid by the banks totaled €61 million, amortized over the residual term of the bond lines.

1.3 Refinancing of the multi-currency liquidity lines

On November 6, 2015, Veolia Environnement signed a new multi-currency syndicated loan facility for an amount of €3 billion, maturing 2020, with the possibility of an extension to 2022. It may be drawn in eastern European currencies and the Chinese renminbi yuan.

This syndicated loan facility replaces the two syndicated loan facilities set-up in 2011: a 5-year €2.5 billion multi-currency loan facility and a 3-year €500 million loan facility available for drawdown in Polish zloty, Czech crown and Hungarian forint.

1.4 Other major events

1.4.1 Treasury shares

In 2015, due to the rise in its share price, Veolia Environnement recorded a movement in the treasury share impairment provision, generating income of €68.6 million, based on an average share price in December 2015 of €21.81, compared with €14.44 in December 2014.

The gross value of the 13,797,975 treasury shares held as of December 31, 2015 was €423.8 million, provided for in the amount of €157.3 million, and representing a net carrying amount of €266.5 million.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Basis of preparation

The Company financial statements for the year ended December 31, 2015 are prepared and presented in accordance with legislative and regulatory provisions applicable in France.

Amounts recorded in the accounts are valued on a historical cost basis.

The accounting period ends on December 31, 2015 and has a duration of 12 months.

2.2 Main accounting policies

Non-current assets: On initial recognition in the accounts, non-current assets are recorded at acquisition cost if acquired for valuable consideration, at market value if acquired for nil consideration or at production cost if produced by the Company.

Intangible assets: In the course of major IT projects, the Company incurs project costs which it capitalizes when they satisfy certain criteria. These costs are not amortized prior to asset commissioning. At this date, capitalized project costs are transferred at their net carrying amount to Veolia Environnement Technologies France, which is then responsible for providing the corresponding service. Technical merger losses are recognized in intangible assets. They are subject to impairment testing and, where necessary, impaired.

Property, plant and equipment: Depreciation is calculated over the expected period of use. More specifically, fixtures and fittings and installations are depreciated on a straight-line basis over periods of six to ten years. Furniture and office equipment are depreciated on a straight-line basis over periods of between five and ten years. Finally, vehicles are depreciated on a straight-line basis over five years.

Equity investments: This heading records the acquisition cost of securities held by Veolia Environnement in companies over which it exercises control or significant influence, directly or indirectly.

At the date of entry into Company assets, the gross value of “Equity investments” is their acquisition cost. The Company has elected to capitalize costs relating to the acquisition of equity investments. At all other dates, equity investments are measured at their value in use to the Company, determined based on criteria encompassing profitability, growth perspectives, net assets and the stock market value of securities held, where applicable. Where the net carrying amount of an equity investment exceeds its value in use, an impairment provision is recorded in the amount of the difference.

Pursuant to the change in tax regime applicable to equity investment acquisition costs introduced by Article 21 of the 2007 Finance Act and completed by Article 209 of the French General Tax Code and based on Opinion no. 2007-C of June 15, 2007 issued by the Urgent Issues Taskforce of the French National Accounting Institute (*Conseil National de la Comptabilité*), Veolia Environnement has recognized the tax deferral of security acquisition costs over a period of five years in the accelerated depreciation account since January 1, 2007.

Other long-term loans and investments: Treasury shares are recorded in long-term investment securities when earmarked for external growth operations. They are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Term accounts not classified as cash equivalents are recorded in “Other long-term loans and investments”.

Marketable securities: Marketable securities comprise treasury shares held in respect of Group savings plans and share option plans and other highly liquid investment securities. Treasury shares are classified as marketable securities when purchased for presentation to employees under share option plans and employee savings plans benefiting certain employees. Shares acquired and sold under the liquidity contract generate movements in the marketable securities account. Marketable securities

are recognized at acquisition cost and an impairment provision is recorded if their market value is less than their net carrying amount.

Cash at bank and in hand: Term accounts classified as cash equivalents are recorded in Cash at bank and in hand.

Foreign currency-denominated transactions: During the year, foreign currency-denominated transactions are translated into euro at the daily exchange rate.

Liabilities, receivables and cash balances denominated in currencies other than the euro are recorded in the balance sheet at their euro equivalent determined using year-end exchange rates. Gains and losses resulting from the translation of foreign currency liabilities and receivables and related hedge transactions at year-end exchange rates are recorded in “Unrealized foreign exchange gains and losses”.

In accordance with Article 420-7 of the French General Chart of Accounts, unrealized foreign exchange gains and losses on foreign currency cash accounts are recognized directly in foreign exchange gains and losses. Similarly, foreign exchange gains and losses on subsidiary current accounts equivalent in nature to cash accounts are recognized directly in foreign exchange gains and losses.

Pursuant to Articles 224-2, 224-3 and 420-6.I of the 2014 French General Chart of Accounts, Veolia Environnement applies hedge accounting to clearly identified and documented matching structural foreign exchange positions, which seek to perfectly hedge the consequences of currency fluctuations. Foreign exchange gains and losses arising on components of this matching exposure are recognized in order to offset the hedged item.

This approach is also applied to equity investments denominated in a foreign currency, hedged by borrowings or currency derivatives.

Other liabilities, receivables and currency derivatives not forming part of matching hedge relationships are included in the overall foreign exchange position per currency, as provided in Article 420-5 of the French General Chart of Accounts.

Contingency provisions are recorded in respect of all unrealized foreign exchange losses identified on matching foreign exchange positions and overall foreign exchange positions by currency, in the amount of the total net loss.

Recognition of financial transactions: Financial transactions (loans, borrowings, derivatives, etc.) are recognized at the value date, with the exception of cash pooling transactions with subsidiaries which are recognized at the trade date.

Inflation-linked bond issue: the issue premium is fixed on issue and amortized on a time-apportioned basis over the bond term. The redemption premium, equal to the difference between the redemption value and the nominal value, is revalued based on the inflation ratio observed at each balance sheet date.

Deeply subordinated perpetual securities (T.S.S.D.I.): These securities are classified in borrowings. The paid-in capital is recognized in balance sheet assets and the interest paid annually is recorded under finance cost in the income statement. The issue costs are amortized on a straight-line basis over a 5-year term.

Derivatives: Veolia Environnement manages its market risks resulting from fluctuations in interest rates and foreign exchange rates using derivatives and notably interest rate swaps, interest rate option contracts (caps and floors), currency forwards, currency swaps and currency options. These instruments are primarily used for hedging purposes.

The notional amounts of instruments are recorded in specific off-balance sheet accounts.

Interest-rate derivatives: Income and expenses relating to the use of these instruments are recognized in the income statement to match income and expenses on the hedged transactions. Certain transactions satisfying the criteria laid down in the Veolia Environnement hedging policy are not recognized as hedges for accounting purposes.

These transactions are recognized as follows:

- unrealized losses, calculated for each instrument traded over-the-counter (OTC), are provided in full;
- unrealized gains on OTC instruments are recognized in income on the unwinding of the transaction only;
- unrealized gains and losses on instruments traded on organized markets are recognized directly in profit or loss.

Currency derivatives: Firm currency financial instruments are valued by comparison with the closing exchange rate defined by the European Central Bank. The difference between the spot rate of the instrument and the closing rate is recognized in unrealized foreign exchange gains and losses and the difference between the forward rate and the spot rate of the instrument is recorded in a specific financial instruments account entitled “premium/discount”. This distinguishes the interest rate impact from the currency impact.

Currency derivatives hedge either an overall foreign exchange position or an identified structural foreign exchange position.

Valuation of provisions for contingencies and losses: these provisions are valued at the best estimate of the outflow of resources necessary to settle the obligation. When valuing a single obligation in the presence of several valuation assumptions concerning the outflow of resources necessary, the best estimate is the most probable assumption.

Valuation of provisions for incentive schemes:

Under the current agreement, the unit amount of incentive payments is based on the following performance criteria:

- the increase in Veolia Group adjusted operating cash flow at constant exchange rates;
- the increase in Veolia Group adjusted net income;
- the decrease in the rate of workplace accidents, consolidated at Veolia Group level;
- the increase in purchase expenditure, excluding taxes, recorded for the sheltered employment sector and adapted for the France scope.

Based on the observed growth rate and other criteria, the level of incentive payments is determined using a contractually defined chart. The total amount of incentive payments provided is equal to the individual amount determined above multiplied by the number of beneficiaries communicated by the Human Resources Department.

Valuation of provisions for bonuses: This provision is determined based on the amount of bonuses awarded in the previous year multiplied by an estimated percentage increase and changes in employee numbers.

Concept of income from ordinary activities and exceptional items: Items concerning the ordinary activities of the Company, even if exceptional in amount or frequency, are included in income from ordinary activities. Only those items that do not concern the ordinary activities of the Company are recognized in exceptional items.

Valuation of employee-related commitments: Pursuant to Article L.123-13 of the French Commercial Code, Veolia Environnement has elected not to recognize a provision for retirement benefits and other employee commitments. This information is presented in off-balance sheet commitments in the notes to the financial statements.

NOTE 3 BALANCE SHEET ASSETS

3.1 Non-current assets

Movements in gross values

(in € thousands)	Opening balance	Additions	Disposals	Closing balance	Note
Intangible assets	456,694	5,129	3,655	458,168	3.1.1
Property, plant and equipment	660	3	-	663	
Long-term loans and investments					
Equity investments	14,757,299	35,124	73	14,792,350	3.1.2
Loans to equity investments	6,754,234	5,366,474	1,286,722	10,833,986	3.1.3
Other long-term investment securities	2,145	-	1,468	677	
Loans	744,567	622,290	896,670	470,187	3.1.4
Other long-term loans and investments	320,173	104	4,139	316,138	3.1.5
TOTAL	23,035,772	6,029,124	2,192,728	26,872,168	

Movements in depreciation, amortization and non-current asset provisions

<i>(in € thousands)</i>	Opening balance	Increase Charge	Decrease, removals and write-backs	Closing balance	Note
Amortization of intangible assets	1,757	359	-	2,116	
Depreciation of property, plant and equipment	356	44	-	400	
Provisions for impairment of property, plant and equipment	-	215	-	215	
Provisions for impairment of equity investments	3,793,116	35,000	25,000	3,803,116	3.1.6
Provisions for impairment of loans to equity investments	132,622	-	40,323	92,299	
Provisions for impairment of treasury shares	178,665	-	61,809	116,856	3.1.6
TOTAL	4,106,516	35,618	127,132	4,015,002	
Nature of charges and write-backs:					
Operating		618	-		
Financial		35,000	127,132		3.1.6
Exceptional		-	-		
TOTAL		35,618	127,132		

3.1.1 Intangible assets

Intangible assets have a gross value of €458,168 thousand and a net value of €456,052 thousand. This heading primarily comprises the technical loss of €448,088 thousand recognized on the merger by absorption of Veolia Services Energétiques in 2014.

3.1.2 Long-term loans and investments: Equity investments

Equity investments have a gross value of €14,792 million as of December 31, 2015. Impairments total €3,803 million, reducing the net value to €10,989 million.

3.1.3 Long-term loans and investments: Loans to equity investments

Loans to equity investments total €10,834 million as of December 31, 2015.

Movements recorded in 2015 break down as follows:

<i>(in € thousands)</i>	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
VE Finance ⁽¹⁾		4,971,775		(11,018)	4,960,757
VE UK	1,278,858	65,064		66,120	1,410,042
Veolia Eau (Compagnie Générale des Eaux)	1,063,737	194,341	115,743	49,886	1,192,221
Veolia Energie International	1,528,182		685,769	6,413	848,825
Veolia Propreté	1,045,928		208,171	4,495	842,252
Transdev Group	465,301	79	120,000		345,380
Veolia Water Technologies	283,955		3,744	1,617	281,828
VES Australia PTY	115,289		30	(523)	114,736
Artelia Ambiente	106,727	31			106,758
VEIT (Veolia Environnement Informations et Technologies)	105,743		153		105,590
Veolia Water	107,456		3,441	(160)	103,855
Veolia China Holding Ltd	86,983	29	490	5,755	92,277
SARP Industries	101,164		9,533	270	91,901
Bartin recycling SAS	44,212		5		44,207
Veolia Water Japan K.K	39,388		98	4,279	43,569

<i>(in € thousands)</i>	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Veolia Water Resource Development Co Ltd	42,375		104	1,161	43,432
Veolia Water Middle East North Africa	40,283		1		40,282
Veolia Industries Global Solutions	37,979		43		37,936
SARP SA	27,096				27,096
Campus Veolia Est	21,065	1			21,066
VES China Ltd	14,532		3,322	585	11,795
Ecospace Ltd	9,177	7		1,060	10,244
Veolia Es Singapore Pte Ltd	7,886		18	312	8,180
Veolia Environnement Recherche et Innovation	8,038		1		8,037
Association Vecteur Pyrénées	6,575		366		6,209
COVES (HK) Limited	4,927	6		329	5,262
Campus Veolia Sud-Ouest	4,922	1			4,923
Veolia Water Asia Pacific Limited	4,328	3		501	4,832
Société des Eaux Régionalisée	1	4,705			4,706
Veolia Water Middle East	3,569	4		407	3,980
Bartin Recycling Groupe	3,656				3,656
VE Ingénierie Conseils	2,855				2,855
Campus Veolia Méditerranée	2,029				2,029
Société de logistique et de préparation pour la biomasse	1,514		9		1,505
Sade CGTH	828	1		95	924
SC VWS & Technologies Romania S.r.l	563		202		361
Veolia Water South China Ltd	71,234		69,861	(1,220)	153
Campus Veolia	26,124		26,038		86
Veolia ES Industrial Outsourcing Ltd	122		75		47
Veolia Africa	11,473		11,468		5
SNCM	14,427		14,427		0
ONYX Israël	13,141		13,053	(88)	0
Veolia EnergiaPoznan Zec	312		312		0
OTV	52		52		0
Campus Veolia Nord	43		43		0
VE CSP	6		6		0
Centre d'Analyses Environnementales	1		1		0
Veolia Environnement France Régions	1		1		0
Other	183	145	141		187
TOTAL	6,754,234	5,342,962	1,393,492	130,276	10,833,986

(1) From December 2015, a multi-currency revolving credit line was set-up between Veolia Environnement and Veolia Environnement Finance to replace current account-based financing.

3.1.4 Long-term loans and investments: Loans

Loans total €470.2 million as of December 31, 2015.

Loans mainly include term accounts not classified as cash equivalents of €445.4 million (including accrued interest) and a guarantee deposit in respect of subsidiary financing arrangements of ILS100 million, or €24.3 million euro-equivalent (including accrued interest) following the divestiture of activities in Israel.

3.1.5 Other long-term loans and investments

Other long-term loans and investments have a gross value of €316.1 million and a net value of €199.3 million as of December 31, 2015.

This heading primarily includes the net carrying amount of the 8,389,059 treasury shares held by Veolia Environnement, with a gross value of €299.8 million and a net value of €182.9 million.

3.1.6 Long-term loans and investments: Financial impairment provisions

The provision for impairment of equity investments totals €3,803.1 million as of December 31, 2015.

The provision for impairment of treasury shares totals €116.9 million as of December 31, 2015.

3.2 Trade receivables

Trade receivables have a gross value of €201 million and a net value of €191 million as of December 31, 2015 and primarily concern services billed to Veolia Environnement group subsidiaries.

3.3 Other receivables

Other receivables total €1,690.8 million and mainly comprise the following balances:

(in € thousands)	As of December 31, 2015	As of December 31, 2014
Current accounts with Group subsidiaries ⁽¹⁾	1,418,539	4,684,337
Other receivables	225,898	248,236
▪ Income tax receivables	187,989	214,254
▪ Financial receivables on derivatives	19,246	23,202
▪ Receivables on non-current asset disposals	4,386	1,032
▪ Accrued interest on current accounts	14,277	9,748

(1) The decrease in current accounts with Group subsidiaries is mainly due to the set-up in December 2015 of a multi-currency revolving credit line between Veolia Environnement and Veolia Environnement Finance to replace current account-based financing.

3.4 Marketable securities

3.4.1 Treasury shares

Veolia Environnement holds 13,797,975 treasury shares purchased under share purchase programs, including 8,389,059 shares recorded in "Other long-term loans and investments" (see Note 3.1.5 above).

The remaining 5,408,916 shares recorded in marketable securities and earmarked for share option programs or other share allocations to Group employees, have a gross carrying amount of €124 million and a net carrying amount of €83.5 million at the end of 2015.

The impairment provision of €40.5 million represents the difference between the purchase cost of the Veolia Environnement shares and the average stock market price during the twenty trading days preceding December 31, 2015. A provision write-back of €6.8 million was recorded in fiscal year 2015.

LIQUIDITY CONTRACT

The liquidity contract signed with Rothschild & Cie Banque on September 30, 2014 was renewed by tacit agreement for a 12-month period in September 2015. As of December 31, 2015, an amount of €30.3 million is allocated to the operation of this liquidity account.

This liquidity contract forms part of the share buyback program authorized by the Veolia Environnement General Shareholders' Meeting of April 24, 2014.

In 2015, 18,266,190 shares were purchased for a total amount of €339,765 thousand and a weighted average share price of €18.60 and 18,266,190 shares were sold for a total amount of €340,005 thousand and a weighted average share price of €18.61. A capital gain of €240 thousand was generated under this contract.

3.4.2 Other securities

Other securities total €2,424.30 million as of December 31, 2015 and comprise SICAV mutual funds.

3.4.3 Treasury instruments

Treasury instruments total €194.3 million as of December 31, 2015 and break down as follows:

- interest-rate derivative spreads: €2.9 million;
- currency derivatives: €184.9 million;
- premiums/discounts: €6.4 million.

3.5 Cash at bank and in hand

Liquid assets total €359.5 million as of December 31, 2015 and include term accounts classified as cash equivalents and related accrued interest in the amount of €271.6 million.

3.6 Prepayments

Prepayments total €7.1 million and include balancing cash adjustments paid on interest rate swaps of €5.4 million.

3.7 Accrued income and deferred charges

3.7.1 Deferred charges: bond issue costs

Bond issue costs are spread on a straight-line basis over the bond term. Net deferred charges as of December 31, 2015 total €74.2 million.

Other deferred charges total €9.7 million and mainly comprise credit line issue costs, amortized on a straight-line basis over the repayment term.

3.7.2 Bond redemption premiums

Unamortized bond redemption premiums total €185.9 million and mainly comprise the redemption premium of €129.6 million recognized on the bond exchange (see Note 1.2.1 above), net of the amortization charge for 2015.

Bonds redemption premiums are amortized on a straight-line basis over the bond term.

3.8 Foreign exchange gains and losses

Foreign exchange gains and losses result from hedges of matching foreign exchange structural positions and overall foreign exchange positions by currency.

<i>(in € thousands)</i>	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Note
Foreign exchange hedges of structural foreign exchange positions	191,373	51,102	3.8.1
Overall foreign exchange position	45,087	119,826	3.8.2
TOTAL	236,459	170,927	

The following tables present the foreign exchange positions for the main currencies determined at the balance sheet date.

3.8.1 Unrealized foreign exchange gains and losses on matching foreign exchange positions

Unrealized foreign exchange gains and losses detailed below include not only unrealized gains and losses, but also realized gains and losses neutralized by the application of matching foreign exchange position rules.

Account heading concerned by the foreign exchange gain/loss (in € thousands)	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Provisions for contingencies
Loans	5,660	13,569		
Borrowings	28,212			
Currency derivatives	1,348	9,427		
Total CZK	35,220	22,996	12,224	12,224
Borrowings	219,486			
Currency derivatives	12,671	53,008		
Total USD *	232,157	53,008	179,149	
GRAND TOTAL	267,377	76,004	191,373	12,224

* A provision was not booked in respect of the US dollar net unrealized foreign exchange loss on matching positions of USD 179 million, as it corresponds to a hedge of securities.

Account heading concerned by the foreign exchange gain/loss (in € thousands)	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange gain
Borrowings	8,948	47,190	
Currency derivatives	54,875	16,632	
Total PLN	63,823	63,823	
Borrowings	54,212	192,157	
Current accounts	46,641		
Currency derivatives	389,525	298,377	
Total GBP	490,378	490,534	(156)
Loans	36,225	55,552	
Borrowings	85,304	95,863	
Current accounts	5	21,636	
Currency derivatives	1,927	1,356	
Total USD	123,461	174,407	(50,946)
GRAND TOTAL	677,662	728,764	(51,102)

3.8.2 Unrealized foreign exchange gains and losses on overall foreign exchange positions excluding matching foreign exchange positions

Account heading concerned by the foreign exchange gain/loss (in € thousands)	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Loans		2,874		
Currency derivatives		32		
Operating	11	181		
Total AED	11	3,087	11	3,087
Operating	189			
Total ARS	189		189	
Loans	22,732	5,322		
Currency derivatives		472		
Operating	916	10		
Total AUD	23,648	5,804	17,854	10
Currency derivatives		1		
Total BGN		1		1
Currency derivatives		1,005		

Account heading concerned by the foreign exchange gain/loss (in € thousands)	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Operating	1	9		
Total BHD	1	1,014	1	1,014
Loans	109			
Currency derivatives	957	980		
Operating	228	1		
Total CAD	1,294	981	314	1
Loans		265		
Currency derivatives	429	11		
Total CHF	429	276	164	11
Loans	917			
Currency derivatives		87		
Total CLP	917	87	830	
Loans	391	25,740		
Borrowings	8,212			
Currency derivatives	10,762			
Operating	8	2		
Total CNY	19,373	25,742	8	6,377
Loans	1	2,746		
Currency derivatives	1,935	4		
Operating	15	82		
Total CZK	1,951	2,832	15	896
Currency derivatives	105	138		
Total DKK	105	138		33
Loans	14,913	151,522		
Bank deposits	18			
Borrowings	152,177			
Currency derivatives	86	23,082		
Operating	8	44		
Total GBP	167,202	174,648	8	7,454
Loans		67,690		
Currency derivatives	3,482			
Operating	15	50		
Total HKD	3,497	67,740	15	64,258
Loans	5,850	12		
Currency derivatives	2	606		
Total HUF	5,852	618	5,234	
Bank deposits		175		
Currency derivatives		22		
Operating	2	1		
Total ILS	2	198	2	198
Loans	9,980	171		
Currency derivatives	2,624	12		
Operating		13		
Total JPY	12,604	196	12,421	13
Loans		3,504		
Currency derivatives	1,785			
Operating	25			
Total KRW	1,810	3,504	25	1,719
Currency derivative		235		
Total KWD		235		235
Loans		15		
Total LVL		15		15
Currency derivatives	1	138		
Total MXN	1	138	1	138

Account heading concerned by the foreign exchange gain/loss (in € thousands)	Unrealized foreign exchange losses	Unrealized foreign exchange gains	Total net unrealized foreign exchange loss	Total net unrealized foreign exchange gain
Currency derivatives	27			
Total MYR	27		27	
Currency derivatives	71	223		
Total NOK	71	223		152
Currency derivatives		408		
Total NZD		408		408
Currency derivatives	6			
Operating		8		
Total OMR	6	8	6	8
Loans	4,961	9,378		
Currency derivatives	7,142	83		
Operating	2			
Total PLN	12,105	9,461	2,644	
Currency derivatives		35		
Operating		1		
Total QAR		36		36
Loans	304			
Currency derivatives		1,570		
Operating	20			
Total RON	324	1,570	20	1,266
Currency derivatives		307		
Operating	28			
Total RUB	28	307	28	307
Loans		12		
Currency derivatives	11			
Total SAR	11	12		1
Loans	4,228	100		
Currency derivatives	1,234	142		
Total SEK	5,462	242	5,220	
Loans	90	2,274		
Currency derivatives		560		
Total SGD	90	2,834		2,744
Currency derivatives		1		
Total TWD		1		1
Loans		30,137		
Bank deposits	5,427			
Currency derivatives	124	6,343		
Borrowings	3,236			
Operating	50	759		
Total USD	8,837	37,239	50	28,452
Currency derivatives	1	3		
Total VND	1	3		2
Loans	383			
Currency derivatives		1,372		
Total ZAR	383	1,372		989
GRAND TOTAL			45,087	119,826

Contingency provisions for foreign exchange risk, concerning the overall foreign exchange position in the amount of €250.8 million, are determined based on the foreign exchange position of each currency and year of maturity.

NOTE 4 BALANCE SHEET EQUITY AND LIABILITIES

4.1 Share capital and reserves

<i>(in € thousands)</i>	Opening balance	Increase	Decrease	Closing balance
Share capital	2,811,509	5,315	-	2,816,824
Additional paid-in capital	2,846,623	10,945	10,945	2,846,623
Additional paid-in capital (2003 share capital reduction)	3,443,099	-	-	3,443,099
Additional paid-in capital in respect of contributions	3,971	-	-	3,971
Additional paid-in capital in respect of bonds convertible into shares	681,881	-	-	681,881
Additional paid-in capital in respect of share subscription warrants	2,725	-	-	2,725
Reserve required by law	239,251	34,377	-	273,628
Special long-term capital gains reserve	-	-	-	-
Frozen reserves	-	-	-	-
Other reserves	-	-	-	-
Retained earnings	-	61,262	-	61,262
Prior year net income/(loss)	468,647	-	468,647	-
Tax-driven provisions	1,067	1,418	-	2,486
TOTAL BEFORE NET INCOME FOR THE YEAR	10,498,773	113,318	479,592	10,132,499
Net income for the year	-	343,600	-	343,600
TOTAL AFTER NET INCOME FOR THE YEAR	10,498,773	456,918	479,592	10,476,099

The share capital comprises 563,364,823 shares with a par value of €5 each, compared with 562,301,801 shares of €5 par value each as of December 31, 2014.

The €5.3 million share capital increase is subsequent to the share subscriptions performed under the Group employee savings plan.

The €10.9 million increase in “Additional paid-in capital” is also attributable to this share capital increase (amount net of issue costs).

The 2014 net income of €468.6 million was appropriated to the “Reserve required by law” in the amount of €23.4 million and to “Retained earnings” in the amount of €61.2 million. €384 million was distributed.

The increase in the “Reserve required by law” is also due to the appropriation to this reserve of the issue premium, net of issue costs, relating to the share capital increase performed under the Group employee savings plan.

4.2 Provisions for contingencies and losses

MOVEMENTS IN PROVISIONS FOR CONTINGENCIES AND LOSSES

<i>(in € thousands)</i>	Opening balance	Charge	Write-backs used	Write-backs not used	Closing balance
Provision for foreign exchange risk	216,329	263,069	216,329	-	263,069
Provisions for other contingencies	77,996	23,622	21,901	-	79,716
Provisions for losses	3,849	36,767	300	-	40,316
TOTAL	298,174	323,458	238,350	-	383,101
Nature of charges and write-backs:		-	-	-	
Operating		48,767	1,864	-	
Financial		263,069	216,329	-	
Exceptional		11,622	20,337	-	
TOTAL		323,458	238,530	-	

4.3 Bond issues

<i>(in € thousands)</i>	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Other bond issues	8,118,053	350,000	1,051,314	93,460	7,510,200
Accrued interest on other bond issues	201,055	177,781	201,055		177,781
TOTAL	8,319,108	527,781	1,252,369	93,460	7,687,981

The €350 million increase breaks down as follows:

- a €350 million floating-rate notes issue maturing in May 2017 performed on November 13, 2015 through a private placement to French institutional investors.

The €1,051.3 million decrease breaks down as follows:

- the maturity on June 17, 2015 of the inflation-linked bond line paying a coupon of 1.75% in the amount of €1,036.6 million;
And a €15 million decrease in borrowings following the transactions performed as part of the bond exchange on April 9, 2015 (see Note 1. 2. 1. above), breaking down as follows:
- a new €500 million fixed-rate bond issue maturing January 2028;
- the redemption of a portion of the EUR bond line paying a coupon of 5.125% and maturing on May 24, 2022 in the amount of €205.5 million;
- the redemption of a portion of the EUR bond line paying a coupon of 6.75% and maturing on April 24, 2019 in the amount of €113.1 million;
- the redemption of a portion of the EUR bond line paying a coupon of 4.247% and maturing on January 6, 2021 in the amount of €196.1 million;

4.4 Bank and other borrowings

Bank and other borrowings total €8,887.1 million and break down as follows:

<i>(in € thousands)</i>	As of December 31, 2015	As of December 31, 2014
Current accounts with Group subsidiaries	4,138,955	3,253,876
Treasury Note outstandings	2,943,293	1,263,075
Deeply subordinated perpetual securities	1,595,155	1,562,795
Tax group current accounts	174,659	179,114
Bank accounts in overdraft	35,049	32,525
TOTAL	8,887,110	6,291,385

4.5 Operating payables

4.5.1 Tax and employee-related liabilities: €99.4 million

This heading includes:

- accrued expenses (performance bonuses and employee departures): €39.8 million;
- social welfare organizations: €29.5 million;
- VAT: €28 million;
- French State - accrued expenses: €2.1 million.

4.6 Miscellaneous liabilities

4.6.1 Treasury instruments – Liabilities: €189.9 million

This heading includes:

- interest-rate derivative spreads: €0.6 million;
- currency derivatives: €177.4 million;
- premiums/discounts: €11.9 million.

4.6.2 Deferred income: €240.5 million

Deferred income mainly concerns financial instruments:

- balancing payments on derivatives of €237.3 million;
- bond issue premiums of €0.7 million;
- deferred income relating to operating items of €2.5 million.

NOTE 5 RECEIVABLES AND DEBT MATURITY ANALYSIS

<i>(in € thousands)</i>	Amount	Falling due in one year	Falling due in more than one year
Non-current assets			
Loans to equity investments	10,833,986	37,418	10,796,568
Other long-term investment securities	677		677
Loans	470,187	346,607	123,580
Other long-term loans and investments	316,138		316,138
Current assets			
Payments on account – inventories	1,661	1,661	
Trade receivables and related accounts	200,919	200,919	
Group and associates	1,418,539	1,418,539	
Other receivables	272,279	99,388	172,891
Marketable securities	2,742,609	2,737,103	5,506
Cash at bank and in hand	359,470	359,470	
Prepayments	7,110	2,302	4,808
TOTAL RECEIVABLES	16,623,575	5,203,407	11,420,168

<i>(in € thousands)</i>	Amount	Falling due in one year	Falling due in one to five years	Falling due after five years
Liabilities				
Bond issues	7,687,981	630,975	3,209,444	3,847,562
Deeply subordinated perpetual securities	1,595,155	50,196		1,544,959
Other borrowings	2,943,293	2,943,293		
Group and associates	4,313,613	4,313,613		
Bank overdrafts	35,049	35,049		
Other	689,349	494,719	126,434	68,196
TOTAL LIABILITIES	17,264,440	8,467,845	3,335,878	5,460,717

NOTE 6 INCOME STATEMENT

6.1 Net income from ordinary activities

Net income from ordinary activities before tax is €229.4 million.

6.1.1 Operating income

<i>(in € thousands)</i>	December 31, 2015	December 31, 2014	Note
Sales of services and other	472,764	446,588	Note 1
Own production capitalized	5,095	4,320	
Operating subsidies	173	171	
Write-back of provisions, depreciation and amortization and expense reclassifications	7,221	11,634	
Other revenue	81,004	193,836	Note 2
TOTAL	566,257	656,550	

Note 1: the increase in sales of services is tied to amounts billed to Group subsidiaries.

Note 2: Other revenue includes indemnities in full and final settlement of repair and maintenance work (see Note 7.2. below).

6.1.2 Operating expenses

<i>(in € thousands)</i>	December 31, 2015	December 31, 2014	Note
Other purchases and external charges	251,426	257,830	Note 1
Taxes other than income tax	16,881	24,755	
Personnel costs (wages, salaries and social security contributions)	191,587	215,572	Note 2
Depreciation, amortization and charges to provisions	65,028	30,465	
Other expenses	110,683	206,016	Note 3
TOTAL	635,605	734,637	

Note 1: General sub-contracting expenses rose €39 million, while professional fees fell €47 million.

Note 2: The fall in personnel costs is mainly due to a €22.6 million decrease in bonuses, awards, allowances and other benefits.

Note 3: Other expenses include indemnities paid in respect of repair and maintenance work of €104.5 million in 2015 and €203.1 million in 2014.

6.1.3 Financial income and expenses

<i>(in € thousands)</i>	December 31, 2015	December 31, 2014	Note
Expenses on long-term borrowings	(462,048)	(523,062)	
Income from other securities and long-term receivables	9,183	10,682	
Foreign exchange gains and losses	(134,976)	(64,860)	
Other financial income and expenses	105,378	176,993	
Amortization and charges to provisions for financial items	(323,603)	(345,460)	Note 1
Investment income	737,174	629,705	
Net gain/loss on sales of marketable securities	2,512	9,268	
Write-back of provisions for financial items and expense reclassifications	364,934	273,174	Note 2
Other financial income and expenses	886,395	743,680	
NET FINANCIAL INCOME	298,555	166,440	

Note 1: financial charges in 2015 break down as follows:

- a charge to provisions for foreign exchange losses of €263.1 million in 2015, compared with €216.3 million in 2014;
- a charge to provisions for impairment of inter-company current accounts and loans of €11.7 million in 2015, compared with €109.2 million in 2014;
- a charge to provisions for equity investments of €35 million;
- amortization of redemption premiums of €13.8 million in 2015, compared with €17.2 million in 2014.

Note 2: provision write-backs in 2015 primarily break down as follows:

- a write-back of provisions for foreign exchange losses of €216.3 million;
- a write-back of provisions for impairment of inter-company current accounts and loans of €55 million in 2015;
- a write-back of provisions for equity investments of €25 million;
- a write-back of provisions for treasury shares (financial assets and marketable securities) of €68.6 million.

6.2 Exceptional items

Exceptional items, representing net income of €6.9 million, mainly consists of the following items:

(in € millions)	December 31, 2015
Net write-back of provisions for revised tax assessments	8.7
Other	(1.8)
TOTAL	6.9

Exceptional items mainly consist of a net provision write-back of €8.7 million following the settlement of revised tax assessments.

6.3 Income tax and the consolidated tax group

Within the framework of a tax group agreement, Veolia Environnement forms a tax group with those subsidiaries at least 95% owned that have elected to adopt this regime. Veolia Environnement is liable for the full income tax charge due by the resulting tax group.

The income tax expense is allocated to the different entities comprising the tax group according to the “neutrality” method. Each subsidiary bears the tax charge to which it would have been liable if it were not a member of the tax group. The parent company records its own tax charge and the tax saving or additional charge resulting from application of the tax group regime.

The tax group election came into force on January 1, 2001 for a period of five years and benefits from tacit renewal failing explicit termination by Veolia Environnement at the end of this five-year period.

The application of the tax group regime in 2015 is reflected in the Veolia Environnement financial statements by a tax saving in respect of the subsidiaries of €123.9 million.

A charge of €9 million corresponding to the 3% contribution on the dividends paid was also recorded.

The CICE Competitiveness and Employment tax credit received by Veolia Environnement in respect of 2015 of €183 thousand enabled the Company to incur additional expenditure and thereby finance improvements in competitiveness primarily through investment, research, innovation, training, recruitment, the prospection of new markets and the replenishment of working capital.

6.4 Net income

Veolia Environnement reported net income of €343.6 million for 2015.

NOTE 7 OTHER INFORMATION

7.1 Off-balance sheet commitments

Commitments given by Veolia Environnement total €2,965.3 million as of December 2015, (including counter-guarantees) and primarily consist of financing and performance guarantees given on behalf of subsidiaries:

<i>(in € thousands)</i>	As of December 31, 2015	As of December 31, 2014	Note
Commitments given			
Discounted notes not yet matured			
Endorsements and guarantees	2,909,926	3,003,350	Note 1
Equipment finance lease commitments		-	
Real estate finance lease commitments		-	
Pension obligations and related benefits	55,404	50,519	Note 2
TOTAL	2,965,330	3,053,869	Note 3
Commitments received			
Endorsements and guarantees	191,309	184,691	

Note 1: Main endorsements and guarantees

Veolia Environnement is required to grant the following types of endorsement and guarantee:

- **Operational or operating guarantees of €1.4 billion:**

These are commitments not relating to the financing of operations, required in respect of contracts and markets and generally in respect of the operations and activities of Group companies (bid bonds accompanying tender offers, completion or performance bonds given on the signature of contracts or concession arrangements and counter-guarantees granted by Veolia Environnement to insurance companies that issue bonds on behalf of its subsidiaries). This type of guarantee also includes letters of credit delivered by financial institutions to Group creditors, customers and suppliers for their business requirements or to guarantee various commitments such as the payment of leases or reinsurance obligations.

- **Financial guarantees of €1.5 billion:**

These primarily relate to guarantees given to financial institutions in connection with the borrowings of subsidiaries, including project financing, and Veolia Environnement's joint and several commitments regarding divestments by subsidiaries or direct Veolia Environnement's warranties on asset divestitures.

Warranties mainly included:

- the tax warranty given to Caisse des dépôts et consignations concerning Veolia Transport in connection with the March 3, 2011 combination of Veolia Transport and Transdev Group, estimated at approximately €70 million and expiring on March 3, 2016;
- warranties given in connection with the divestiture of the investment in Berlin Water in the amount of €485 million;
- warranties linked to the divestment in 2004 of Veolia Environnement's activities in the United States in the amount of €114.8 million;
- warranties given in connection with the divestiture of American and European wind energy activities in the amount of €38 million;
- warranties granted to EDF in connection with the Dalkia redistribution, estimated at around €35 million.

In addition to these commitments, Veolia Environnement granted credit lines to Transdev Group (see Note 7.8).

Note 2: Pension obligations and related benefits

A breakdown of obligations, net of plan assets, is presented below (in € thousands):

Pension obligations pursuant to Article 14 of the Collective Agreement	33,368
Collective insurance contract in favor of Group executives (active and retired)	16,779
Insurance company contract in favor of Executive Committee members (retired)	5,257
TOTAL *	55,404

* of which obligations for Executive Committee members as of December 31, 2015: €2.6 million.

Note 3: Other commitments given

In addition to commitments given of €2,965.3 million, Veolia Environnement also granted two commitments of unlimited amount, relating to operational performance bonds as well as a sludge incineration plant construction contract and waste processing contracts in Hong Kong in the Water and Waste solutions businesses.

These commitments are limited to the duration of the related contracts and were approved in advance by the Board of Directors of Veolia Environnement.

It is recalled that, in connection with the Dalkia redistribution, Veolia Environnement granted EDF in 2014 a call option over all Veolia Energie International (formerly DKI) securities, exercisable in the event of a direct or indirect takeover of Veolia Energie International by an EDF competitor.

7.2 Specific contractual commitments

The financial management of maintenance and repair costs for installations provided by delegating authorities, for certain French subsidiaries, was mutualized and centralized until December 31, 2003 within Veolia Environnement and, partially, since January 1, 2004 within Veolia Eau (Compagnie Générale des Eaux).

Therefore, Veolia Environnement, as an active partner of certain water subsidiaries, has undertaken to repay all maintenance and repair costs resulting from contractual obligations to local authorities under public service delegation contracts. In return, the subsidiaries pay an indemnity in full and final settlement to Veolia Environnement, the amount of which is approved annually by the Supervisory Board of each subsidiary benefiting from this guarantee.

7.3 Derivative financial instruments and counterparty risk

Veolia Environnement is exposed to the following financial risks in the course of its business:

Market risk:

- interest rate risk (interest rate hedges, cash flow hedges).

The financing structure of Veolia Environnement exposes it naturally to the risk of interest rate fluctuations. As such, floating-rate debt impacts future financial results in line with changes in interest rates. Veolia Environnement manages a fixed/floating rate position in each currency in order to limit the impact of interest rate fluctuations on its net income and to optimize the cost of debt. For this purpose, it uses interest rate swap and swaption instruments;

- foreign exchange risk (hedges of balance sheet foreign exchange exposure and overall foreign exchange risk exposure).

Foreign exchange risk is primarily managed using foreign-currency denominated financial assets and liabilities including foreign-currency denominated loans/borrowings and related hedges (e.g. currency swaps). With many offices worldwide, Veolia Environnement organizes financing in local currencies. In the case of inter-company financing, these credit lines can generate foreign exchange risk. To limit the impact of this risk, Veolia Environnement has developed a policy which seeks to back foreign-currency financing and foreign currency derivatives with inter-company receivables denominated in the same currency.

Equity risk:

As of December 31, 2015, Veolia Environnement held 13,797,975 treasury shares, of which 8,389,059 were allocated to external growth operations and 5,408,916 were acquired for allocation to employees under employee savings plans. As part of its cash management strategy, Veolia Environnement holds UCITS. These UCITS have the characteristics of monetary UCITS and are not subject to equity risk.

Liquidity risk:

Liquidity management involves the pooling of financing in order to optimize liquidity and cash. Veolia Environnement secures financing on international bond markets, international private placement markets, the treasury Note market and the bank lending market.

Credit risk:

Veolia Environnement is exposed to credit risk on the investment of its surplus cash and on its use of derivative instruments to manage interest rate and foreign exchange risk. Credit risk reflects the loss that Veolia Environnement may incur should a counterparty default on its contractual obligations. Veolia Environnement minimizes counterparty risk through internal control procedures limiting the choice of counterparties to leading banks and financial institutions. Veolia Environnement does not expect the default of any counterparties which could have a material impact on transaction positions or results.

As of December 31, 2015, the main derivative products held primarily comprised:

- interest rate swaps;
- trading swaps;
- cross-currency swaps;
- forward purchases of currency;
- forward sales of currency;
- currency options.

The following table presents the net carrying amount of derivatives at the balance sheet date:

(in € thousands)	Assets	Liabilities
Accrued interest on swaps	2,921	637
Interest rate option premiums		
Stock option premiums		
Currency derivatives	184,937	177,389
Equity derivatives		
Premium/discount *	6,429	11,898
Prepayments	5,439	
Deferred income		237,723
TOTAL	199,726	427,647

* The premium/discount represents the difference between the spot rate and the forward rate of the instruments. It is amortized over the term of the financial instrument.

The fair value of derivatives at the balance sheet date is presented below:

(in € thousands)	Assets	Liabilities
Interest rate derivatives		
Hedging derivatives	55,296	7,577
Derivatives not qualifying for hedge accounting (trading)	91	221
Foreign currency derivatives		
Hedging derivatives	113,032	106,777
Derivatives not qualifying for hedge accounting (trading)	699	20
TOTAL	169,118	114,594

The notional amounts of interest rate swaps globally designated as interest rate hedges at the balance sheet date are presented in the following table:

<i>(in € thousands)</i>		Foreign currency amount	€ equivalent
Swaps hedging debt			
Fixed-rate payer/floating-rate receiver swaps	EUR	1,433,145	1,433,145
Fixed-rate payer/floating-rate receiver swaps	GBP		
Fixed-rate payer/floating-rate receiver swaps	USD		
Floating-rate payer/fixed-rate receiver swaps	EUR	2,665,982	2,665,982
Floating-rate payer/fixed-rate receiver swaps	GBP	150,000	204,360
Floating-rate payer/fixed-rate receiver swaps	USD		
TOTAL			4,303,487
Trading swaps			
Fixed-rate receiver/floating-rate payer swaps	EUR	240,970	240,970
Fixed-rate payer/floating-rate receiver swaps	EUR	475,000	475,000
TOTAL			715,970

The notional amounts of cross-currency swaps, currency swaps and currency forwards at the balance sheet date are presented in the following table:

<i>(in € thousands)</i>	Purchases	Sales
Currency hedging instruments:		
<i>Cross-currency swaps:</i>		
EUR	60,000	244,531
CZK	186,434	0
CNY	88,970	88,970
TOTAL	335,404	333,501
<i>Currency forwards:</i>		
AED	45,591	1,767
AUD	287,828	19,337
BGN	13,294	307
BHD	38,108	6,873
BRL	39,415	39,415
CAD	150,065	80,717
CHF	32,535	70,330
CLP	80,856	76,922
CNY	373,680	71,467
COP	450	450
CZK	122,441	121,061
DKK	102,020	118,216
EUR	2,723,646	6,768,253
GBP	1,893,856	619,148
HKD	1,306,363	106,019
HUF	133,009	20,943
ILS	24,369	0
JPY	200,346	84,669
KRW	135,503	91,819
KWD	10,523	12,555
MXN	13,907	10,744
MYR	152	152
NOK	28,498	25,768
NZD	36	4,632
OMR	0	851
PEN	27,068	27,068

<i>(in € thousands)</i>	Purchases	Sales
PHP	1,507	1,507
PLN	1,074,979	648,919
QAR	6,710	882
RON	124,930	34,549
RUB	4,883	2,603
SAR	2,446	0
SEK	162,455	32,034
SGD	122,521	122,584
THB	132	132
TWD	7,042	7,042
USD	902,321	966,869
VND	4,036	4,036
ZAR	17,104	0
TOTAL	10,214,625	10,200,642

7.4 Average workforce

	2015		2014	
	Salaried employees	Employees at the disposal of the Company	Salaried employees	Employees at the disposal of the Company
Executives	972	14	1,005	1
Supervisors and technicians	25	10	31	8
Administrative employees	-	25	0	33
Workers	-	-	-	-
TOTAL	997	49	1,036	42

The heading, “Employees at the disposal of the Company”, takes into account in 2014 employees from external firms present on the site.

7.5 Management compensation

Compensation granted to members of <i>(in euros)</i>	Amount
Management bodies	2,906,193

The above amount only includes compensation borne by the Company.

Compensation paid by other entities is, therefore, excluded.

7.6 Specific information on the personal training account

The Law of March 5, 2014 on training introduced the personal training account which replaces the individual training entitlement scheme from January 1, 2015. 132,695 training hours vested under the individual training entitlement scheme as of December 31, 2014 are transferable and may be used by each employee under the conditions set for the personal training account up to December 31, 2020.

7.7 Deferred tax

Deferred tax liabilities	
<i>(in € thousands)</i>	Amount
Tax-driven provisions:	
Accelerated depreciation	2,486
Provisions for price increases	
Provisions for exchange rate fluctuations	
Other	
Investment subsidies	
Income temporarily non-taxable	
Income deferred for accounting but not tax purposes	
Unrealized foreign exchange losses	236,459
TOTAL	238,945
Deferred tax assets	
<i>(in € thousands)</i>	Amount
Provisions not deductible in the year recorded:	
Provisions for paid leave	
Statutory employee profit-sharing	
Provisions for contingencies and losses	
Other non-deductible provisions	325,074
Other	
Taxed income not recognized	237,637
Difference between the NCA/tax value of treasury shares	73,312
Amortization of option premiums	
Unrealized foreign exchange gains	170,927
TOTAL	806,950
Tax losses carried forward	3,457,806
Long-term capital losses	10

If the Company were taxed separately, the impact of these timing differences on the financial statements would generate a theoretical net tax receivable of €1,386.1 million.

7.8 Transactions with related undertakings

Related undertakings are companies over which Veolia Environnement exercises:

- direct or indirect control through one or more intermediaries;
- significant influence;
- joint control.

The main transactions with related undertakings and amounts due to or from related undertakings are as follows:

<i>(in € thousands)</i>	2015	2014
Equity investments, net of provisions	10,989,234	10,964,183
Loans to equity investments	10,833,986	6,754,234
Other receivables	1,400,648	4,710,489
Trade receivables	137,601	188,265
Borrowings	4,278,324	3,927,502
Other borrowings	57,458	99,971
Operating income	530,122	619,627
Operating expenses	256,940	364,244
Financial income ⁽¹⁾	1,529,701	1,014,641
Financial expenses ⁽¹⁾	453,035	251,445
Exceptional income	3,723	3,655,625
Exceptional expenses	3,826	3,236,872

(1) Financial income and expenses include foreign exchange gains and losses on transactions with related undertakings provided in accordance with the overall foreign exchange position per currency principle.

Credit lines granted to Transdev Group total €180 million (maturing December 2016) as of December 31, 2014 and 2015. The €200 million credit line was extended to March 3, 2017.

7.9 Audit fees

Audit fees billed in respect of the statutory audit of the accounts and services falling within the scope of related diligence procedures are presented in the Veolia Environnement Group annual financial report.

7.10 Share-based compensation

Veolia Environnement has implemented several standard fixed share purchase and subscription option plans, as well as a variable plan for management.

Current option plans at the end of 2015 were as follows:

	No.8
	2010
Grant date	09/28/2010
Number of options granted	2,462,800
Number of options not exercised	0 *
Plan term	8 years
Vesting conditions	4 years' service plus performance conditions
Vesting method	After 4 years
Strike price <i>(in euros)</i>	22.50

** Given the failure to achieve performance criteria, validated by the Board of Directors' meeting of March 14, 2013. In the event of a public offering targeting the Company's shares, 2,127,400 options would become available for exercise.*

A share subscription option plan (Plan no. 7) was approved by the Board of Directors on July 7, 2007. This plan expired on July 17, 2015. On expiry, no shares had been subscribed by Group executives or employees under this plan.

Management Incentive Plan

In October 2014, the Group introduced a long-term incentive plan, the “Management Incentive Plan” (MIP), for the Group's top executives (including the Chief Executive Officer and Executive Committee members).

This plan is based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an “additional” share bonus financed by the Group.

The share bonus, granted in three tranches, is tied to the achievement of performance criteria relating to the publication of the Company's 2015, 2016 and 2017 annual accounts. The three tranches do not vest until expiry of the plan in April 2018, subject to the confirmation at this date of the presence of the relevant beneficiaries and the retention by them of the shares initially invested.

As of December 31, 2015, a total of 423,653 shares was invested in this plan.

The expense relating to the MIP recognized in operating income amounted to €35.3 million.

7.11 Employee savings plan

In 2015, Veolia Environnement proposed a new Group employee share ownership transaction, rolled-out across 20 countries.

Under this transaction, shares are subscribed by employees with a 20% discount on the average opening price of the share during the 20 trading days preceding the date of the Chairman and Chief Executive Officer's decision setting the subscription price. This price was set at €16.56. In addition, employees receive a gross contribution from the Group equal to 100% of the employee's investment up to a maximum of €300 and a guarantee covering their personal investment as well a minimum return, again limited to the first €300 of the employee's personal investment.

On December 17, 2015, Veolia Environnement issued 1,063,022 new shares under the Group savings plan, representing a share capital increase of €5,315,110.

An expense of €4.3 million was recognized in 2015 in respect of the savings plan and rebilled to Group subsidiaries.

7.12 Subsequent events

None.

7.13 Subsidiaries and equity investments

Investments

Investments within the meaning of Article L. 233-7 of the French Commercial Code (crossing of investment thresholds laid down by law):

SUBSIDIARIES AND EQUITY INVESTMENTS

Company	Number of shares held	Share capital ⁽²⁾	Shareholders' equity other than share capital *		Carrying amount of shares held		Loans and advances granted by the Company (gross) **	2014 revenue (A)	2015 revenue	2014 net income (E)	2015 net income	Dividends recorded in the last fiscal year	Year-end
			capital *	% share capital held	GROSS	NET							
Veolia Eau – Compagnie Générale des Eaux ⁽¹⁾	214,187,293	2,207,287	634,087	100.00%	8,300,000	5,316,473	222,472	2,620,419	2,351,997	154,945	87,414	154,776	Year ended Dec. 31, 2015 ^(a)
Veolia Propreté ⁽¹⁾	8,967,090	143,473	1,295,678	100.00%	1,929,898	1,929,898	22,356	608,319	903,831	350,885	185,500	350,882	Year ended Dec. 31, 2015 ^(a)
Veolia Energie International ⁽¹⁾	87,965,321	1,760,127	24,953	99.95%	1,136,452	1,136,452	625,779	348,964	269,449	(40,251)	125,088	-	Year ended Dec. 31, 2015 ^(a)
VE Finance	100,003,700	1,000,037	(67,573)	100.00%	1,000,037	1,000,037	3,763,349	0	0	(45,456)	(22,112)	-	Year ended Dec. 31, 2015
Veolia North America Inc. ⁽³⁾	198	1	988	13.43%	693,526	693,526	1,615	23	28	92	195	-	Year ended Dec. 31, 2015
Transdev Group	59,101,850	1,137,120	96,703	50.00%	971,019	435,001	345,362	144,988	141,512	789	107,893	-	Year ended Dec. 31, 2015
Cie de Chauffage Intercommunale de l'agglomération Grenobloise	2,188	5,000	21,945	17.50%	2,849	2,849	0	67,585	70,195	1,965	3,607	-	Year ended Dec. 31, 2015
Veolia Environnement Énergie et Valorisation	13,703,700	137,037	25,187	100.00%	137,037	137,037	(25,332)	18,050	24,352	18,035	23,235	16,719	Year ended Dec. 31, 2015
Proactiva Medio Ambiente S.A.U	9,420	56,520	21,380	100.00%	270,219	270,219	11,321	36,652	30,783	24,595	11,504	18,780	Year ended Dec. 31, 2015
Veolia Environnement Services-RE	4,100,000	41,000	23,256	100.00%	41,000	41,000	0	38,549	33,362	13,599	11,539	-	Year ended Dec. 31, 2015
Codeve	3,000,000	3,000	18,734	100.00%	38,000	22,845	-	19,815	15,410	232	(1,111)	-	Year ended Dec. 31, 2015
Campus Veolia Environnement	2,449,650	26,130	(26,928)	93.75%	59,497	0	956	33,789	30,249	(25,899)	(8,338)	-	Year ended Dec. 31, 2015

Company	Number of shares held	Share capital ⁽²⁾	Shareholders' equity other than share capital *		Carrying amount of shares held		Loans and advances granted by the Company (gross) **	2014 revenue (A)	2015 revenue	2014 net income (E)	Dividends recorded in the last fiscal year	
			capital *	% share held	GROSS	NET					2015 net income	2015 net income
											(E)	(E)
Veolia Environnement Technologies France	1,170,000	11,700	(16,566)	100.00%	131,832	0	112,078	108,218	108,980	1,752	4,450	-
												Year ended Dec. 31, 2015
Veolia Services Support France	3,700	37	(25,877)	100.00%	71,363	0	31,609	67,667	57,729	(15,396)	(10,618)	-
												Year ended Dec. 31, 2015
VIGIE 9 AS	3,700	37	(11)	100.00%	1,453	37	(27)	0	0	(2)	0	-
												Year ended Dec. 31, 2015
VIGIE 14 AS	3,700	349	14	100.00%	2,179	346	(364)	0	0	0	(2)	-
												Year ended Dec. 31, 2015
Veolia Industries Global Solutions	33,334	500	13,489	100.00%	1,113	1,113	33,809	13,665	140,155	6,331	6,780	-
												Year ended Dec. 31, 2015
SAS LT 65	60,000	97	(2,188)	12.98%	300	0	-	4,292	4,292	(175)	(175)	-
												Year ended Dec. 31, 2015
VIGIE 3 AS	41,829	251	21,804	100.00%	266	266	3,579	0	0	6,819	2,750	8,970
												Year ended Dec. 31, 2015
Artelia Ambiente S.A.	10,000	50	(60,877)	100.00%	50	0	106,409	10,866	5,730	(47,766)	(102)	-
												Year ended Dec. 31, 2015
VIGIE 1 AS	21,100	211	(208)	100.00%	238	238	1	0	0	(9)	(202)	-
												Year ended Dec. 31, 2015
VIGIE 2	3,814	38	(6,621)	99.84%	38	0	7,082	0	0	(538)	(533)	-
												Year ended Dec. 31, 2015
SIG 41	2,494	38	(26)	99.76%	38	38	(14)	0	0	(2)	(3)	-
												Year ended Dec. 31, 2015
Vigie 28 AS	3,700	37	12	100.00%	37	37	(23)	0	0	3	0	-
												Year ended Dec. 31, 2015
Veolia Innove VECA	3,700	37	(990)	100.00%	37	0	367	4,187	3,784	253	(552)	-
												Year ended Dec. 31, 2015
Veolia Environnement Ingénierie Conseil	3,700	37	(2,549)	100.00%	1,945	0	5,644	2,756	3,149	(595)	(1,513)	-
												Year ended Dec. 31, 2015
VIGIE 33	3,694	37	(11)	99.84%	37	37	(28)	0	0	(2)	(3)	-
												Year ended Dec. 31, 2015
VIGIE 34	3,694	37	(11)	99.84%	37	37	(28)	0	0	(2)	(3)	-
												Year ended Dec. 31, 2015
VIGIE 37 AS	3,700	37	(10)	100.00%	37	37	0	0	0	(2)	(3)	-
												Year ended Dec. 31, 2015
VIGIE 39 AS	3,700	37	(10)	100.00%	37	37	0	0	0	(2)	(3)	-
												Year ended Dec. 31, 2015

Company	Number of shares held	Share capital ⁽²⁾	Shareholders' equity other than share capital *		Carrying amount of shares held		Loans and advances granted by the Company ^{**}	2014 revenue (A)	2015 revenue (E)	2014 net income (E)	2015 net income (E)	Dividends recorded in the last fiscal year	Year-end
			Share capital	% share held	GROSS	NET							
VIGIE 40 AS	3,700	37	(10)	100.00%	37	37	0	0	0	(2)	(3)	-	Year ended Dec. 31, 2015
VIGIE 41 AS	3,700	37	(10)	100.00%	37	37	0	0	0	(2)	(3)	-	Year ended Dec. 31, 2015
VIGIE 43 AS	3,700	37	(101)	100.00%	37	37	0	0	0	(2)	(94)	-	Year ended Dec. 31, 2015
G.I.E GECIR.	5	0	0	5.00%	35	35	0	0	0	56	0	-	Year ended Dec. 31, 2015
GIÉ du 36 Avenue Kleber	1	0	0	50.00%	0	0	9,206	22,819	19,834	0	0	-	Year ended Dec. 31, 2015
Veolia Eau d'Ile de France	100	100	0	1.00%	1	1	0	399,115	408,232	20,878	19,826	209	Year ended Dec. 31, 2015
Sloveo AS	1	33	911	1.00%	0	0	0	11,031	11,192	246	(14)	2	Year ended Dec. 31, 2015
Veolia Support Services China	1	0	0	100.00%	0	0	0	0	0	0	0	-	Year ended Dec. 31, 2015
Veolia Support Services Deutschland	1	25	(3)	100.00%	25	25	0	0	0	(1)	(1)	-	Year ended Dec. 31, 2015
Veolia Support Services Sp. z o.o	50	1	80	100.00%	1	1	0	3,333	4,112	32	39	-	Year ended Dec. 31, 2015
Other subsidiaries and equity investments (less than 1% of share capital)													
Veolia Environnement UK ⁽⁴⁾	866,733	645,809	148,360	0.18%	1,387	1,387	1,422,126	4,636	8,620	209,367	6,688	-	Year ended Dec. 31, 2015
Vigeo	5,750	11,966	(1,477)	0.96%	219	114	-	6,883	8,450	(400)	(1,000)	-	Year ended Dec. 31, 2015
Vestalia	1	37	528	0.03%	0	0	0	23,937	18,448	1,879	(181)	1	Year ended Dec. 31, 2015

* Including net income for the year.

** Including partner current accounts.

(1) Company which is primarily a holding company. The "Revenue" column includes operating revenue and financial income.

(2) In € thousands.

(3) The main activity of this company consists in being the head holding company of the US consolidated tax group.

(4) i.e. GBP 474,023,813 (source: visualscope 01-26-2016) at December 31, 2015 exchange rates.

(5) 2015 net income provisional data.

Statutory Auditors' report on the financial statements

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

Year ended December 31, 2015

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying financial statements of Veolia Environnement;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

2. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (“Code de commerce”) (French Commercial Code) relating to the justification of our assessments, we bring to your attention the following matters:

As mentioned in Note 2.2 to the financial statements in respect of the accounting principles for financial investments, your Company recognizes provisions for impairment when the net carrying amount of a financial investment exceeds its value in use. The value in use for the investment is determined on criteria that include profitability and growth potential, net assets and the stock market value of the securities. Based on the current information available, we performed our assessment of the methods used by your Company, and reviewed, through audit sampling, their application.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code (“Code de commerce”) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders have been properly disclosed in the management report.

The Auditors

French original signed by

Paris-La Défense, March 15, 2016

KPMG Audit

ERNST & YOUNG et Autres

A division of KPMG S.A.

Jean-Paul Vellutini

Karine Dupré

Gilles Puissochet

Xavier Senent

Parent company results for the last five years and Other specific information

Parent company results for the last five years

(in € thousands)	2015	2014	2013	2012	2011
Share capital at the end of the fiscal year:					
Share capital	2,816,824	2,811,509	2,744,379	2,610,434	2,598,265
Number of shares issued	563,364,823	562,301,801	548,875,708	522,086,849	519,652,960
Transactions and results for the fiscal year:					
Operating income	566,257	656,550	468,783	486,031	484,125
Income before tax, depreciation, amortization and provisions	112,816	486,613	636,097	543,259	53,064
Income tax expense	107,319	97,287	133,773	84,812	(156,043)
Income after tax, depreciation, amortization and provisions	343,600	468,647	(418,424)	(352,913)	(1,417,507)
Distributed income	401,184 ^(a)	383,953	374,246	355,494	353,791
Earnings per share (in euros):					
Income after tax, but before depreciation, amortization and provisions	0.39	1.04	1.40	1.20	0.4
Income after tax, depreciation, amortization and provisions	0.61	0.83	(0.76)	(0.68)	(2.73)
Dividend per share	0.73	0.7	0.70	0.70	0.70
Personnel:					
Number of employees (annual average)	1,046	1,078 ^(b)	605	653	673
Total payroll	125,542	157,094	114,172	105,832	110,067
Total benefits (Social Security, benevolent works, etc.)	66,045	58,478	41,819	45,023	39,477

(a) The total dividend distribution presented in the above table is calculated based on 563,364,823 shares outstanding as of December 31, 2015, including 13,797,975 treasury shares held as of this date, and may change depending on movements in the number of shares conferring entitlement to dividends up to the ex-dividend date.

(b) Following the Group's reorganization, the average number of Veolia Environnement employees rose significantly in 2014 due to the integration of the Head Office teams and the Group's expatriate employees.

Other specific information

SUPPLIER PAYMENT PERIODS

Trade payables at the year-end break down as follows (in € thousands):

	2015	2014
Total trade payables	26,571	46,087
Breakdown by due date		
▪ Amounts not yet due:	17,731	12,153
▪ Amounts past due:		
• 0 to 30 days	4,442	4,150
• 31 to 60 days	3,552	26,753
• more than 60 days	847	3,031

All amounts not yet due are payable 45 days from the end of the month or less. Therefore, pursuant to the French Law on the Modernization of the Economy (LME), Veolia Environnement complies with the new payment period obligations.

As of December 31, 2015, amounts past due more than 60 days, include inter-company trade payables of €264.5 thousand.

INFORMATION CONCERNING EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES

Pursuant to Article 223 quarter of the French General Tax Code (Code Général des Impôts), we inform you that expenses covered by Article 39-4 of this Code total **€793,532** (excess depreciation on vehicles and excess directors' fees).

RISK FACTORS AND CONTROL AFR

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Through its position as a major player in the development, preservation and renewal of resources, and the diverse nature of its activities and sites, Veolia is exposed to various types of portfolio risk: human, financial, industrial and commercial (see Section 5.1 below).

The global economic crisis since 2011 has generated external risks outside the control of the Company, which affect the Company's risk profile, intensifying some of its risks (country risks, counterparty risks, customer default, etc.).

The Group deals with these risks through its risk management process (see Section 5.2 below) as well as through internal audits and internal controls (see Section 5.3 below). Special attention is also given to compliance with ethical rules, which are constantly strengthened within the Group (see Section 5.4 below).

This year marks the end of the transformation plan, launched by the Group in 2013. By attaining or even exceeding our objectives, the Group has demonstrated its ability to manage and control risks.

Below are listed the main risks identified as significant, relevant and which could negatively impact the Group's operations and financial position as of the date of filing of this Registration Document with the French Financial Markets Authority (AMF). However, other risks not presented or as yet unidentified could impact the Group, its financial position, reputation, outlook or the Company's share price.

Risks relating to the business environment in which the Group operates (see Section 5.1.1 below):

- risks relating to changes in the Group's markets and to competition (see Section 5.1.1.1 below);
- risks relating to the retention of necessary licenses, permits and authorizations and regulatory changes regarding healthcare, the environment, hygiene and safety (see Section 5.1.1.2 below);
- market risks (see Section 5.1.1.3 below);
- country risk (see Section 5.1.1.4 below);
- risks relating to natural disasters, climate change and seasonal factors (see Section 5.1.1.5 below).

Risks relating to the conduct of the Group's business activities (see Section 5.1.2 below):

- risks relating to changes in the Group's business activities (see Section 5.1.2.1 below);
- risks relating to the security of persons, tangible and intangible property, securities and information systems (see Section 5.1.2.2 below);
- liquidity risks (see Section 5.1.2.3 below);
- risks relating to human resources (see Section 5.1.2.4 below);
- operational risks (see Section 5.1.2.5 below);
- legal, contractual and commercial risks (see Section 5.1.2.6 below);
- risks relating to non-compliance with ethical rules (see Section 5.1.2.7 below).

5.1 Risks relating to the issuer

5.1.1 RISKS RELATING TO THE BUSINESS ENVIRONMENT IN WHICH THE GROUP OPERATES

5.1.1.1 Risks relating to changes in the Group's markets and to competition

Faced with structural changes in its markets and a highly competitive environment for its activities, the Group is moving forward with its efforts to transform its organization, cost structure, and business.

The traditional municipal model (mainly involving public service concessions) is being greatly tested in the Group's core geographic areas and presents risks in emerging markets. It can still offer opportunities but the Group's offerings can be insufficiently competitive. The Group's activities are carried out in a highly competitive environment, which may result in the non-renewal or loss of contracts, limit access to new contracts, or significantly reduce profitability levels on renewal.

Major international companies, niche companies and companies whose overheads or profitability requirements are lower than those of Veolia serve each of the markets in which the Group competes. Another potential source of contract non-renewal may stem from the desire of certain public authorities to resume the direct management of water-related or waste solutions (particularly under management contracts).

For information on the management of risks relating to changes in the Group's markets and to competition, please refer to Section 5.2.2.1.1 below.

5.1.1.2 Risks relating to the retention of necessary licenses, permits and authorizations and regulatory changes regarding healthcare, the environment, hygiene and safety

Veolia has committed, and will continue to commit, the necessary means to comply with its environmental, health and safety obligations and to manage sanitary risks. In particular, these risks concern water discharges, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke fumes and gas emissions. While regulatory changes offer new market opportunities for the Group's businesses, they also generate a number of risks. In accordance with legal, regulatory and administrative requirements (see Chapter 1, Section 1.6 above), including specific precautionary and preventive measures, Veolia is required to incur expenditure or invest to bring facilities under its responsibility into compliance or, if it has no investment responsibility, to advise its customers to ensure they undertake the necessary compliance work themselves. Failure by customers to meet their compliance obligations could be prejudicial to the Group as operator and adversely affect its reputation and growth capacity. Furthermore, regulatory bodies are authorized to initiate proceedings, which could lead to the suspension or cancellation of permits or authorizations held by the Group or injunctions to suspend or cease certain activities or services. These measures may be accompanied by fines and civil or criminal sanctions, which could have a significant negative impact on the Group's reputation, activities, financial position, results and outlook. If Veolia is unable to recover this investment or expenditure through higher prices, its operations and profitability could be affected. Environmental laws and regulations are constantly being amended and tightened and these amendments can generate significant compliance expenditure or investment, which cannot always be anticipated, despite the observation systems implemented.

For information on the management of health, environmental, hygiene and safety risks, please refer to Section 5.2.2.1.2 below.

5.1.1.3 Market risks

INTEREST RATE AND FOREIGN EXCHANGE RISKS

The Group's operational and financial activities expose it to market risks. Interest rate and foreign exchange fluctuations could have an impact on the Group's results. Veolia holds assets, contracts debts, earns income and incurs expenses in a variety of currencies. The Group's financial statements are presented in euros; accordingly, when it prepares its financial statements, the Group must translate its foreign currency-denominated assets, liabilities, income and expense items into euros at the applicable exchange rates. Consequently, fluctuations in the exchange rate of the euro against these other currencies can affect the value of these items in the financial statements, even if their intrinsic value is unchanged in the original currency. For example, an increase in the value of the euro may result in a decrease in the reported value, in euros, of the Company's investments held in foreign currencies. These fluctuations in interest rates may also affect Veolia's future growth and investment strategies since a rise in interest rates may force the Group to refinance acquisitions or investments at a higher cost.

For information on the management of interest rate and foreign exchange risks, please refer to Section 5.2.2.1.3 below as well as to Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above.

COUNTERPARTY RISK

In the course of its activities, the Group is exposed to the risks of default by its counterparties (customers, suppliers, partners, intermediaries, banks, etc.). Counterparty risk is the risk that an entity is unable to respect its financial commitments (debt repayment, honoring a guarantee, offsetting under a derivative transaction, etc.). Counterparty risk for subsidiaries is limited to local deposits, settlement and account keeping banking activities, signature commitments and the continuation of confirmed credit facilities obtained from banks. Veolia counterparty risk is mainly associated with cash investments and positive market values on derivatives. Management rules require cash surpluses to be invested with managers of monetary UCITS, and short-term notes and deposits in leading banks and financial institutions (banks or financial institutions with minimum credit ratings awarded by Moody's, Standard & Poor's or Fitch of A3/P3/F3 (short-term) and A2/A/A (long-term), unless an exception is justified). Counterparty risks on financial transactions are monitored constantly by the Group's middle office.

For information on the management of counterparty risk, please refer to Section 5.2.2.1.3 below as well as to Chapter 4, Section 4.1, Note 8.3.3 to the consolidated financial statements above.

MANAGEMENT OF RISKS RELATING TO VOLATILITY IN THE PRICE OF ENERGY, COMMODITIES AND SECONDARY RAW MATERIALS

Energy and commodity purchases, whose prices can vary significantly, represent a major operating expense for the Group's businesses, in particular diesel for waste collection, coal and gas for the supply of energy services, and electricity for water treatment and distribution. Although most of the Group's contracts include price adjustment provisions that are intended to pass on any price fluctuations to Group revenue, using, in particular, price indexing formulae, certain events such as a time lag between price increases and the moment when the Group is authorized to increase its prices to cover its additional costs or an inappropriate update formula given the cost structure (including taxes), may prevent the Group from obtaining full coverage. Any steady increase in purchase prices and/or taxes could, by increasing costs and reducing profitability, undermine the Company's operations, insofar as the Company would be unable to increase its prices sufficiently to cover such additional costs.

In addition, sorting-recycling and trading businesses are particularly sensitive to fluctuations in the price of secondary raw materials (paper, ferrous and non-ferrous metal), and a significant long-term decline in the price of these secondary raw materials, potentially combined with the impact of the economic environment on volumes, could hinder the Group's operating performance.

Group activities also include the production of electricity in Germany, the United Kingdom and Central Europe. A significant portion of these sales concerns "unavoidable" energy production, co-generated with heat. Countries that are not bound to selling prices for electricity production under specific national regulations are exposed to fluctuations in electricity prices. A significant long-term decline in the market price of electricity in these countries could therefore impact the Group's operating performance.

For information on the management of risks relating to fluctuations in the price of energy, commodities and secondary raw materials, please refer to Section 5.2.2.1.3 below as well as to Chapter 4, Section 4.1, Note 8.3.1.3 above.

5.1.1.4 Country risks

Veolia generates over 69.7% of its *Pro forma* revenue outside France, with activity mainly focused in Europe, the United States, Australia and China. The Group also conducts business in certain emerging countries. In a complex and sometimes unstable international environment, risks relating to the conduct of business in certain countries may significantly impact Veolia's financial position and performance, and even its reputation and outlook. In particular, given the nature of Veolia's activities and the term of its contracts, Veolia's results can partially depend on external operating conditions, and any related changes, *i.e.* a country's geopolitical, economic, social or financial situation or its level of development, or its working and environmental conditions.

THE GROUP'S PRESENCE IN CERTAIN COUNTRIES CAN GENERATE OR EXACERBATE CERTAIN RISKS FOR BUSINESSES

The Group may be exposed to the political, economic or social instability of certain countries, thus making it difficult to conduct business. In certain cases, this risk could be even greater for foreign companies subject to the nationalization or expropriation of private property. Conducting business in certain countries can also expose the Group to risks relating to a country's general business practices for companies, and particularly foreign companies, such as a risk of non-payment or slower payment of invoices, sometimes exacerbated by the lack of legal coercive measures, increased foreign exchange risk or restrictions on fund repatriation.

Other factors which may impact the Group's operating conditions in certain countries are the lack or limited level of development in the legal and social infrastructures required to conduct a business activity, administrative delays, a lack of visibility over future regulatory or tax measures, a lack of qualified labor, as well as foreign exchange control measures and other adverse measures or restrictions imposed by governments. The Group could also be faced with worsening local conditions due to the conduct of its specific activities. The setting of public utility fees and their structure may depend on political decisions that could impede increases in fees over several years. These fees could therefore no longer cover service costs and provide a return for the Company or its subsidiaries. Major changes to regulations or inadequate regulatory enforcement, political opposition to the conduct of the Group's activities in public markets and local authority challenges to the application of contractual provisions could hinder the Group in obtaining or renewing certain contracts. Veolia could be faced with deterioration in the local economic, social or environmental conditions underpinning its activities, which could upset the economic balance of contracts due to a rise in unpaid household debts. The Group may also be unable to defend its rights before a court of law in certain countries, particularly emerging countries, should it come into conflict with their governments or other local public entities, with a potentially significant adverse effect on its financial position, results and outlook.

THE DESTABILIZATION OF A COUNTRY CAN GENERATE EMERGENCY SITUATIONS AND EXCEPTIONAL RISKS

In certain cases, the worsening of such factors can lead to a country's general political and economic destabilization, thus making it difficult for the Group to conduct business because of reduced security and stability. The Group's businesses may be subject to malicious acts or terrorism. As such, energy services, waste management services or water distribution may be targets. In addition, certain Veolia employees work or travel in countries where the risks of acts of terrorism or other acts with malicious intent can be temporarily or constantly high (see also Section 5.1.2.2 below). Very large-scale or recurring natural disasters can also lead to exceptional disruption in external infrastructures (roads, means of communication, etc.) on which Veolia depends for the conduct of its business and may cause damage to the infrastructures for which it is responsible. Veolia could thus be temporarily unable to perform services under the terms and conditions of its contracts. Accordingly, despite the forward planning and protection measures implemented by the Group and the insurance policies subscribed, the occurrence of these exceptional events could impact the Group's results.

For information on the management of country risks, please refer to Section 5.2.2.1.4 below.

5.1.1.5 Risks relating to natural disasters, climate change and season factors

RISKS RELATING TO NATURAL DISASTERS AND CLIMATE CHANGE

Due to the geographic spread of its operations and sites, the Group could be exposed to natural disasters such as floods, earthquakes, extreme droughts, landslides, cyclones, tsunamis, etc. These external factors could impact: (i) the operating performance of facilities, (ii) business continuity, (iii) the environmental footprint, (iv) the construction period for facilities, and (v) the cost of insurance coverage tied to the impact on capacity in the insurance and reinsurance market. Furthermore, the Group may be required to offset the reduced availability (due to business disruption) of the means of providing solutions initially planned, with resources that cost more than forecast.

A natural disaster, climatic incident, or other exceptional event the extent of which is difficult to forecast may have a negative impact on the Group's activities and this despite third-party liability, property damage and business continuity insurance coverage of the Group's subsidiaries (see Section 5.2.3 below).

For information on the management of risks relating to natural disasters and climate change, please refer to Section 5.2.2.1.5 below.

RISKS RELATING TO CLIMATIC CONDITIONS IMPACTING THE GROUP'S RESULTS AND SEASONAL FACTORS

Climate change particular impacts trends in the frequency, seriousness and impact of climatic conditions on the Group's activities and notably access conditions to resources (exceptionally high or low rainfall, floods, etc.), changes in domestic water consumption and changes in Energy volumes during mild winters. While the solutions proposed by Veolia highlight the circular economy, the impact of the climate on the scarcity of resources can have consequences on the cost of accessing resources. Thus, climate variability from one year to the next may have an impact on the operating results of certain Group businesses. The Energy services business generates most of its earnings in the first and fourth quarters of the year, when heating is used in Europe, while in the Water business, household water consumption tends to be higher between May and September in the northern hemisphere. Accordingly, these two businesses and therefore the Group's earnings may be impacted by significant deviations from seasonal weather patterns.

For information on the management of risks relating to climatic conditions impacting the Group's results and seasonal factors, please refer to Section 5.2.2.1.5 below.

RISKS RELATING TO THE EUROPEAN UNION EMISSIONS TRADING SCHEME (EU ETS)

As a combustion plant operator, the Group is exposed to the risks inherent to the Emissions Trading Scheme (EU ETS) introduced by the European Union in 2005. The implementation of Phase III of this scheme, covering the period from 2013 to 2020, mainly consists in phasing out, from January 1, 2013, the free allocation of emission allowances for electricity production (with exemptions for certain central European countries) and significantly reducing free allocations for heat generation. The overall objective is to achieve a 20% reduction in greenhouse gas emissions by 2020 (compared with 1990 levels). As a result, in 2013, Energy services businesses saw a 60% decrease in their emission allowances compared with 2012 and must now purchase a portion of the allowances necessary for their production.

In this context, Veolia's risk derives from two sources: firstly, the Group may produce higher levels of emissions than anticipated, either for technical or business reasons, which would require it to incur additional expenses, and secondly, the Group may not be able to fully pass on the additional cost of purchasing allowances in its pricing formulae.

For information on the management of risks arising from the EU ETS, please refer to Section 5.2.2.1.5 below.

5.1.2 MANAGEMENT OF RISKS RELATING TO THE GROUP'S BUSINESS OPERATIONS

5.1.2.1 Risks relating to changes in the Group's business activities

RISKS RELATING TO THE GROUP STRATEGIC PLAN

The transformation plan implemented by Veolia between 2011 and 2015 enabled it refocus the Group on its most buoyant markets (in terms of location and economic sector), implement a more integrated and efficient structure and improve margins. On December 14, 2015, the Group presented its strategic plan for 2016-2018 founded on two pillars: a progressive return to revenue growth and ongoing improvements in operating efficiency.

Due to external factors and despite conservative assumptions, it may take longer than scheduled to implement this new plan and implementation costs could be higher than forecast.

RISKS RELATING TO CHANGES IN THE SCOPE OF THE GROUP'S BUSINESS ACTIVITIES

Veolia has carried out financial transactions impacting its business scope, whose impact on business and earnings could be less favorable than expected or detrimental to its financial position.

For information on the management of risks relating to changes in the scope of the Group's business activities, please refer to Section 5.2.2.2.1 below.

Risks relating to divestitures

The €5 billion divestment plan announced at the end of 2011 and increased to €6 billion at the end of 2012 was successfully completed at the end of 2014. Veolia's withdrawal from Transdev Group has not however been achieved due to the position of SNCM, a 66% subsidiary of Transdev, but it nonetheless remains an objective of the Company. The beneficial rights to SNCM's assets and activities were transferred to the Rocca Group from the beginning of January 2016, following the judgement by the Commercial Court on November 20, 2015 deciding a disposal plan in its favor and the subsequent judicial liquidation of SNCM, renewed discussions with Caisse des dépôts et consignations on the withdrawal of Veolia Environnement from the share capital of Transdev Group may be planned. As part of its continuing strategic and geographic refocus on less capital-intensive businesses, Veolia finalized on March 30, 2015 the July 9, 2014 agreement with funds managed by Oaktree Capital Management, L.P., a global investment manager, for the sale of its water, waste and energy activities in Israel. This transaction reduced Group debt by €226 million.

The conditions under which the different activities are sold expose the Group to risks relating to the need, on occasion, to re-create independent functional services that were previously provided on a shared basis. These risks concern human resources, as certain individuals with expertise may leave the Group, and the means used to manage these functional services, such as methods, suppliers or IT tools. The main areas concerned are financial services, human resources (including the training campus), real estate and general services. In addition, it is possible that unfinalized divestitures will either not be carried out within the forecast deadlines, not achieve the expected valuation, or not be completed. Lastly, the business sales agreements include vendor warranties covering certain risks identified by the buyer. Their future occurrence and the resulting warranty calls could have financial consequences for the Group.

Risks relating to growth transactions

As part of its asset rotation policy and policy of wholly owning controlled companies, Veolia (i) purchased on April 7, 2015 for a consideration of €86 million, the 8.36% stake held by the European Bank for Reconstruction and Development (EBRD) in Veolia Central & Eastern Europe (formerly Veolia Voda), combining the Group's Water activities in Central and Eastern Europe, (ii) purchased on June 26, 2015 for a consideration of €21 million, Altergis, a French group specializing in energy efficiency and (iii) purchased on September 3, 2015, the Dutch company AKG Kunststof Groep, a European leader in the recycling and manufacture of polypropylene.

Veolia may continue to carry out external growth operations, in any legal form whatsoever, particularly by means of business or company acquisitions, or mergers of varying size, some of which are significant at Group level. These external growth operations involve numerous risks, such as: (i) macroeconomic conditions may change between the date of valuation and the date of integration; (ii) the business plan assumptions supporting the valuations may not be confirmed, in particular with respect to synergies and expected commercial demand; (iii) Veolia may fail to successfully integrate the acquired or merged companies and their technologies, products and personnel; (iv) Veolia may fail to retain key employees, customers and suppliers of the companies acquired; (v) Veolia may be required or wish to terminate pre-existing contractual relationships under costly or detrimental financial terms and conditions; (vi) Veolia may increase its indebtedness to finance these external growth transactions; and (vii) Veolia may be forced to sell off businesses or limit the growth of certain businesses so as to obtain the necessary authorizations for carrying out these operations, particularly with regard to antitrust legislation. As a result, the expected benefits of completed or future acquisitions or other external growth operations may not be realized within the time periods or to the extent anticipated, or may impact the Group's financial position.

5.1.2.2 Risks relating to the security of persons, tangible and intangible property, securities and information systems

The protection of the Group's employees, activities and resources is subject to extremely strict constraints and particularly regulatory constraints, which expose the Group to legal liability. Given the nature of the Group's activities and its geographic spread, its employees, tangible and intangible property, securities and information systems could be the target of malicious or terrorist acts. For example, the distribution of drinking water is an activity of vital importance with major public health considerations. Energy services and waste management solutions as well as the industrial facilities managed by the Group could be the target of malicious action. In addition, Veolia employees work or travel in countries where the political, geopolitical or social climate can occasionally expose them to criminal, malicious or terrorist acts or violent situations. Information systems are indispensable tools for carrying out the Group's operational activities and managing its functional departments (Finance, Human Resources, etc.). Information system downtime resulting from a disaster or a malicious intrusion involving one or more of these information systems could have major consequences for the quality or even the continuity of the service delivered internally and for the availability, integrity and confidential and strategic nature of the Group's data, and could thus potentially have an impact on the activity of its customers. As a result, despite the numerous preventive and safety

measures implemented by the Group and the insurance policies subscribed, the occurrence of such acts cannot be excluded and could adversely affect the Company's ability to continue the activity, as well as its reputation, financial position or results.

For information on the management of risks relating to the security of persons, tangible and intangible property, securities and information systems, please refer to Section 5.2.2.2.2 below.

5.1.2.3 Liquidity risk

Liquidity risk corresponds to the Company's ability to have enough financial resources to meet its commitments. The Company's gross liquidity is defined as all available cash and confirmed bank lines. Net liquidity corresponds to gross liquidity less current financing requirements. The Group could be exposed to liquidity risk and not have sufficient financial resources to meet its contractual commitments.

For information on liquidity risk management, please refer to Section 5.2.2.2.3 below and the description of loan agreements as well as the tables in Chapter 4, Section 4.1, Note 8.3.2 to the consolidated financial statements above.

For information on financial risk management, please refer to Section 5.2.2.1 below.

5.1.2.4 Risks related to human resource management

RISKS RELATING TO EMPLOYEE HEALTH AND SAFETY

Considering the labor-intensive requirements of the Group's businesses, their nature, the wide geographic spread of Veolia's employees in the field (in particular, on public roads and at customer sites), as well as difficult working conditions, the management of employee health and safety is particularly important. The prevention of health and safety risk in the workplace is an ongoing priority for Veolia throughout all its operations. Veolia is committed to ensuring the physical and psychological integrity of its employees. Despite the Group's particular focus on this issue, an increase in the frequency and severity of work accidents and a surge in work-related illnesses remains a risk.

For information on the management of risks relating to employee health and safety, please refer to Section 5.2.2.2.4 below.

RISKS RELATING TO SKILLS AVAILABILITY

The Group engages in highly diverse businesses, requiring a variety of constantly developing skills to adapt to changes in resource management businesses. Changes in the Group's businesses and its international expansion necessitate new expertise and the mobility of certain employees. Furthermore, the need to constantly seek out new profiles, train staff in new techniques, and recruit and train managers in every country where the Group operates represents a risk if the Group is unable to harness in a timely manner the skills required at all its locations.

The organization by geographic zone and function (introduced by the Human Resources Development and Career Management Department) set-out in the Group transformation plan completed in 2015, seeks to meet the skills requirements of the Group's business activities, provide career opportunities to employees and adapt to the different local environments.

To meet the challenges raised by the availability of expertise required by the strategic plan, which focuses particularly on the development of the Group in high-growth markets and geographic locations, Veolia has adopted a human resource policy encompassing career management, as well as identifying and managing talent across all its operation, in line with organic development goals.

For information on the management of risks relating to skills availability, please refer to Section 5.2.2.2.4 below.

RISKS RELATING TO THE DETERIORATION OF LABOR RELATIONS

Measures to refocus on certain businesses and geographic areas could cause the Company's labor relations to deteriorate, thereby hindering productivity and the Group's performance. The Group's business activities, carried out on behalf of either industrial companies or public authorities, very often consist of essential services that always require human resources. The Group cannot rule out the occurrence of labor disputes (strikes, slowdowns, blocking access to sites or the destruction of property in extreme cases) that could disrupt business over a significant period of time. Such disputes could have a negative impact on Veolia's financial position, results, outlook or reputation.

For information on the management of risks relating to the deterioration of labor relations, please refer to Section 5.2.2.2.4 below.

5.1.2.5 Operational risks

THIRD-PARTY LIABILITY RISKS AND PARTICULARLY HEALTH AND ENVIRONMENTAL RISKS IN RESPECT OF PAST AND PRESENT ACTIVITIES

The increase in legislative, regulatory and administrative requirements exposes the Group to an ever increasing risk of liability, particularly in environmental matters, including liability related to assets that Veolia no longer owns and business activities that have been discontinued. In addition, the Group may be required to pay fines, repair damage or undertake improvement work, even when it has conducted its business activities with care and in full compliance with operating permits. Some of Veolia's activities could cause harm to people (sickness, injury or death), interruption to business or damage to the environment (including biodiversity), movable property or real estate. It is the Group's general policy to contractually limit its liability, implement the necessary prevention and protection measures, and to take out insurance policies that cover its main accident and operational risks (see Section 5.2.3 below). However, these precautions may prove to be insufficient, and this could generate significant costs for Veolia Environnement. In addition, the Group's subsidiaries in France or abroad may, under environmental services outsourcing contracts, perform activities at certain environmentally sensitive sites known as high or low threshold Seveso sites (section 4000 of the French "Installations Classified for the Protection of the Environment" (ICPE) system) or the foreign equivalent, operated by industrial customers (particularly petrochemical industry sites). In these instances, the Group must manage the provision of services with even greater care, given the more dangerous nature of the products, waste, effluents and emissions to be treated, as well as the close proximity of installations managed by the Group to customer sites. The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are subject to the same level of stringent regulation.

See also Chapter 1, Section 1.6 above and Chapter 4, Section 4.1, Note 10 to the consolidated financial statements.

RISKS RELATING TO MAJOR PROJECT DESIGN AND CONSTRUCTION ACTIVITIES

The Group carries out, particularly through Veolia Water Solutions & Technologies, turnkey design-build contracts, which are remunerated on a non-revisable fixed-price basis. Veolia's earnings are often conditional on meeting performance objectives, and failure to achieve these objectives triggers penalties. The risks to which the Group is exposed under this type of contract are generally technical (design and choice of appropriate, proven technology), operational (site management during the performance, acceptance and warranty phases or ability to use technology, potentially imposed by the customer) and economic (volatility of raw material prices, foreign exchange rates or commodities). In accordance with standard practice, Veolia seeks to contractually hedge this risk as much as possible. Veolia may, however, encounter difficulties over which it has no control, e.g. relating to the complexity of certain infrastructures, climate or economic risks or uncertainties in construction, the purchasing and ordering of equipment and supplies of commodities, or changes in performance schedules for certain contracts. In certain cases also, the Company must integrate existing information or studies provided by the customer that may prove inaccurate or inconsistent, or may be required to use existing infrastructures with poorly adapted operating characteristics. These difficulties and hazards may result in non-compliance with contractual performance measures, additional expense, lost revenue and/or the application of contractual penalties that could negatively affect the Company's financial position, results or outlook. In addition, the Company and its subsidiaries generally make use of sub-contractors and suppliers in the performance of their contracts. While these subcontractors and suppliers are subject to a selection process and credit review, their failure could generate delays and significant additional costs without the ability to recover all costs incurred.

RISKS RELATING TO COMPETITION AND AUTHORIZATION PROCEDURES FOR THE CONDUCT OF CERTAIN ACTIVITIES

In order to conduct its activities, Veolia is generally required to win a contract and sometimes to obtain, or renew, various permits or authorizations issued by regulatory authorities. Competition and/or negotiation procedures preceding the award of these contracts are often long, costly and complex, with outcomes that are difficult to foresee. This is also the case for authorization procedures for activities with a significant environmental footprint, which are often preceded by increasingly complex studies and public inquiries. The Group may invest significant resources in a project or tender bid without obtaining the right to perform the planned activity or receiving sufficient compensation to cover the cost of its investment, should it, for example, fail to obtain the permits and authorizations necessary to perform the activity or the necessary authorizations from antitrust authorities. Such situations increase the cost of activities and, where the risk of failure appears substantial, may lead the Group to abandon certain projects. The extent and profitability of the Group's activities could be affected if such situations increase.

EMERGING HEALTH AND ENVIRONMENTAL RISKS

Risks may be undetectable, at a given time, because they are not completely identified due to the absence or lack of scientific data. Adverse effects could occur several years after the materialization of these risks.

For information on the management of operational risks, please refer to Section 5.2.2.5 below.

5.1.2.6 Legal, contractual and commercial risks

RISKS RELATING TO LONG-TERM CONTRACTS

As the majority of the Group's activities are performed under long-term contracts, this can hinder its ability to react rapidly and appropriately to new situations with an adverse financial impact.

The initial circumstances or conditions under which the Company enters into a contract may change over time, which may result in adverse economic consequences. Such changes vary in nature and may or may not be readily foreseeable. Certain contractual mechanisms may help in addressing such changes and restoring the initial balance of the contract. The implementation of such mechanisms may be triggered more or less automatically by the occurrence of a given event (for instance, price indexing clauses), or they may require revision or amendment of the contract only with the agreement of both parties or of a third party. Accordingly, the Company and/or its subsidiaries may not be free to adapt their compensation to reflect changes in their costs or demand, regardless of whether this compensation consists of a price paid by the customer or a fee levied on end users based on an agreed-upon scale. The longer the term of the contracts, the more these constraints on the Company are exacerbated. In all cases, and most particularly with regard to public service management contracts, the actions of the Company and/or subsidiaries must remain within the scope of the contract and ensure continuity of service. Moreover, they cannot unilaterally and suddenly terminate a business activity that they believe to be unprofitable, or change its features, except, under certain circumstances, in the event of obvious misconduct by the customer.

RISKS RELATING TO THE RIGHTS OF PUBLIC AUTHORITIES

The rights of governmental authorities to unilaterally terminate or amend contracts entered into with the Company and/or its subsidiaries could have a negative impact on its revenue and profits.

Contracts with public authorities generate a significant percentage of the Group's revenue. In numerous countries, including France, public authorities may unilaterally amend or terminate contracts under certain circumstances provided that they compensate the other party to the contract. This may not be true in all cases, however, and the Company and/or its subsidiaries may not be able to obtain full compensation should the relevant public authority unilaterally terminate a contract.

RISKS RELATING TO THE SET-UP OF PARTNERSHIPS

The Group may be required to conduct its activities in France and abroad through partnerships with public authorities or private players. These partnerships offer a means of sharing the economic and financial risks associated with certain major projects or activities. While the partial loss of operational control granted in return for reduced capital exposure is managed contractually, changes in the project or activity concerned or the economic or political context, or a downturn in the economic position of the partner(s) could lead to conflict between the partners and in certain cases the termination of the partnership. These situations, tied to the poor performance of a partnership, could have a significant impact on the Group's business activities, financial position, results or outlook.

SIGNIFICANT LITIGATION

In the ordinary course of its activities, the Company and/or its subsidiaries are involved in litigation, arbitration procedures and inquiries. The most significant litigation proceedings involving the Company or its subsidiaries are described in Chapter 4, Note 12 to the consolidated financial statements above and Chapter 8, Section 8.2 below.

For information on the management of legal, contractual and commercial risks, please refer to Section 5.2.2.2.6 below.

5.1.2.7 Risks relating to non-compliance with ethical rules

Actions by employees, agents and representatives who do not comply with the Group's "Ethics Guide" program (see Section 5.4 below) or the specific ethics codes that have been implemented could expose the Group to civil or criminal penalties and adversely affect its reputation.

5.2 Risk management process

5.2.1 RISK MANAGEMENT ORGANIZATION

5.2.1.1 Implementation of a coordinated risk management system

ORGANIZATION

Veolia builds long-lasting relationships with its customers based, in particular, on its ability to manage risks delegated by them. The Group responds to this challenge, which is of fundamental importance to its development, by setting up a coordinated risk prevention and management system. In order to strengthen the Group's ability to roll out a risk management policy in a comprehensive and uniform manner, in line with its strategy, the Group Risk and Insurance Departments were merged at the end of 2012. The Group Chief Risk, Insurance and Compliance Officer reports to the Group's General Counsel, who is a member of the Company's Executive Committee.

In the Risk, Insurance and Compliance Department, the Risk Department coordinates and serves as the entry point for the Group's strategic risks using established risk management procedures and retains its cross-functional focus, encompassing the network of risk managers, the operations under their responsibility, and the various functional departments, so as to strengthen the ability of the entire Group to:

- **identify and anticipate:** ensure that constant oversight of the Group's major risks is gradually implemented so that no risk is overlooked or underestimated, and anticipate changes in the nature or intensity of those risks;
- **organize:** ensure that the main identified risks are addressed by the organization at the most appropriate level within the Group. Numerous operational risks are managed at business unit level, while others, which require specific expertise or are of a primarily transversal or strategic nature, are handled directly by Veolia;
- **process:** ensure that the structure and resources employed are effective so as to mitigate as much as possible the identified risks, in line with the Group's values;
- **raise awareness and inform:** the implementation of a coordinated risk management system is supported by campaigns to raise awareness about risk management among employees and also meets the need for disclosures concerning risks to the various financial and non-financial stakeholders.

In the Risk, Insurance and Compliance Department, the Insurance Department is responsible for protecting the Group's interests against insurable risks:

- by taking out common insurance policies to implement a consistent risk transfer and coverage policy designed to maximize economies of scale, while taking into account the specific characteristics of the Group's businesses and legal or contractual constraints;
- by optimizing thresholds and the means of accessing the insurance or reinsurance markets through the use of appropriate deductibles.

The process of covering risks through insurance is implemented in coordination with Veolia's overall risk management policy. This takes into account the insurability of risks associated with the Group's activities, the availability of insurance and reinsurance coverage on the market and the premiums proposed compared with the level of coverage, exclusions, limits, sub-limits and deductibles.

The Risk Department and the Insurance Department rely on the support of an international network of risk managers organized by country to take into account changes in the Group's organization.

The risk network has developed a process designed to identify and prioritize events that may prevent the Group from reaching its objectives. To this end, the Company and each of its entities have a summarized ranking of the major risks (risk mapping), drawn up in accordance with the main market benchmarks (in particular COSO II) and in line with ISO 31000 on risk management. The identified risks are assessed in terms of their impact and frequency, taking account of risk control measures. The "risk owners" are in charge of designing and implementing action plans in liaison with the risk managers for their geographic areas and/or head office, so as to limit and manage risk exposure. The risk network contributes to the definition of the corresponding action plans and the steering of the whole process. It also is responsible for issuing alerts and the coordination of emerging risks.

The Group's Risk, Insurance and Compliance Department works with all functional departments and, particularly, the Internal Audit Department, to help define its annual audit program. In addition, the audits carried out serve to enhance the risk assessments conducted within the Group. By verifying the Company's key processes, the Internal Audit Department provides assurance that internal control and risk management procedures have been implemented and are effective. These procedures are regularly assessed within the Group by the Company's Internal Audit Department in order to ensure that the Group has the appropriate risk management tools and processes (risk identification, implementation of action plans, updated risk mapping and deployment of the risk management function throughout the Group). The Group's Risk, Insurance and Compliance

Department also works closely with the Internal Control Department, which is responsible for identifying, standardizing and improving the reliability of the key processes used to produce the Group's financial information.

In 2015, the main actions put in place by the Risk, Insurance and Compliance Department and its network involved:

- identifying, assessing and ranking risks, based on the common methodology;
- continuing risk prevention and protection measures in the business units;
- continuing the roll-out of Group programs;
- forming an “emerging risks” committee;
- implementing (within the framework of the 2016-2018 strategic plan) a project risk analysis process for growth initiatives.

5.2.1.2 Supervision of the risk management system

The Board of Directors' Accounts and Audit Committee. The Risk, Insurance and Compliance Department presented an overview of its work to the Board of Directors' Accounts and Audit Committee on two occasions in 2015. The first presentation examined the general risk management system and the Group's updated risk mapping. The second presentation examined the Group's insurance policies and programs. These presentations were conducted in accordance with the 8th European Directive, which requires the Board of Directors (via a specific committee) to seek assurance as to the effectiveness of the Company's risk management and internal control procedures.

The Group Risk Committee is responsible for validating and monitoring the effectiveness of the action plans that cover the major risks identified in the risk mapping. It ensures and supports the proper functioning of the risk management systems and may also decide on which risks are unacceptable within the context of the business. In 2013, the composition of this committee was changed to include members of the Company's Executive Committee, thus establishing a more direct link between the Group's strategy and the risk management process. The Group Risk Committee is coordinated by the Chief Risk, Insurance and Compliance Officer and chaired by the Group's General Counsel. The committee met to examine the Group risk mapping and the action plans for mitigating these risks.

Since 2013, risk committees formed in each geographic area and/or country, meet to monitor and approve the geographic area and/or country risk mapping.

The Risk, Insurance and Compliance Committee is responsible for organizing and coordinating the Group's risk, insurance and compliance management processes, and leading and monitoring major functional projects. Bringing together the Group Chief Risk, Insurance and Compliance Officer and his three deputies (in charge of each of its functions) the committee meets every two weeks.

5.2.1.3 Roll-out of security procedures within the Group

The deterioration in international security and the multiplication of information and media-based attacks (facilitated by new information and communication technologies such as social networking) compound the risks relating to the security of persons, property, securities and IT systems. In order to manage these risks as proactively as possible, a Security Department, whose manager reports directly to the Chairman and Chief Executive Officer, takes charge of identifying, analyzing and managing these specific risks. A network of security officers was established in all countries where the Group operates, in order to tailor the management of these risks to specific local conditions. The primary roles of this department are to avert security threats potentially affecting the Group and its employees and to manage violations possibly impacting employees, tangible and intangible property and corporate values in France and abroad. It provides advice and assistance to country managers on security-related issues within the framework of current laws and regulations and is also responsible for coordinating the warning and crisis management systems.

The organization of crisis management at Veolia revolves around two separate but complementary arrangements that come together to deal rapidly and efficiently with any deteriorated or critical situation that the Company or its entities may encounter.

The process begins with a warning system that is in operation 24 hours a day and is deployed across all the Group's locations, designed to move information quickly up the line to the Company's Executive Management on any critical or delicate situation. This system has been updated, primarily to take account of changes in the Group's organizational structure. The warning system is supplemented by a crisis management procedure, and, if the situation is sufficiently critical, operational cells can then be quickly mobilized, bringing together all the necessary functional skills and the departments concerned. Predetermined objective criteria are used to assess the seriousness of the situation. This process is constantly refined on the basis of feedback on and post-crisis evaluations of each of the situations that have been managed.

5.2.2 OVERVIEW OF RISK MANAGEMENT MEASURES

5.2.2.1 Management of risks relating to the business environment in which the Group operates

5.2.2.1.1 MANAGEMENT OF RISKS RELATING TO CHANGES IN THE GROUP'S MARKETS AND TO COMPETITION

The Group is required to carefully select the projects it pursues in traditional markets, propose innovative business models, and focus its business on more dynamic industrial markets and locations. The Group must continue to transform its cost structure in order to restore its profitability and gain a greater competitive edge over its competitors, while controlling the costs associated with its reorganization. The transformation of the Group's organization and its business has already enabled Veolia to leverage its competitive advantage in growth markets where its expertise sets it apart from its competitors and to become a growth partner for its industrial and municipal customers.

To accelerate the Group's growth strategy, the Innovation and Markets Department was created in 2014. Veolia Environnement has thus initiated the transformation of its business and implemented a strategic plan organized around priority markets identified by the Group and high added value service offerings such as circular economy-based solutions for optimizing resource consumption, etc. The Group's aim is to be a growth partner for its customers, by providing cutting-edge solutions to the most complex issues they face and through offerings based on attractive business models (performance-based payment terms for these solutions, innovative financing, etc.). Backed by a new sales and marketing approach, this strategy has been confirmed through recent Group successes involving energy performance contracts, integrated waste management offerings (collection, processing and recovery), and offerings aimed at optimizing resources in the water and wastewater treatment sectors as well as improving the customer's operating performance.

The new sales and marketing approach is founded on the creation of global partnerships and a network of key account managers, mass roll-out of the Group's best offerings, and the development of innovative business models, closely coordinated with each geographic area and operational teams. To support these new service offerings, the Group continues to invest in research and innovation (see Chapter 1, Section 1.5.1 above), supervised by this new department. Research programs reflecting the Group's strategic focus are geared to addressing customer priorities and seek to enhance offerings based on the specific expertise and added value of the Group's operational teams.

5.2.2.1.2 MANAGEMENT OF RISKS RELATING TO THE RETENTION OF NECESSARY LICENSES, PERMITS AND AUTHORIZATIONS AND REGULATORY CHANGES REGARDING HEALTH, THE ENVIRONMENT, HYGIENE AND SAFETY

The environment and health are central concerns for Veolia. The Group is committed to providing full professional guarantees covering the quality of its products and services, as well as compliance with safety and environmental standards (especially relating to emissions in the air, water and soil). The risks facing the Group mainly concern the condition of facilities on acquisition, the fact that the Group is not always responsible for the necessary investment, and customers' varying levels of awareness of such matters. With regard to the nature of Veolia's business, the regulatory compliance measures for facilities and services mainly involve air pollution control (smoke from heat generation plants and waste incineration facilities, exhaust fumes from transportation vehicles and legionnaires disease), water quality management (in respect of wastewater treatment plants, drinking water networks and the disposal of wastewater), the protection of soils and biodiversity, and health and safety monitoring for staff. In order to better manage its environmental risks, the Group has implemented an environmental management system which seeks to achieve continuous improvements in the environmental performance of all its business units. Moreover, in accordance with current standards and taking account of the recommendations of internal and external experts, Veolia implements control, maintenance and improvement measures either directly or in collaboration with customers when they assume responsibility for investments relating to the facilities. When Veolia designs new facilities, it strives to meet technical specifications that are sometimes more stringent than current prevailing standards. For older facilities, Veolia Environnement systematically carries out renovations or strongly recommends that owners do the same. At European level, the REACH, CLP (Classification, Labeling and Packaging) and Biocides regulations are monitored and applied in accordance with the relevant timelines.

5.2.2.1.3 MANAGEMENT OF MARKET RISKS

Management of interest rate and foreign exchange risks

As a result of its operational and financial activities, the Group is exposed to risks, such as interest rate risk and foreign exchange risk. To avoid having to bear all of these risks, the Group implemented management guidelines relating to these uncertainties, in order to ensure better risk control. The Veolia Environnement Treasury Department is directly responsible for implementing and monitoring these hedges. The Treasury Department is responsible for helping subsidiaries and their teams to identify and hedge exposure in different countries around the world. This department relies, in part, on a cash management system designed to constantly monitor the principal liquidity indicators and all major financial instruments used at headquarters (interest rate/foreign exchange). The Middle and Back Office teams in the Finance Department verify

transactions and monitor limits, thus ensuring the security of transactions processed. Reports are produced daily, weekly and monthly, thus enabling the Company's executive management to stay abreast of market trends and their effect on the Group's liquidity (current and forecast), the value of the Group's derivative portfolio as well as the breakdown of hedging transactions and their impact on the proportion of Group debt at fixed and floating rates. The interest rate risk management policy is decided centrally. The Group uses interest rate risk management tools available on the market, including interest rate swaps and options (see Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above). Foreign exchange risk is linked to the Group's international business conducted outside the euro area, which generates cash flows in numerous currencies. As both income and expenses are usually in the currency of the country where the Group conducts business, the Group's exposure to transaction exchange rate risk from service activities is low. This risk is systematically hedged when it is certain (using currency futures) and on a case-by-case basis when uncertain (using options, generally when tenders are submitted). To manage foreign exchange risk associated with debt and financial receivables in the balance sheet, the Group has implemented a policy in order to finance its subsidiaries in local currency that involves backing foreign currency-denominated financing by asset class (debts and receivables). For more information regarding foreign exchange risk, see Chapter 4, Section 4.1, Note 8.3.1 to the consolidated financial statements above.

Counterparty risk management

The risk of counterparty default is assessed through changes in creditworthiness. As such, the Group distinguishes between the counterparty risk relating to its operational activities that generate trade receivables, and the counterparty risk relating to investment and hedging activities that give rise to bank borrowings.

For more information on the management of risks relating to changes in the creditworthiness of the Group's customers and its financial counterparties, see also Chapter 4, Section 4.1, Note 8.3.3 to the consolidated financial statements above.

Management of risks relating to volatility in the price of energy, commodities and secondary raw materials

Most of the contracts entered into by the company and its subsidiaries include clauses aimed at passing on any fluctuations in energy, commodity and secondary raw material prices to the Group's revenue sources, particularly by means of indexation formulae. Furthermore, in certain countries and for certain energy sources, the supply of energy may be the subject of long-term supply contracts.

For more information on the management of risks inherent to fluctuations in the price of energy and commodities and, in particular, commodity derivatives, please see Chapter 4, Section 4.1, Note 8.3.1.3 to the consolidated financial statements above.

5.2.2.1.4 MANAGEMENT OF COUNTRY RISK

In response to the increased uncertainty surrounding the international economic situation and the geographic refocusing of the Group's activities, Veolia set up a country risk assessment unit within the Risk Department. The role of the country risk unit is to assess country risk, encompassing all the uncertainties relating to a specific geographic area that could affect the conduct of the company's operations and expected results.

To meet this objective, the unit has the following duties:

- *assessment of country risk*: based on information gathered reflecting the Group's issues (country context indicators and assessments provided by external reference sources or, in certain cases, gathered directly from Group managers), the unit produces comparative topical maps as well as a country assessment (with rating and qualitative information); these analyses incorporate not only indicators relating to geopolitical, legal and economic factors but also social, safety, employment-related and environmental conditions;
- *assessment of the Group's exposure to country risk*: using internal indicators (presence indicators and indicators taken from Group reporting packages), for comparison with country-risk indicators;
- *management notification and awareness-raising*: by distributing the various analyses produced by the country risk unit and making information available to a dedicated intranet community.

This analysis is supplemented by the continuous monitoring and analysis of the international security context by the Group Security Department (see Section 5.2.1.3 above).

5.2.2.1.5 MANAGEMENT OF RISKS RELATING TO NATURAL DISASTERS, CLIMATE CHANGE AND SEASONAL FACTORS

Management of risks relating to natural disasters and climate change

Over and above regulatory requirements, Veolia is committed to the active management of risks relating to natural disasters and climate change through: the implementation of prevention and control measures for its facilities, the incorporation of climate change issues at sites operated and the introduction of solutions to assist customers reduce their vulnerability. The implementation of services essential to the activities of public authorities and industrial companies requires constant vigilance and anticipation: the management of risks delegated by customers, particularly with regards to climate change, is at the heart of Veolia's expertise. The risk relating to natural disasters is mitigated by: (i) the choice of a site's location in order to limit

exposure, (ii) analyses of the various scenarios to enable the implementation of tailored prevention plans and (iii) the development of business continuity plans. Site audits and insurance coverage completes management measures for this type of risk.

Management of risks relating to climate conditions impacting the Group's results and seasonal factors

The risk relating to climate uncertainty is, in certain cases, weighted by the various price setting methods stipulated in contracts and the geographic distribution of the Group's businesses.

Management of risks arising from the European Union Emissions Trading Scheme (EU ETS)

Veolia was very quick to adopt an active strategy in order to manage its greenhouse gas emissions and allowances, by implementing an appropriate structure and creating a special-purpose legal entity to purchase, sell and price different types of greenhouse gas allowances. In addition, through its Energy businesses, the Group allocates a significant share of its investment each year to reducing greenhouse gas emissions. In particular, these investments are designed to modernize the Group's plants, which today are mostly either gas-fired or coal-fired, by transitioning to facilities using biomass or combining coal and biomass so as to increase energy recovery and encourage reduced consumption. Deeply committed to combatting climate change, Veolia develops resource use models that are more restrained and efficient and primarily founded on the principles of the circular economy. The Group also supports measures favoring the large-scale development of a low-carbon and resilient economy through primarily a CO₂ polluter-payer principle and vice-versa; i.e. the setting and application of a robust and predictable carbon price. Furthermore, the Group seeks to tackle greenhouse gas emissions with a short lifespan and a high global warming potential, such as methane. Lastly, Veolia makes every effort to negotiate pricing schemes with its customers that enable it to recover its entire production costs, including the purchase at market price of greenhouse gas emission allowances (see Chapter 4, Section 4.1, Note 8.3.1.3 to the consolidated financial statements above).

5.2.2.2 Management of risks relating to the Group's business operations

5.2.2.2.1 MANAGEMENT OF RISKS RELATING TO CHANGES IN THE GROUP'S SCOPE OF ACTIVITIES

Projects for organic growth, acquisitions and divestitures studied by the Group bring together multi-disciplinary teams to ensure that all aspects of these projects are assessed and analyzed. They are also subject to review and approval by the Committee Committees. There are three complementary committee levels: business unit, geographic area and Group. In a context of strict investment controls, Veolia is extremely selective in its strategic growth choices. Projects involving either internal growth transactions or company acquisitions are subject to a comprehensive review (strategic, technical, operational, financial, legal, human resources, etc.) on the basis of standard reports, in which all risks are examined and assessed. Financial profitability and minimum return criteria, widely known and used throughout Veolia, are applied. Expected returns are naturally considered in relation to the risks incurred.

5.2.2.2.2 MANAGEMENT OF RISKS RELATING TO THE SECURITY OF PERSONS, TANGIBLE AND INTANGIBLE PROPERTY, SECURITIES AND INFORMATION SYSTEMS

Due to the nature of its businesses and the scope and diversity of its sites, the Group pays close attention to all security issues that could threaten or adversely affect its employees, organizations or activities.

International security: travel authorization procedure and protection plans

In order to anticipate and guard against international security risks, the Security Department constantly monitors and analyses the international security context in each of the countries where the Group operates. A mapping of high-risk areas is prepared each month and distributed throughout the Group. A travel authorization procedure has also been implemented for high-risk areas. This procedure involves the case-by-case examination by the Security Department of all travel requests to those countries considered as presenting the highest level of risk. Each travel authorization is accompanied by specific security guidelines tailored to the risks associated with the country or countries in question and the traveler's profile.

In 2015, more than 2,500 travel authorizations were submitted to the Security Department. In the event of an unusual deterioration in the situation, protection plans are formally documented for the most sensitive countries. A security officer is identified in each of these countries. This individual acts as the Security Department's local representative and is the preferred point of contact for the country's diplomatic authorities. In order to deliver specific training to employees and inform them about security risks as well as prevention and protection rules and behavior to be observed during travel to high-risk areas, the Group developed an e-learning module, which is mandatory for any employees due to travel to these areas. In 2015, a specific training module was developed for extended trips and expatriates. Group training sessions are also provided and adapted to the needs of trainees.

Information systems security

In line with the Group's structure, an information systems security organization (ISS) was set up in 2013. Managed by an Information Systems Security Officer reporting to the Group Chief Security Officer as well as the Group Chief Information Systems Officer, the ISS is supported by a network of local officers spanning all countries where the Group operates.

The Information Systems Security Policy (ISSP) was launched in 2013 and is reviewed annually. The ISSP defines the objectives, missions and organization of Information Systems Security (ISS), details the approach based on specific Veolia risks and describes the ISS mechanisms designed to limit the occurrence or impact of ISS risks within Veolia.

These concern:

- data security;
- the management of IT system users;
- IT infrastructure security;
- computer application security;
- specific recommendations for industrial systems;
- IT continuity plans;
- audits and control measures and the corresponding operating reports.

The ISSP is implemented in all Veolia entities under the oversight of the Information Systems Security Officer.

Promoting user awareness is also an important line of action for the ISSP. This is carried out by means of IT charters, distributing information on best information systems security practices and lastly, through Veolia's participation in 2014 and 2015 in the "serious game" initiative of the CIGREF, a French industry association focusing on information system issues.

In countries where Veolia is subject to specific local constraints associated with the protection of information systems, the local ISS officer works with the relevant authorities. This is the case in France, where Veolia is in permanent contact with the French Information Networks and Security Agency (ANSSI) and contributes to work relating to the application of the 2013-2019 military planning law for information systems.

5.2.2.2.3 MANAGEMENT OF LIQUIDITY RISK

The operational management of liquidity and financing is managed by the Financing and Treasury Department. Major financing and cash surpluses are pooled in a bid to optimize liquidity and cash. In 2015, Veolia Environnement renegotiated short- and long-term bilateral credit lines (totaling €925 million) and also signed a new €3 billion multi-currency syndicated credit line, enabling a reduction in its exposure to liquidity risk (see Chapter 3, Section 3.3.5.2 above).

The Group secures financing on international bond markets, international private placement markets and through commercial paper and bank loans (see Section 5.2.2.1.3 above and Chapter 4, Notes 8.3.2 of the consolidated financial statements above).

5.2.2.2.4 MANAGEMENT OF RISKS RELATING TO HUMAN RESOURCES MANAGEMENT

Management of the risk relating to employee health and safety

Given the nature of its operations and aware that solid performance in workplace health and safety is synonymous with increased performance for the Company, Veolia has made Prevention, Health and Safety a daily priority in all its activities. The Group's approach to these issues is essentially shaped by the desire to protect the physical and mental well-being of its employees. Prevention, Health and Safety is the focus of heightened and continuous commitments and efforts. Veolia Environnement's approach to professional risk prevention is based on the involvement of all managerial levels as well as a continuous improvement system allowing the Company to honor its commitments, achieve its objectives and implement the ideas enshrined in the general policy declaration regarding prevention, health and safety in the workplace. Executive Management gave a commitment in this regard in 2015. Suppliers are also expected to take the required steps to guarantee the health, safety and wellbeing of their employees. Implementation of Veolia's Prevention, Health and Safety management system provides for the effective management of health and safety issues across all of the Group's entities. This system is founded on five pillars that are presented in detail in Chapter 6, Section 6.2.2.1 below. Since 2012, as part of the strategic transformation plan, the cross-functional coordination of the Group's Prevention, Health and Safety policy has been strengthened through the Group's center of excellence devoted to these areas, which prepares, coordinates and assesses the performance of relevant operational and forward-looking projects. Further details are presented in Chapter 6, Section 6.2.2.1 below. In addition, efforts to increase European trade union involvement in the Group's Prevention, Health and Safety policy are supported by a "Letter of Commitment" signed by management and employee representatives in 2012. This commitment ensures the consistency of field initiatives in each European country where Veolia operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health and improved communication with employees on health and safety topics. Finally the quarterly monitoring of "near-misses" has been rolled out across all entities, enabling entity performance to be monitored and corrective measures to be implemented.

Management of risks relating to skills availability

Given the Group's transformation, the aging of the working population and the rapid development of technologies and working methods, Veolia has enhanced its forecasting capabilities with regard to skills management. The agreement signed in France on forward management of jobs and skills (GPEC in French) supplemented the provisions of the 2004 agreement on the "development of skills and vocational training". Through this new agreement, Veolia has focused on anticipating changes in its businesses in line with the Group's transformation, supporting and encouraging career development and offering the right training solutions. In addition, the Human Resources Development and Career Management Department defines and promotes policies on mobility and career management, as well as sourcing and managing talent across all of the Group's operations. Finally, this skills management is made operational through the work of the campus and the various training centers, which offer diverse training opportunities that are constantly adapted to meet the needs of Group businesses (for further details on the training policy see Chapter 6, Section 6.2.3 below). The Group's considerable efforts in the area of managerial development (identification and training of senior managers, roll-out of the Manager's Code of Conduct, and manager commitment survey), and commitments undertaken with respect to gender mix and internationalization serve to strengthen the loyalty and professionalism of Group managers (see Chapter 6, Section 6.2.3 below).

Management of risks relating to deterioration of the labor relations climate

Veolia attaches great importance to this aspect of its Human Resources policy and has set itself the challenge of making labor relations one of the major factors of staff cohesion and the Group's organizational and economic performance. Veolia's labor relations model aims first and foremost to create and maintain a relationship built on trust with its employees and their representatives via a policy focusing on fair and consistent compensation, promotion within the Company, training, career and skills management that facilitates job progression and via constant enhancement of its health, safety and accident prevention policy.

The Group has enshrined these commitments in Group-wide agreements signed with all trade unions representing employees: the December 2008 agreement on health, safety and accident prevention, signature of a letter of commitment by Executive Management and the Group's European Works Council on Prevention, Health and Safety. These agreements are fleshed out and supplemented by over 1,000 local collective bargaining agreements signed at the Group's sites. At European level, in October 2010 Veolia also renegotiated, modernized and reinforced the resources and operation of the European Works Council and labor relations in Europe. Since 2011, the European Works Council has initiated exchanges with Veolia Environnement management on sustainable development and CSR. A project to develop CSR performance indicators is in progress. In February 2010, the Group signed an agreement on the quality and the development of relations with all trade unions representing employees, with a view to improving labor relations. Action and training plans are defined with stakeholders in labor relations and have been implemented since 2011.

In 2015, an agreement on procedures for exchanging views on strategic directions within employee representation bodies was signed by representatives of the France and Europe Work Councils. In this period of transformation, developing and structuring communications with employees is all the more crucial as it strengthens staff cohesion across the Group and ensures that the Group's employer and social responsibility commitments are upheld in a difficult economic context. Supporting employees during this change underlines the Group's desire to ensure their employability and promote internal mobility (see Chapter 6, Section 6.2.4.2 below).

5.2.2.2.5 MANAGEMENT OF OPERATIONAL RISKS

Management of health and environmental third-party liability risks in respect of past and present activities

Faced with the systematic risk of being held jointly liable with its customers in the event of serious contamination or accidents, the Group strives to satisfy its own obligations while helping to ensure that customers do the same. An analysis of the various industrial accident scenarios must be performed regularly at operating sites (waste treatment centers, landfill sites, incineration facilities, heat generation plants, drinking water production facilities, wastewater treatment plants, etc.), enabling appropriate prevention plans to be established and a business continuity plan to be developed. Given the nature and potential seriousness of all of the risks mentioned above, the Group has implemented three principal types of actions to help control and manage these risks:

- firstly, the prevention of accidents that may damage property and as a consequence cause harm to people or the environment necessitates the implementation of procedures aimed at ensuring the compliance of installations and monitoring their operation and also ensuring improved risk management; the environmental management strategy is one of the cornerstones of this approach, particularly through validation by external certification (ISO 14001, sector guidance, ...);
- secondly, internal and external audits are conducted regularly to identify and prevent industrial risks (fire, machine breakdown, environmental damage, .);
- thirdly, the Group has purchased insurance covering public liability and liability resulting from unavoidable or accidental pollution and has also taken out material damage policies (see Section 5.2.3 below).

All of these actions are implemented by the Group's business units in coordination with the Legal, Technology and Performance, Sustainable Development and Insurance Departments. The activities also benefit from the support of the Research and Innovation Department, alongside the Legal Departments and Veolia Environnement's office in Brussels, which monitors changes in regulation. In its Water, Waste or Energy business lines, when the Group provides services at a "Seveso" facility or its foreign equivalent, it actively participates in the implementation of health and safety measures at these sites. The application of more stringent regulatory standards for these sites requires Group employees to undergo specialized training, attend health and safety committee meetings at industrial customers' sites and comply with the Major Accident Prevention Policies (MAPP) implemented by its customers. Seveso facilities are also subject to specific internal control measures that seek to prevent accidents and protect employees, the public and the environment. In addition to major accident prevention policies, internal operational plans also apply to these facilities, as well as crisis intervention measures coordinated with public authorities in the event of an accident. Based on its desire to apply safety protection rules and in anticipation of regulatory changes under consideration, the Group has decided to apply all or part of the Seveso regime at certain sites.

Management of emerging health and environmental risks

Believing that mere compliance with regulatory requirements is not sufficient to ensure adequate control of health and environmental risks, Veolia Environnement has also voluntarily implemented a number of measures based on strict prevention and control procedures as part of a global approach, particularly with respect to its multi-service contracts (for example, hazard studies, evaluation of impacts and checkpoint controls and inspections). The Group also actively monitors research on subjects like nanomaterials and nanotechnologies, emerging biological parameters, household toxicity, environmental consequences of climate change. It develops research projects, alone or in partnership with research centers or French or foreign specialized bodies, on certain subjects that are deemed to be priorities.

5.2.2.2.6 MANAGEMENT OF LEGAL, CONTRACTUAL AND COMMERCIAL RISKS

Veolia places great importance on the management of legal risks given the nature of its business, environmental services, an area subject to increasingly complex regulation. The Veolia Environnement Legal Department ensures effective management of legal risks in liaison with operating teams in the field and in compliance with the Group's overall risk management process. The specific nature of the Group's activities (management of local public services, multitude of geographic locations, representatives and counterparties) has led the Company to adopt legal compliance rules to guide its employees in their activities and in the preparation of legal documents and to ensure compliance with such rules. In particular, these rules cover the Group's legal structure and notably the delegation of powers and monitoring thereof, and the selection of corporate officers. They also cover the reporting of major litigation (litigation and dispute reporting procedure) and significant operating contracts, compliance with antitrust law, ethics, standard contractual clauses, sponsorship and patronage, managing relations with commercial intermediaries, conflicts of interest, and activities in sensitive countries. They are accompanied by information, awareness raising and training initiatives (see Section 5.4.1 below).

As a company with shares listed on the Paris Stock Exchange, Veolia Environnement is required to comply with rules governing:

- periodic and permanent market reporting: a Disclosure Committee supervises and controls the collection and communication of information regarding the Company's Registration Document (see Section 5.3.7 below);
- corporate governance: particularly with regard to the make-up and activities of the Board of Directors and its committees, relations between these entities and executive management, the provision of information to shareholders and the proper application of regulations and codes applicable to listed companies (see Chapter 7 below);
- insider trading: to help prevent insider trading, the Company has adopted a code of conduct governing trading in its securities. Pursuant to this code, the Group's senior managers are deemed to be "permanent insiders" and trading by any of them in the Company's securities is prohibited, except during strictly defined periods and provided that they do not hold material inside information during such periods. These measures also cover so-called "occasional" insiders. The Company has regularly revised and updated its code of conduct to reflect new regulatory requirements applicable to issuers and their executives and particularly the compilation of a list of named "insiders" and the reporting of transactions in the Company's securities performed by certain executives.

5.2.3 INSURANCE

5.2.3.1 Policy relating to insurance

The Group's policy relating to insurance involves (i) defining the overall insurance coverage policy for the Group's business activities particularly based on the expression of needs of business units, (ii) selecting and entering into contracts with outside service providers (brokers, insurers, loss adjusters,...), (iii) managing the consolidated subsidiaries specializing in insurance or reinsurance services and (iv) leading and coordinating the network of insurance managers for the main business units.

5.2.3.2 Third-party liability

The general third-party liability and environmental damage program was renegotiated effective January 1, 2015 for a three-year period for worldwide coverage (excluding the United States and Canada). Outside of the United States and Canada, initial coverage of up to €100 million per claim was subscribed. In the United States and Canada, several contracts cover third-party liability and environmental damage for Group subsidiaries, up to a maximum of USD 50 million per claim and per year. For all Group subsidiaries worldwide, an insurance program provides excess coverage of up to €400 million per claim, in addition to the basic coverage of €100 million outside the United States and Canada, and of up to €450 million per claim in addition to the basic coverage of USD 50 million in the United States and Canada. This program encompasses liability resulting from environmental damage sustained by third parties as a result of a sudden and accidental event. Certain activities, such as maritime transport, automotive and construction, have their own specific insurance policies.

5.2.3.3 Property damage and business continuity

All the Group's subsidiaries are covered by property damage insurance policies, insuring the installations that they own as well as those that they operate on behalf of customers. The Group insurance program provides either "business interruption" coverage or "additional operating cost" coverage depending on each subsidiary's ability to use internal or external solutions to ensure service continuity. These policies contain standard insurance market terms. The Group's property insurance policy was renewed on January 1, 2015 for a period of three years. The level of premiums, deductibles and sub-limits for exceptional socio-political or natural events reflects the terms proposed, or sometimes required, by insurers in the markets in which the risk is underwritten. Group insurance coverage carries a limit per event of €230 million per claim. Some of this coverage includes additional sub-limits per claim or per year. On January 1, 2015, the Group also renewed its Construction-Comprehensive Assembly and Test insurance policy covering all worksite operations throughout the world, for all subsidiaries.

5.2.3.4 Self-insurance and retained risks

For any insured claim or loss, Group companies remain liable for the deductible amount set out in the policy. This amount may range from several thousand euros to more than one million euros. The Group's self-insurance system is based mainly on its reinsurance subsidiary, Veolia Environnement Services-Ré, which retains a self-insured risk of €1.5 million per claim for third-party liability and €2 million per claim for property damage and resulting financial losses, thereby limiting the accumulation risk. For both property damage and third-party liability, Veolia Environnement Services-Ré has set up reinsurance contracts to limit its exposure to frequency risk (stop loss-type contracts). The insurance policy described above continues to be updated in response to the ongoing appraisal of risks, market conditions and available insurance capacity. Veolia Environnement ensures that the main accidental and operating risks brought to its attention are covered by the insurance markets, when insurance is available on the market and it is economically feasible to do so.

5.3 Audit and internal control procedures

5.3.1 DEFINITION AND OBJECTIVES OF INTERNAL CONTROL

The purposes of the internal control procedures in force within the Group are:

- to ensure that management acts fall within the framework defined by applicable laws and regulations, the corporate decision-making bodies and the values, standards and rules of the Company as well as the strategy and objectives defined by Veolia Environnement's Executive Management;
- to ensure that the accounting, financial and management information communicated to the Company's corporate decision-making bodies fairly reflects the activity and position of the Company and the Group.

The main objective of the internal control system is to prevent and manage the risks arising from the Company's businesses, in particular the risks of errors or fraud. Like any control system, however, no absolute guarantee can be provided that these risks are completely eliminated.

5.3.2 ORGANIZATION

Internal control is organized as follows:

The Compliance function comprises:

- the Risk, Insurance and Compliance Department, which is responsible for the central coordination of internal control and compliance activity. It oversees the establishment of nomenclature and the consolidation of Group standards;
- the Group's Corporate Legal Department, which verifies the legal aspects of internal standards and endeavors to ensure ethical and compliant behavior by providing information and training on competition law and the prevention of legal risk and corruption (see Section 5.4 below).

The Compliance function collaborates with all functional departments, in particular the Internal Control Department, and works very closely with the Internal Audit Department, which regularly monitors the correct application of Group standards.

The **Internal Control Department**, which reports to the Group's Finance Department, coordinates the work of the functional departments in order to identify, standardize and improve the reliability of the key processes used to produce the Group's financial information.

The Internal Control Department manages a network of internal control officers located within the Business Units. Its duties involve the definition and implementation of a framework for the control of transactions and operations pursuant to the risk management policy based on a procedures guide which is widely disseminated and discussed throughout the Group.

Internal control relies initially on the effective management of all of the Group's business processes, including non-finance related processes (commercial, technical, human resources, legal and economic). The Internal Audit Department then conducts a stringent review of the application of the Group's rules.

All aspects of internal control, especially financial and operational aspects, are vital to Veolia. The Group's ongoing objective is to maintain the right balance between the decentralization that is necessary for its service activities, the highest level of operational and financial control, and the dissemination of expertise and best practices. Accordingly, the integrated management system being rolled out is based on Group management and internal control rules.

The scope of internal accounting and financial control includes the parent company and the companies consolidated in the Group's consolidated financial statements.

Within the **Group Finance Department**, the Consolidation and Financial Information Department is responsible for preparing the Group's forecast and actual consolidated financial statements and financial documentation, and for defining and implementing its accounting policies. It coordinates the analytical reviews of the interim and annual accounts closings. The Finance Department is also supported by the Financial Supervision and Management Control Department, which comprises:

- the Management Control Department, which is responsible for reviewing the operating performance of the Business Units in the forecast and actual phases. It is also responsible for the definition and implementation of the Group's management methods and systems;
- the Long-term Planning Department, which coordinates the financial aspects of work related to the strategic plan in cooperation with the Innovation and Markets Department;
- the Zone Financial Supervision Department, which serves as a link between Zone Directors, the Group Finance Department and the Chief Financial Officers for each country (corresponding to the Business Units).

The Internal Audit Department performs assignments throughout the entire Group, according to a charter and an annual program. The Internal Audit Department has a staff of 25 persons. The Audit Director reports to the Chairman and Chief Executive Officer of Veolia Environnement. He/she attends meetings of the Audit and Accounts Committee and periodically presents to it an activity report summarizing procedures performed, the follow-up of recommendations as well as the annual audit program.

The objective of the Internal Audit Department is to appraise risk management, control and corporate governance processes and to contribute to their improvement through a systematic and methodical approach. This approach covers all aspects of internal control and in particular the accuracy and integrity of financial information, the effectiveness and efficiency of operations, the protection of assets and compliance with laws, regulations and contracts.

The Internal Audit Department operates based on the following two key mechanisms:

- the implementation of an annual audit program approved by the Company's Audit and Accounts Committee;
- from fiscal year 2014, guidance and oversight of the annual process of formal, in-depth self-assessment of internal control, in accordance with Article L. 225-37 of the French Commercial Code regarding the content of the Report of the Chairman of the Board of Directors on the internal control system and the obligations of Audit and Accounts Committees pursuant to the Order of December 8, 2008 (implementing the 8th European Directive) on monitoring the effectiveness of internal control and risk management systems.

In 2006, the Group Internal Audit Department was certified by the French Audit and Internal Control Institute (IFACI). This certification, confirmed annually since then, relates to professional standards and benchmarks and attests to the Internal Audit Department's ability to fulfill its role.

5.3.3 PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Procedures

In addition to the Group procedures manual, which is broken down by process and available in French and English on the intranet, an instruction memorandum is issued by the Group's Consolidation and Financial Information Department prior to each accounts closing. It identifies all of the information necessary for preparing published financial documentation. It also sets out the new accounting regulations and texts and details their application procedures. This memorandum is sent to the Business Units and the Zone Financial Supervisors. The provisional and final financial statements are produced via the financial reporting system.

Upon receipt of the financial statements, review meetings are organized between the Group Finance Department and the Finance Departments within the Business Units. Their purpose is to verify that the financial statements were prepared according to the rules, to understand changes in the main aggregates and indicators in relation to the previous accounting year and budget forecasts as well as to analyze the substantiation of the main balance sheet components. The Statutory Auditors also have access to the analysis performed by the Group Finance Department through attendance at review meetings at Group and operational level. They also review the relevant procedures.

Regulatory context

Over recent years, several laws have increased the reporting and internal control requirements for companies.

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, as amended by the Laws of July 3, 2008 and January 27, 2011, Veolia Environnement must report to shareholders in a report prepared by the Chairman of the Board of Directors and approved by the Board, on the composition of the Board of Directors and the application of the principle of male/female parity, as well as the preparation and organization of its activities and the internal control and risk management procedures implemented by the Company. The report must provide detailed information relating to the procedures for the preparation and processing of accounting and financial information as well as the principles and rules adopted by the Board of Directors to determine the remuneration and benefits in kind granted to corporate officers and any limits placed by the Board of Directors on the powers of the Chief Executive Officer. Since the Law of July 3, 2008, whenever a company voluntarily refers to a corporate governance code drafted by an outside association that represents corporations, the report must also indicate the provisions of such code, which were not adopted, and the reasons for such rejection. Finally, it must detail any specific procedures governing the attendance of shareholders at General Shareholders' Meetings.

The Report of the Chairman of the Board of Directors in application of Article L. 225-37 of the French Commercial Code, which will be presented to the General Shareholders' Meeting of April 22, 2015, as well as the Statutory Auditors' report in application of Article L. 225-235 of the French Commercial Code, are appended to this Registration Document.

For the preparation of this report, Veolia Environnement has implemented a process to monitor the effectiveness of the internal control system primarily based on the roll-out of an electronic application comprised of self-assessment questionnaires and tests, which cover around 70% of the Group's indicators and enable the traceability of the controls performed to be shown. This self-assessment is supplemented by controls performed by the internal and external auditors.

This work, managed by the Internal Audit Department, is performed in conjunction with the relevant operations or Business Units and in close collaboration with the Statutory Auditors, under the supervision of the Veolia Environnement Audit and Accounts Committee.

For this analysis, the following criteria are used: potential impact on internal control and the level of dissemination (percentage of entities indicating a risk and verification of the materiality of the relevant entities where appropriate).

Legal requirements aside, this system has resulted in key changes, in particular, the introduction of a stringent assessment process that is tailored to the Group's decentralized culture and structure, and a positive momentum that is strengthening company rules and collective awareness of these issues.

5.3.4 CONTROL DUTIES OF FUNCTIONAL DEPARTMENTS

The Group's Tax Department contributes to the definition of consistent procedures for the management of taxes within the Group. Organized by zone, each of which includes several countries, this department is responsible for applying tax procedures via a network of officers located in the countries where the Group operates. The Group's Tax Department is closely associated with the accounts closing process for the calculation of the tax expense.

The Financing and Cash Department, which reports to the Group's Finance Operations Department, assists to set up management rules and procedures for arranging financing, managing cash surpluses and managing interest and foreign exchange rates within the Group. Organized by zone, each including several countries, it is responsible for the application of these rules in all the Group's Business Units.

The Standards and Balance Sheet Valuation Department, which reports to the Consolidation and Financial Information Department, is responsible for defining Group accounting policies in compliance with IFRS and ensuring their correct application within the Group, both for standard transactions and transactions impacting the Company's assets. This department is also responsible for monitoring, controlling, and measuring employee commitments and valuing Group market transactions (middle-office and control of related financial risks).

The Development Department, which reports to the Group's Finance Operations Department, supervises mergers and acquisitions and oversees investments and major projects.

The Group's control structures are now realigned by Business Unit. Several Group procedures have been revised and implemented at country level. An example is the investment selection procedure.

In each subsidiary, specific procedures may be implemented, particularly with respect to the activity or the breakdown of the Company's share ownership.

5.3.5 STEERING AND COORDINATION OF INTERNAL CONTROLS FOR FINANCIAL REPORTING

The steering and coordination of internal control at Group level is performed by Executive Management and the relevant functional departments with the support of the Risk Committee and the Disclosure Committee set up by Executive Management.

A "process and control" function was made mandatory within the Business Units. A Code of Conduct for Financial Professionals was drafted: this code includes a provision for all financial managers and systems and business process managers to report to both functional and hierarchical management and formally reiterates the responsibility and autonomy of financial managers in the effective performance of their operational control function.

The roll-out of this system is supported by training to raise awareness among financial and operational managers of the risk of fraud.

5.3.6 WARNING AND FRAUD REPORTING

As part of the continuous improvement approach, a "Warning and Fraud reporting" internal Group procedure was introduced in June 2015. Under this procedure, managers (zones and countries), financial managers (zones and countries) and legal directors (zones and countries) must inform the Internal Audit Director, the Chief Financial Officer and the Group Legal Director of all fraud or suspected fraud of which they are aware with a direct or indirect impact on the accounts. Three major categories of fraud must be reported:

- (i) **Misappropriation of assets**, which consists in an individual, acting in bad faith, using Company assets or credit for a purpose he/she knows to be contrary to the interests of the Company, for personal gain or to favor another company or business in which he/she has a direct or indirect interest (page 12 of the Guide to Managing Criminal Law Risks Faced by Companies, see Section 5.4.1 below): fraudulent expenditure, misappropriation of revenue or receivables, fraudulent wire transfers, misappropriation of cash, misappropriation of intangible assets or inventory, ...
- (ii) **The communication of fraudulent information**, which consists in the violation of rules governing accounting documents (page 11 of the Guide to Managing Criminal Law Risks Faced by Companies), the over-statement of assets or revenue, the under-statement of liabilities and/or expenses, the communication of false accounting and/or financial information, false invoices, ...
- (iii) **Other unethical behavior resulting in identified fraud causing loss to the Company**, such as fraud resulting from a conflict of interest (page 7 of the Ethics Guide, see Section 5.4.1 below), forgery, extortion or corruption (page 6 of the Guide to Managing Criminal Law Risks Faced by Companies).

A reporting system for identified fraud is in place since 2006.

The Audit and Accounts Committee is informed of identified fraud on an annual basis, and more frequently if necessary. Lessons learned from this reporting are incorporated in the regular review of control systems and the development of work plans and programs.

5.3.7 DISCLOSURE COMMITTEE

The Disclosure Committee was set up by the Chairman of the Board of Directors and the Company's Chief Financial Officer on December 11, 2002. Committee meetings are chaired by the Chairman and Chief Executive Officer.

In addition to the Chairman and Chief Executive Officer, the Disclosure Committee is comprised of certain members of the Company's Executive Committee, including the Chief Financial Officer, as well as the Group's main functional or operational managers.

According to its internal regulations, the main duties of the Disclosure Committee are to oversee the implementation of internal procedures for gathering and verifying information to be made public by the Company, define the procedures for preparing and drafting reports and communications, review information communicated and approve the final version of draft reports and communications, in particular the Registration Document to be filed with the French Financial Markets Authority (AMF), as well as the manner in which these are published and filed or registered.

At its meeting of November 23, 2015, the Disclosure Committee primarily reviewed recent regulatory developments that could have an impact on the communication and publication of information intended for the market, in particular through the Registration Document, and initiated the process of gathering information and drafting the annual reports for fiscal year 2015.

5.3.8 INTERNAL INFORMATION AND COMMUNICATION

The procedures developed by Veolia are published on the Group intranet.

The Business Unit CEOs and CFOs submit representation letters to Veolia Environnement's Executive Management attesting, in particular, to the accuracy of the financial and accounting information communicated to the Company and to compliance with prevailing laws and regulations. As specified in the first part of this report, the Board of Directors' Audit and Accounts Committee works with the Statutory Auditors to review the relevance and consistency of the accounting methods adopted for the preparation of the consolidated financial statements. It is regularly advised on the internal control system relating to financial and accounting information, the main procedures and measures implemented within this framework at Group level, as well as the content and implementation of the internal audit plan.

5.4 Ethics and compliance

Present in 46 countries⁽¹⁾ around the world, Veolia is particularly attentive to compliance with values and rules of conduct relating to human and social rights set forth in international laws and treaties.

These values and rules of conduct take into account the Group's cultural diversity and are also in keeping with its commitment to protecting the environment. In addition, the Company makes every effort to promote these values and rules of conduct among all of its stakeholders.

5.4.1 ETHICS GUIDE

In February 2003, the Company implemented the "Ethics, Commitment and Responsibility" program, which was updated in 2004, 2008 and 2011. Further updated in 2013, it is now known as the "Ethics Guide". It is supplemented by two appendices: the Guide to Compliance with Antitrust Law and the Guide to Managing Criminal Law Risks Faced by Companies. This guide is a reference for all Group employees.

The Ethics Guide, available on the Company's website and its intranet, lays out the Company's values, rules of conduct and actions. In January 2014, a new communications campaign emphasizing the importance of the Ethics Guide was launched, accompanied by its dissemination throughout the Group.

(1) Countries where Veolia has a permanent establishment, employees and capital employed in excess of €5 million.

These values are the keystone of the Company's economic, social and environmental performance and constitute the behavior and know-how that all Group employees seek to implement daily:

- **Responsibility:** the Group is committed to promoting a harmonious development of territories and improving the living conditions of populations affected by its activities from a public interest perspective, as well as internally, to developing employee skills and improving workplace health and safety;
- **Solidarity:** as the Group serves collective and shared interests through its business activities, this value applies to relationships entered into with all stakeholders. Concretely, it involves developing solutions enabling the supply of essential services for everyone and compliance with a *Manager's Code of Conduct* to ensure the Group's fundamental values are shared and complied with throughout the world;
- **Respect:** this value guides the individual conduct of all Group employees and is expressed by compliance with the law and the Group's internal rules and through the respect shown to others;
- **Innovation:** imagine, create and be audacious in order to develop the environmental services of the future. Veolia has placed research and innovation at the center of its strategy in order to develop durable solutions of service to its customers, the environment and society;
- **Customer focus:** seek ever greater efficiency and quality in our services. Listen to customers and strive to fulfill their technical, economic, environmental and societal expectations through our capacity to provide appropriate and innovative solutions.

Since 2010, Veolia Environnement's Executive Management has entrusted the implementation and control of its ethics policy to the Group's General Counsel.

Country managers also serve as ethics officers for the countries under their supervision.

5.4.2 COMPLIANCE PROGRAMS

The Group's Corporate Legal Department works to ensure ethical and compliant behavior by providing information and training on antitrust law and the prevention of legal risk and corruption and verifies and validates the legal aspects of internal standards (see Section 5.3.2).

As part of governance measures, Veolia has also implemented and rolled out Group Standards and particularly:

- a suppliers charter,
- since 2004, an internal Group procedure covering broking transactions and commercial services;
- a legal reporting internal Group procedure;
- an internal Group procedure covering sponsorship and patronage actions;
- an internal Group procedure covering the prevention and management of conflicts of interest;
- an internal Group procedure covering the prevention of legal risk, including in particular, awareness-raising and training measures on the fight against corruption;
- an internal Group warning and reporting procedure in the event of fraud with a direct or indirect impact on the accounts;
- financial internal control procedures.

The implementation of and compliance with these standards are verified by internal audits.

The Company's approach involves training sessions and campaigns to raise awareness among employees.

In 2004 and 2005, for example, the Company launched an awareness campaign under the title "Ethics and Business Life", which was rolled out to 400 senior managers in France and other countries.

In 2008 and 2009, Veolia Environnement continued these actions by conducting a "Compliance with Antitrust Law" training program, in France and abroad, targeting more than 4,500 Group managers. Refresher training courses were held in several countries from 2010 to 2015. In 2013, an e-learning version of this program, consisting of four modules, was introduced, aimed at 6,000 Group employees around the world.

Since 2009, the Company also designed a training program entitled "Anticipating and Understanding Criminal Law Risk and Corruption Risk". This program has been rolled out within the Group to more than 3,200 individuals (including 850 managers in France) and has continued to be rolled out internationally since 2011 (Europe, Brazil, UAE, China, Japan, South Korea, ...).

In 2012, nearly 500 managers worldwide received training in strengthening fraud prevention and control.

5.4.3 ETHICS COMMITTEE

In March 2004, an Ethics Committee was set up by the Executive Committee to examine any issues or questions relating to ethics. This committee includes three to five members chosen by the Company's Executive Committee. The Committee elects a chairperson from among its members, who does not hold any special rights other than a deciding vote in the event of a tie. Members of the Committee can be employees, former employees or people from outside the Company, chosen from among candidates with good knowledge of the Group's businesses and a job position guaranteeing independence of judgment and the necessary objectivity. The Committee's decisions are made by a majority vote. Its members are subject to a strict obligation of independence and confidentiality and are not authorized to announce their personal position externally. In order to guarantee their freedom of judgment, they may not receive any instructions from the Company's Executive Management and cannot be removed. Their term of office is four years and is renewable.

The role of the Ethics Committee is to make recommendations regarding Veolia Environnement's fundamental values. It also ensures that everyone has access to the Ethics Guide. 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. It may undertake "ethics visits" to the Group's operating sites. The goal of this approach is particularly to assess, through individual interviews with a cross-section of employees who are as representative as possible of the operating site in question, the degree of ethical maturity of employees, their knowledge of the Group's values, the ethical problems that they may encounter and the training that they receive from their hierarchy or provide for their employees on the topic.

Any Group employee who believes there has been a failure to comply with the rules set forth in the Ethics Guide can refer the matter to the Ethics Committee. This whistle-blowing procedure can in particular be used when the employee considers that informing his or her supervising management could result in difficulties or when the employee is not satisfied by the response of the latter. The committee is vested with the necessary authority to perform this role. On that basis, it is authorized to hear any Group employee, the auditors, and third parties. It can also request assistance from the Internal Audit Department or any other Company department or use the services of outside experts.

In 2015, the Committee reported on its work during the previous year, as it does annually, to the Audit and Accounts Committee and the Executive Committee.

5.5 Report of the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code

In accordance with Article L. 225-37 of the French Commercial Code, the Chairman's report for the 2015 fiscal year includes information on the composition of the Board of Directors and the application of the principle of balanced gender representation, as well as on the preparation and organization of its activities, any limits that the Board places on the powers of the Chairman and Chief Executive Officer, and the internal control and risk management procedures implemented by the Company, in particular those relating to the preparation and processing of accounting and financial information. The report also confirms that the Company voluntarily adheres to a corporate governance code, details specific procedures governing the attendance of shareholders at Shareholders' Meetings and sets out the principles and rules adopted by the Board of Directors to determine the compensation and other benefits awarded to corporate officers. Finally, it details the publication of information provided for by Article L. 225-100-3 of the French Commercial Code.

Contributions to the report

The Chairman's report, as required under Article L. 225-37 of the French Commercial Code, was prepared based on contributions from several departments, including the Group's finance, legal, risk management and audit teams. The Group's internal control departments also actively contributed to the self-assessment of internal control procedures included in the report. These contributions were outlined in a summary presented to the Company's Accounts and Audit Committee on February 19, 2016. The report was written by the Group's audit, risk management, legal and finance departments and was approved by Executive Management. The Chairman's report was approved by the Board of Directors at the Board meeting held on March 8, 2016.

The report is based on the five components of the internal control framework proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), namely the control environment, risk management, control activities, information and communication, and monitoring activities. This internationally recognized framework serves as the Group's benchmark with regard to control.

The Company's 2015 Registration Document includes all the information from the Chairman's report as required under Article L. 225-37 of the French Commercial Code. Please find below references to the sections of the Registration Document corresponding to the different sections of the Chairman's report as approved by the Board of Directors at the Board meeting held on March 8, 2016.

	Chapters/Sections of the Registration Document	Pages
Composition of the Board of Directors, application of the principle of balanced gender representation and preparation and organization of the Board's activities	7.1, 7.2.1 and 7.2.2	320, 337 and 341
Limits on the powers of the Chairman and Chief Executive Officer	7.3.2	352
Internal control and risk management procedures implemented by the Company	5.2, 5.3 and 5.4	254, 262 and 266
Reference to the corporate governance code	7.2.1.1	337
Specific procedures governing the attendance of shareholders at Shareholders' Meetings	8.1.8	377
Principles and rules adopted by the Board of Directors to determine the compensation and other benefits awarded to the corporate officers	7.4.1 and 7.4.2	353 and 360
Information provided for by Article L. 225-100-3 of the French Commercial Code	8.3	385

5.6 Statutory Auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code on the report of the Chairman of the Board of Directors of Veolia Environnement

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2015

To the Shareholders,

In our capacity as Statutory Auditors of Veolia Environnement and in accordance with Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and,
- to attest that this report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to prepare this information and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the report of the Chairman of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code.

Other disclosures

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

The Statutory Auditors

Paris-La Défense, March 15, 2016

KPMG Audit

A Division of KPMG S.A.

Jean-Paul Vellutini Karine Dupré

Ernst & Young et Autres

Gilles Puissochet Xavier Senent

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6.1 Sustainable development commitments

Sustainable development challenges are at the core of Veolia's strategy. An operator in the circular economy, the Group relies on its historical know-how in terms of managing water resources, waste recycling and recovery, and energy management to offer innovative solutions at the service of a circular economy.

Backed by the expertise and commitment of its employees and driven by the vitality of its Research and Development programs, Veolia accompanies its customers in the management of their environmental and societal challenges. Accordingly, the Group establishes new business models with its customers in order to roll out and share solutions that create value.

With that said, and beyond its commitment to the energy transition process, it is its pledge on behalf of an ecological transition that is reflected in Veolia's nine sustainable development commitments:

- **Resourcing the world** (see Section 6.3 below):
 - Commitment 1: Sustainably manage natural resources by supporting the circular economy,
 - Commitment 2: Contribute to combating climate change,
 - Commitment 3: Conserve and restore biodiversity;
- **Resourcing the regions** (see Section 6.4 below):
 - Commitment 4: Build new models for relations and value creation with our stakeholders,
 - Commitment 5: Contribute to local development,
 - Commitment 6: Supply and maintain services crucial to health and development;
- **For the Company's workforce** (see Section 6.2 below):
 - Commitment 7: Guarantee a healthy and safe working environment,
 - Commitment 8: Encourage the professional development and commitment of each employee,
 - Commitment 9: Guarantee respect for diversity and human and fundamental social rights.

These commitments to sustainable development supplement the Group's voluntary adherence to the United Nations *Global Compact*, which it signed in June 2003. In so doing, it has committed to supporting and promoting the Global Compact's 10 principles on human rights, labor law, the environment and the fight against corruption. The practical principles adopted by Veolia have also been consistent with various international reference texts, such as the Universal Declaration of Human Rights and its additional covenants, the Organization for Economic Co-operation and Development's guidelines for multinational enterprises, the AFEP-MEDEF Corporate Governance Code of listed corporations and the objectives of the French National Biodiversity Strategy and the Convention on Biological Diversity.

Veolia's commitments to sustainable development apply to all of its activities and all of its employees, in all of the countries where it operates. Supported at the highest level of the organization, these commitments are overseen by various governance bodies while the implementation roll-out is managed at the operational level.

- the internal Sustainable Development Committee brings together all stakeholders involved in implementing these commitments. It is responsible for coordinating and conducting the initiatives. The Committee is chaired by the General Counsel and run by the Sustainable Development Department;
- the Executive Committee assesses progress on these commitments on an annual basis and monitors the achievement of objectives using 12 key indicators accompanied by action plans;
- The Research, Innovation and Sustainable Development Committee, one of the Board of Directors' four committees, is responsible for monitoring the Group's social and environmental performance.

The monitoring of the key indicators is verified by an external firm and the Group's performance is then shared with its external stakeholders.

The environmental regulation, framework for the Group, is explained in Chapter 1, Section 1.6 above.

6.2 Human Resources

Veolia's primary responsibility is to ensure the well-being and fulfillment of its employees. Playing a key role in a culture that is common to all of Veolia's actions, human resources management is founded on the five principles of responsibility, solidarity, respect, innovation and customer focus. The Group's overall performance depends on its ability to attract and retain talent. It is in this sense that Veolia endeavors, as never before, to be an employer of choice for all the regions.

The human resources policy is demonstrated by the priority given to health and safety, the attention devoted to employee development, through the actions and commitment of its employees and managers, and by relations with the Group's internal stakeholders based on respect and dialogue.

Veolia has chosen to re-affirm its commitments, for the Company's men and women, based on three major HR policies:

- Commitment 7: Guarantee a safe and healthy working environment,
- Commitment 8: Encourage each employee's professional development and commitment,
- Commitment 9: Guarantee that diversity and fundamental human and social rights are respected within the Company.

To accompany the roll-out of its policy, the Group's HR management team has set up an integrated organization to serve a Veolia strategy that is based on the Group's five principles.

Through its "Social Initiatives" approach, and working with all Group companies, the Group's HR management team regularly identifies best practices in terms of effective human resources policy. By means of this approach, it is possible to identify the actions conducted in coordination with HR priorities, to enhance them and to promote their use beyond their region of origin. These efforts were acknowledged by an Awards ceremony in June 2015 that recognized initiatives in preventive health and safety, skills and talent development, social equity, diversity, HR and business development, and social commitment. The publication "Social initiatives in 2015: Ideas for progress" presents nearly 70 social initiatives, selected from 270 initiatives in 34 countries.

To contribute to the HR function's oversight, the Group's HR management team set up a reporting tool in 2001 to monitor key Group data. This tool, known as the Global Report, has been shared with the Technical and Performance Department since 2012. The HR information presented below is extracted from the tool.

6.2.1 CHANGE IN THE VEOLIA WORKFORCE

Change in the workforce over 3 years

As of December 31, 2015, the total workforce was 173,959 employees, compared with 179,508 as of December 31, 2014.

The table below shows the geographical breakdown of Veolia's workforce.

Geographical breakdown of employees	2013	2014	2015	%
Europe	138,412	118,902	115,593	66%
▪ France	65,990	52,959	51,892	30%
North America	9,428	8,937	8,901	5%
Latin America	16,339	14,089	11,609	7%
Africa, Middle East	12,540	11,949	12,417	7%
Asia, Oceania	26,081	25,631	25,439	15%
TOTAL WORLD(√)	202,800	179,508	173,959	100%

The information selected by the Company and identified by the sign (√) is subject to reasonable assurance by KPMG S.A.

In 2015, the workforce declined by -5,549 employees, or -3.1%, explained by:

- 3,271 employees in deconsolidated companies mainly concerning:
 - Europe (waste management activities in Poland, water network and treatment in the Czech Republic and the UK);
 - Latin America (Peru, Venezuela);
 - Asia: for entities in China that were sold or whose percentage of control changed);
- a decrease of nearly 5,100 employees in part explained by the reorganization of Water activities in France, market losses for the Waste Recycling and Recovery activities and project completions in Peru;
- + 1,535 employees in newly consolidated companies mainly in France (Veolia Énergie France and Vestalia) or in South Africa (Veolia Water South Africa);
- organic growth that added +1,400 employees (mainly in Africa, the Middle East, Japan, Mexico and Northern Europe).

In 2015, changes in the workforce were as follows:

- Europe, -2.8%
- North America, -0.4%
- Latin America, -17.6%
- Africa, Middle East, +3.9%
- Asia, Oceania, -0.7%.

The Group's internationalization policy was reflected by the steady number of employees outside of France. Accordingly, 70% of the total workforce is located in a country other than France.

Breakdown of employees by age bracket and gender

Age	Men (%) (✓)	Women (%) (✓)	2015 Total	% 2015
Under 20 years old	0.37	0.08	784	0.45
20 to 24 years old	2.99	0.77	6,537	3.76
25 to 29 years old	6.95	2.07	15,685	9.02
30 to 34 years old	9.16	2.74	20,696	11.90
35 to 39 years old	10.20	3.04	23,037	13.24
40 to 44 years old	11.45	3.16	25,417	14.61
45 to 49 years old	11.92	3.22	26,335	15.14
50 to 54 years old	12.09	2.45	25,302	14.54
55 to 59 years old	9.75	1.82	20,133	11.57
60+ years old	4.90	0.87	10,033	5.77
TOTAL	138,787	35,172	173,959	100

The information selected by the Company and identified by the sign (✓) is subject to reasonable assurance by KPMG S.A.

Veolia's employment rate for women was steady, standing at 20.2%. in 2015.

Breakdown of total workforce by type of contract and by category

	2013 Total	2014 Total	2015 Total
Total workforce as of December 31	202,800	179,508	173,959
Employees with unlimited-term contracts	91.6%	91.2%	91.1%
Employees with fixed-term contracts	8.4%	8.8%	8.9%
Total managerial staff	12.7%	12.0%	12.4% (✓)
Total non-managerial staff	87.3%	88.0%	87.6% (✓)

The information selected by the Company and identified by the sign (✓) is subject to reasonable assurance by KPMG S.A.

Weighted average annual workforce

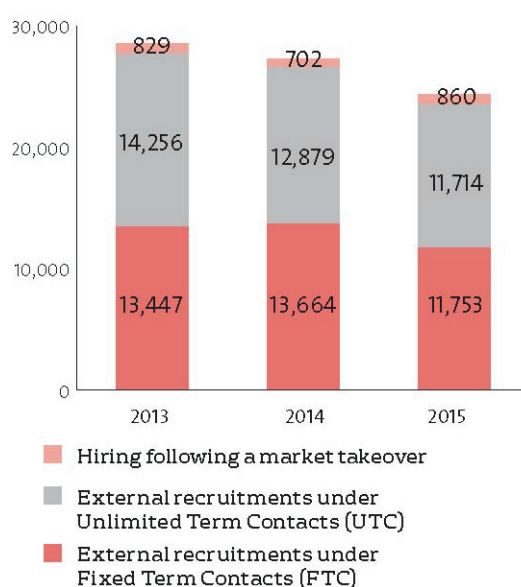
	2013 Total	2014 Total	2015 Total
Annual full-time equivalent workforce	198,215	174,856	167,905 (✓)
Employees with unlimited-term contracts (<i>full-time equivalent</i>)	183,464	160,335	153,103
%	92.6%	91.7%	91.2%

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This workforce corresponds to the equivalent number of employees that Veolia would have had if these employees all worked full-time throughout the year. It is calculated by weighting the total workforce against both the employment rate and the amount of time worked by each employee. This represents the proportion of employee work.

Hires and departures

Hires



In 2015, the total number of employees hired was 24,327. In addition to contract gains, accounting for 860 employees, the Group recruited on the labor market: 11,714 people on unlimited-term contracts, i.e. 46.07% of the total number of hires and 11,753 people on fixed-term contracts. Of the employees hired on fixed-term contracts, 3,209 were converted to unlimited-term contracts during the year (i.e. 27.3%). The portion of the full-time equivalent workforce on fixed-term contracts represented 8.82% of the average full-time equivalent workforce of all employees. Furthermore, 1,100 employees changed jobs through internal mobility.

In France, 1,734 people were hired on unlimited-term contracts, i.e. 14.8% of the total number of hires on unlimited-term contracts recorded in 2015.

In Europe (outside of France) Veolia recorded 3,543 hires on unlimited-term contracts in 2015, or 30.2% of the total. Lastly, the rest of the world represented 6,437 hires on unlimited-term contracts.

Departures



The total number of departures in 2015 was 28,188, with 13.6% of these being individual dismissals and 1.28% being collective redundancies in addition to 974 departures through internal mobility.

Changes in scope are taken into account as of the date they become effective. However, acquisitions, newly created companies or new contracts may be included but only after a full year of operation.

Information on planned reductions in workforce and job protection schemes, redeployment efforts, rehires and support measures

Changes in the scope of the Veolia consolidation led to employee transfers, without termination of their contracts. The restructuring plans that were implemented in 2015 most often corresponded to the loss of markets, or to reorganization that was vital for certain business units. These operations were always carried out in compliance with the legislation and in consultation with labor and management representatives, and for the most part by giving priority to internal redeployment within the Group.

In 2015, there were 382 departures under the voluntary departure plan for the Water France scope. This plan was negotiated with the trade union partners on July 1, 2014 and implemented up to June 15, 2015. It will have continuing effect in 2016.

In Italy, the job reduction plan affected 126 employees.

6.2.2 GUARANTEE A SAFE AND HEALTHY WORK ENVIRONMENT;

6.2.2.1 Prevention, health and safety in the workplace

The prevention of health and safety risk in the workplace is an ongoing priority for Veolia throughout all its operations. Veolia is committed to ensuring the physical and psychological integrity of its employees at all its facilities.

COMMITMENT TO PREVENTION, HEALTH AND SAFETY IN THE WORKPLACE

In 2013, Veolia, represented by its Chairman and Chief Executive Officer, signed the Seoul Declaration on Safety and Health at Work at the headquarters of the International Labor Organization (ILO), recognizing the fundamental human right to a safe and healthy work environment. Veolia is committed to promoting the continuous improvement of occupational Prevention, Health and Safety, employee training and dialogue between management and employees on these issues.

Extending to the highest level of the organization, Veolia's process of continuous improvement in Prevention, Health and Safety is formalized by the commitment of the Chairman and CEO. It is built around **5 pillars**:

- involve the entire managerial line;
- train and involve all employees;
- improve communication and dialogue;

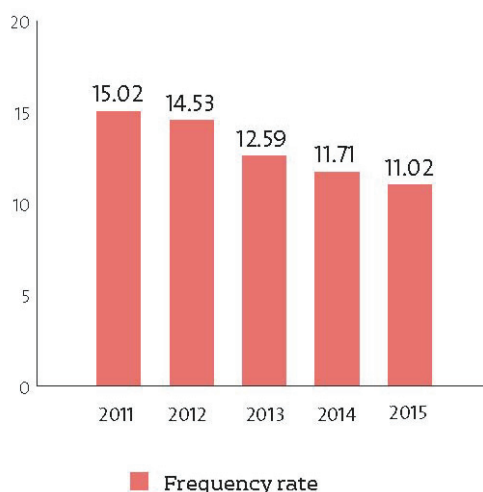
- improve risk management;
- monitor Health and Safety performance.

This process is designed to support the efforts already initiated in this area, by reinforcing the involvement of all employees at all levels of the organization, as well as suppliers, subcontractors and joint venture partners, in order to ensure their physical and psychological integrity.

To visibly communicate their involvement and commitment, all Group managers, from Executive Committee members down to first-level supervisors, are encouraged to conduct **safety field visits** so they can engage in frequent dialogue with employees on best practices and safe behaviors. Moreover, comprehensive assessment of management performance includes a criterion on performance improvement in Prevention, Health and Safety, and it is included when calculating the variable portion of managers' compensation.

From September 21 to 25, 2015, Veolia organized an international Health and Safety Week based on the theme “Working safely together.” The main objective was to examine the basic safety rules under the “Always Safe” program. The eventful week was an opportunity for each employee and manager, regardless of their country, zone or department, to recap and explain the safety rules in effect at Veolia, encourage management's involvement, better communicate best practices and provide each employee with the means to further progress in the area of safety. The recap of the "Always Safe" basic safety rules - which are non-negotiable and cover all managers and employees – will ensure that they are thoroughly understood and properly implemented by all employees. The week resulted in a significant mobilization, and over 150 exemplary initiatives were validated and communicated within all the entities, so as to promote and integrate these actions in the continuous improvement approaches of each operating entity.

This commitment, shared by everyone, is generating tangible results. Since 2010, the frequency rate has been declining steadily, from **18.88 in 2010 to 11.02 in 2015**. The Group has set a target frequency rate of less than 6.5 by 2020.



A JOINT COMMITMENT TO PREVENTION, HEALTH AND SAFETY

Stronger prevention and accident analysis are essential components of labor relations. As a result, over 22% of the agreements signed in 2015 covered Prevention, Health and Safety.

In Europe, this commitment resulted in the signature in 2012 of a letter of undertaking between management and the employee representatives on the Group's European Works Council. This commitment ensures the consistency of site initiatives in each European country where Veolia operates. The structural themes of this joint commitment include systematic accident analysis, reinforcement of prevention in occupational health, specifically the factors relating to hardship, and improved communication with employees on health and safety topics.

PREVENTION, HEALTH AND SAFETY MANAGEMENT SYSTEM

More than a mere policy, Prevention, Health and Safety is an integral part of all the organization's activities and structural processes.

The center of excellence in Prevention, Health and Safety, composed of twenty international experts, proposes strategies for Prevention, Health and Safety to the Executive Committee for approval and implementation. It coordinates the Group-wide projects, creates synergies between the businesses by encouraging the sharing of best practices, and evaluates the results using performance indicators. In addition to these projects, a number of Prevention, Health and Safety experts have been appointed across the Group to ensure the consistency of the measures applied by country and by region, as well as coordination and follow-up actions. This organization provides a structured and ongoing improvement system which, when supplemented by field inspections, incorporates the cultural dimensions specific to each country.

The Prevention, Health and Safety management system is based on risk mapping as near to grassroots work situations as possible, an analysis of the causes and circumstances of accidents, near misses and occupational diseases, and monitoring of the action plans decided as a result of audits. Several annual progress reports are submitted to the Executive Committee in order to verify that the actions conducted fit with the company strategy.

In addition, Veolia has set up structured and determining prevention processes on the basis of standards such as OHSAS 18001 and ILO OSH 2001. Every year, around the world, entities are certified, labeled or recognized for their procedures in prevention, health and safety.

In 2015, over 58% of employees received safety training, and one third of training hours were devoted to safety. Suppliers are also expected to take the required steps to guarantee the health, safety and wellness of their employees. For subcontracted activities, a preliminary risk analysis is performed in order to contractually define the prevention measures to be applied by all subcontractors, which are audited regularly.

Safety audits of the facilities are carried out before operations commence to detect any risk situations and propose corrective measures. The Group incorporates the risk prevention mechanisms as far upstream as possible in respect of its facility design and building activities, in order to eliminate any likelihood of occurrence and guarantee the health and safety level of future operators.

Innovative local practices in the area of occupational health and safety have also been identified and shared across the Group. Several of them were recognized with “Social Initiatives Awards” (see Section 6.2), thus underscoring that the health and safety aspect has been fully incorporated in the Company's employment and social policy.

PREVENTION OF OCCUPATIONAL DISEASES

All employees benefit from periodic medical follow-up to detect occupational diseases, but particularly to help prevent them.

In order to supplement the tools for identifying workstation accident situations, Veolia designed a Group tool to analyze exposure to occupational diseases, which is shared with the trade union and employee representatives of the Group French Works Council, and is available to all health and safety officers. This tool allows the Company to anticipate exposure to risk factors in order to define and implement a joint action plan. This process has been extended and adapted to the international segment.

In 2015, 214 employees had an occupational disease. It should be noted that information on occupational diseases can show variances in the calculation method because of differences in local practices and regulations.

APPROACH TO WELL-BEING IN THE WORKPLACE

The Group has initiated an approach to quality of life in the workplace that incorporates procedures to prevent psychosocial risk factors (stress). Employees are provided with information on this issue, particularly during the presentation of results from the surveys conducted, explaining the prevention programs. A training program for managers designed to assist them in incorporating awareness of psychosocial risks into their managerial practice has been deployed.

In addition, this process includes an ergonomic analysis of workstations, the promotion of best practices in health and nutrition, and the fight against alcoholism and drug use. Certain operations offer their employees muscle warm-up exercises before they start work.

HEALTH AND SAFETY CONDITIONS

Details of methodology: with respect to the workplace accident severity rate, the definition used by the Group in calculating the number of work days lost due to workplace accidents includes the work days lost in the year as a result of workplace accidents that occurred during previous years. There may be differences in the calculation method in some entities as to the application of these principles. In 2015, accident data was collected on a quarterly basis using the Global Report tool.

	2013 Total	2014 Total	2015 Total
Work accidents leading to absence from work (excluding commuting)	4,485	3,707	3,332 (√)
Calendar work days lost due to workplace accidents (excluding commuting) (unlimited and fixed-term contracts)	183,538	161,000	163,649 (√)
Work accident frequency rate	12.59	11.71	11.02 (√)
Work accident severity rate	0.52	0.51	0.54(√)
Number of employees trained in safety	116,240	101,168	97,609
Number of authorities dedicated to the study of health and safety issues	2,503	1,880	2,388

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The Group has chosen a common definition of work accidents for all countries and subsidiaries, i.e. , all work accidents, not involving commutes, which resulted in at least one day of absence from work.

In 2015, the number of work accidents, excluding commuting, resulting in at least one day of absence from work declined by 10% compared with 2014.

6.2.2.2 Organization of work

ORGANIZATION AND DURATION OF WORKING TIME

The terms and conditions governing the organization of working time depend on the companies concerned, the nature of their business and where they are located, and are defined in order to best meet the requirements of the department to which the employees are assigned and our customers. Although most often applied to daily equivalent working time, work schedules may vary considerably (for example, the work may be spread over four, five or six days a week, punch-in and punch-out times may be shifted, flextime may be used, as well as alternate short and long work-weeks, and working time may be calculated over the year).

The average work-week was 38.8 hours (✓⁽¹⁾). This figure is stable in relation to 2014.

The total number of calendar days of absence was 2,511,782 (✓⁽¹⁾) during 2015, of which 1,691,080 were days of absence for sickness (3.11% of the total). Other reasons for absence were mainly industrial accidents and family events.

The total number of overtime hours worked was 16,186,086 (✓⁽¹⁾), i.e. , an average per employee of 93 hours of overtime per year. The definition of overtime, however, varies from country to country, which sometimes makes it difficult to evaluate such an indicator. Moreover, in a service business, a large number of overtime hours are due to emergency work performed by on-call or on-site personnel, to restore water supplies or heating within a reasonable timeframe, for example.

	2013 Total	2014 Total	2015 Total
Absenteeism rate (excluding maternity and paternity leave)	3.90%	3.79%	4.23% (✓)

The information selected by the Company and identified by the sign (✓) is subject to reasonable assurance by KPMG S.A.

6.2.2.3 A reinforced international security policy

The Group is especially concerned with monitoring employees who are on temporary or permanent international assignment, and particularly in areas that present a high level of security risk.

To ensure the earliest possible detection of any deterioration in security, the Security Department continually monitors and analyzes the situation in “at-risk” regions and countries. This monitoring process also contributes to the preparation of a monthly risk mapping of these countries, which is distributed to all Group employees so as to inform them of each country's current security profile.

Veolia's Security Department evaluates authorization requests for travel to the countries considered most sensitive on a case-by-case basis and always issues recommendations specific to the type of assignment to be carried out by employees, based on their position in the Group and their destination.

For the most sensitive countries, security plans are drawn up in order to provide the means to respond to possible deterioration in the security context. These plans, which are regularly updated, indicate the specific security measures put in place in each country as well as the organization and measures that will need to be implemented in the event of a crisis.

Security assistance provided to employees also involves awareness-raising and training with respect to security risks, the rules of conduct, and the prevention and protection principles to adopt in high-risk countries. In order to effectively reach the largest number of employees, an e-learning module for the Group was developed in 2013 by the Security Department and the Veolia Campus, which is mandatory for all employees traveling to these regions. Face-to-face training sessions are also provided for employees who travel most frequently to high-risk regions.

The International Business Volunteers (VIE) led by the Human Resources Departments of each entity are systematically briefed on security issues. The Security Department also supports the Veolia Environnement Foundation in training voluntary staff for emergency assignments.

(1) *The information selected by the Company and identified by the sign (✓) is subject to reasonable assurance by KPMG S.A.*

6.2.3 ENCOURAGE EACH EMPLOYEE'S PROFESSIONAL DEVELOPMENT AND COMMITMENT

The quality of Veolia's responses to environmental challenges and to the growing demands of public authorities and industrial entities depends on its expertise and, more generally, the performance of its labor relations model. This is why Veolia strives to attract, train, develop and retain its staff at all levels of qualification and in all areas of employment in which it operates.

6.2.3.1 Career management

The role of the Human Resources Development Department is to define and promote the Group's policies relating to mobility, career management, and talent identification and management at all of the Group's establishments.

Organized by zone and by function, its dual aim is to meet the skills requirements of the Group's business activities and to provide career opportunities for its employees.

In the context of the Group's current transformation, the priority given to internal mobility is clearly stated. Its implementation relies on the following processes and tools:

- an international mobility committee that meets on a monthly basis via conference call, the HR development team and the international HR teams;
- the career portal where all job opportunities in the Group are published;
- annual interviews used across the Group to identify the skills development measures to be implemented;
- collective manager assessments, in particular using the ECHOS process (based on peer reviews of people, organizations and structures). Findings from these sessions are used to provide a better fit between resources and the needs of the Group's business activities. They also facilitate the identification of high-potential talent, in order to provide these individuals with the means to pursue their professional development within the Group;
- the use of international talent incubators through the Pangeo program ensures the hiring of young talent.

With respect to the Group's operations in France, the employment policy continues to be affected by the Group's sweeping reorganization, requiring the pursuit and optimization of a tight hiring management policy, as solidarity within the Group is essential. A monthly meeting dedicated to mobility in France assembles all recruitment and mobility managers.

WORK/STUDY

Work/study is a priority recruiting tool for helping young workers into stable employment. This is Veolia's first-choice route for preparing employees to conduct the businesses of the Group with the necessary skills. Work/study ensures the transfer of knowledge and key skills and develops the resources of inter-generational teams through the network of tutors and mentors.

This policy is specifically implemented through the network of Veolia campuses and training centers, and through a growing number of partnerships with local employment and training operators. This proactive approach reaches out to the public and local employment and training partners to raise awareness of environmental activities and services and to facilitate the recruitment of candidates for local jobs, including those with no prior experience.

RELATIONS WITH SCHOOLS AND PARTNERSHIPS

The mobilization of resources the Company needs both for today and tomorrow, in terms of quantity and quality, remains a priority: Veolia is confirming its presence through events focused on environmental businesses, job and work/study fairs, and forums in schools and universities. Programs like the "summer school" and the "Trophée Performance awards" are special opportunities that give international students an opportunity to discover Veolia's businesses and to adapt their course of study to the Group's challenges. The Group is continually developing and expanding its many academic, educational, institutional and research partnerships with professionals in training, counseling, employment and higher education.

6.2.3.2 Development of skills

Veolia has developed an ambitious training policy and ensures, through Sustainable Development commitments “to the men and women who work for our Company”, that more than 75% of the employees participate in at least one training course each year.

Veolia's main challenges in terms of training are to:

- continuously adapt skills to increasingly complex activities, so as to better serve the Group's customers and maximize its competitive advantage;
- anticipate change through training in new technologies;
- promote career development.

To address these challenges, the Group's training policy focuses on three objectives:

- develop and adapt employee skills in all businesses;
- support the Group's commercial development and performance;
- contribute to the development of the corporate culture.

The range of programs was developed by more than 600 in-house trainers and contributors on the basis of input from the corporate and business training departments and the local business units. The Group can thus offer training that is always appropriate for the reality of its businesses and what is happening in the field.

The network of Veolia campuses spans 10 countries. Established in 1994, this network now totals 14 centers, covering two-thirds of Veolia's operating territories and offering nearly 2,300 training programs.

CAREER-LONG TRAINING FOR ALL

The training policy is open to all employees from the time they are hired and throughout their career with the Company. In 2015, over 435,000 training sessions were delivered. Their purpose is to develop individuals' skills through recognized courses that lead to certifications and accreditations, job mobility and career development. **Over 84% of training hours** are aimed at operators and technicians to promote the development of staff with fewer qualifications.

RECOGNIZED TRAINING

The Group offers recognized certification training programs to ensure the recognition of skills in order to motivate employees, increase their employability and to allow them to acquire measurable skills and develop an understanding of the task, which is a key competitive asset in a service business. For more than 20 years, this aim has been embodied by the creation of diploma programs dedicated to the Group's activities, at all levels of training offered in the Campus network. The French network offers 11 CAP-level (certificate of professional aptitude) certificates and diplomas, 9 BAC- level (Baccalaureate) certificates and diplomas, 3 BTS (advanced vocational) diplomas, 2 Licences Professionnelles (vocational bachelor degrees) and 1 master's degree.

VEOLIA TRAINS VEOLIA

The Group is both the main actor and the director of its training policy. Two-thirds of the training hours provided by the Campus network and the Veolia training centers are delivered by Group employees. Striking a balance between permanent trainers and ad hoc contributors from within the Group's companies ensures the content's relevance and enhances cohesion.

THE CAMPUS NETWORK AND PARTNERSHIPS

Veolia has deployed a skills development platform around the world, through an active policy of partnerships with employment and training operators in the regions and a number of educational partnerships.

For example, the UK Campus has drawn up numerous agreements, particularly with the University of Northampton for high-level waste management training or the Institute of Leadership & Management for manager qualification programs. For the Latin America zone, an educational partnership agreement was signed with Polytechnic University in Valencia, Spain in early November 2015. The agreement provides for a 3-year program and 300 training hours.

This novel educational project comprises classroom and on-line training, as well as individual preparation for 150 managers.

PROGRAMS TO DEVELOP MANAGERIAL SKILLS

The Group offers pathways to develop the managerial skills defined for Veolia as a whole: the Executive seminar and the Talents programs designed with the assistance of the IMD Business School of Lausanne, among others. The Executive seminar prepares individuals for corporate management by working on a changing world and its impact on our current and future

activities, and the ability to carry the values of corporate social responsibility. In 2015, the Talents programs reached more than 140 managers and are designed to develop managerial skills and entrepreneurial ability, vision and strategic planning.

A mobile training program covering all functions has been jointly set up for Veolia's Asia zone managers. The STREAM (Study and Training Expedition for Asian Managers) program is thus intended to facilitate the sharing of experiences and the exchange of best practices between managers belonging to the same geographic entity. A Group activity is specifically examined each year, and in 2015 it was Energy.

This program is also being rolled out in the geographic zone covering Northern Europe.

	2013 Total	2014 Total	2015 Total
Training	World	World	World
Total number of entrants in training programs	497,405	449,940	436,276
Rate of employees who participated in at least one training course	76%	80%	75.5(√) ⁽¹⁾
Average number of training hours per employee	17.4	16.4	17.2
Number of training hours effectively given	3,450,928	2,858,891	2,889,149

6.2.3.3 Manager commitment

Veolia's ambitions and strategy require consistency and cohesion. The Group's executive management accompanies managers in their supervisory role by means of a common value framework and involvement in decision-making. Veolia's effort in this regard has been confirmed through several initiatives.

MANAGER'S CODE OF CONDUCT

In order to strengthen cohesion and solidarity for the benefit of the Group's general interest, Veolia established the Manager's Code of Conduct in 2012. An instrument vital to building the new Veolia, the Manager's Code of Conduct is based on the Group's five founding principles: respect, solidarity, responsibility, innovation and customer focus. For each of these principles, the Code reflects the Group's collective commitment and the cooperative and individual behaviors expected of managers, which they must promote with their teams.

MANAGER COMMITMENT SURVEY

The second Manager commitment survey was conducted in May 2015 with an expanded sample of 5,000 managers (2,500 in 2013). Designed as a tool to gather information on the perception and understanding of managers regarding the Group's strategy and its implementation, the survey highlights the strengths of the Group's managerial policy and the areas where improvement is needed. This new survey provided the means to analyze the response trend in terms of the initial sample and measure any differences in responses.

In 2015, the 77% participation rate was 7 points higher than in 2013. Calculated based on the responses covering work fulfilment, desire to excel, confidence in the ability of Veolia to meet its ambitions, and pride in working at Veolia, the 86%(√)⁽¹⁶⁾ commitment score was significant.

The 2015 results were used to prepare 2016-2017 Group action plan strategies accompanied by quantified improvement objectives. These strategies will be rolled out in the zones and countries. The progress made will be evaluated based on the next survey.

Veolia has set itself the target of maintaining a commitment rate of over 80%.

In addition to the survey of the "5,000" sample, several countries initiated similar processes in 2015 for all their employees.

A COMMON MODEL FOR PERFORMANCE ASSESSMENT

In order to ensure that managers' objectives are aligned with the Group's strategy and values, a unique annual interview process is used for all managers at all our sites worldwide. This format harmonizes the criteria and provides a common language to define individual objectives and adapt the Group's strategy. The Group is thus able to assess performance and skills, share the Group's values, identify development needs and career prospects, and implement the necessary measures.

The evaluation of performance is based on financial, safety and qualitative objectives, taking into consideration an employee's place in the hierarchy and their position. For managers, some of the qualitative objectives are based on compliance with and dissemination of the Code of Conduct.

(1) The information selected by the Company and identified by the sign (√) is subject to reasonable assurance by KPMG S.A.

6.2.3.4 Compensation policy and employee savings

Veolia applies a comprehensive compensation policy that is consistent with the Company's results and accounts for the following components: wages, social security, employee savings and retirement.

This policy is based on the following principles:

- offering fair compensation in line with the practices of the local markets on which the Group is present;
- guaranteeing competitive fixed and variable compensation that takes account of the Company's results;
- harmonizing the bases and methods for the calculation of the variable components of executive compensation across the Group;
- optimizing coverage of healthcare and insurance costs in the main countries where the Group operates;
- harmonizing existing employee savings plans;
- securing existing pension plans in the various countries where the Group operates by privileging defined contribution plans.

COMPENSATION

The annual average gross compensation for all Group employees was €32,463 in 2015.

Gender equality

Average gross compensation for men was €33,558 in 2015 (€30,479 in 2014), and compensation for women was €27,968 (€25,517 in 2014), for an average difference of €5,590. This difference is due primarily to the nature of the jobs performed and their requirements, as well as variances in age, seniority and qualifications often found between the two populations. Veolia's policy is to respect equality between men and women who have the same employment conditions and qualifications.

These averages are only indicative, however, and should be interpreted with an element of caution. They correspond to a wide diversity of situations due to the nature of the professions and jobs carried out and their geographic location and are affected by changes in the foreign exchange rate.

SOCIAL SECURITY

Social security benefits are directly managed in each country where Veolia operates.

However, certain basic principles apply everywhere:

Because of longer life expectancies, rising medical costs and the increasing number of retirements, the management of social security plan solvency has become increasingly strategic. In some countries, following the abandonment of public social security systems, economic stakeholders seek to provide health, benefit and pension cover for their employees. Due to its international scope, the Group must take these factors into account and:

- comply with local legislation and, wherever possible, implement complementary social security systems in order to guarantee fair coverage for all its employees;
- ensure that the Company management is sound by controlling the costs associated with benefit obligations;
- fund its plans through employer and employee co-investment, so that each party assumes responsibility and the associated risk can be anticipated.

FINANCIAL BENEFITS

Profit-sharing

Given the nature of its business, Veolia Environnement is unable to allocate funds to the profit-sharing reserve. There is therefore no profit-sharing agreement.

The Group's French entities are generally covered by profit-sharing agreements when they fulfil the necessary employee and financial conditions.

Incentive payments

An incentive agreement applies to all Veolia Environnement employees. The terms of this agreement, intended to give employees a vested interest in the performance of the Group and the Company, were renegotiated in 2014. Four indicators were defined for the 2014-2016 period: two financial indicators, a third indicator related to the overall performance of the Group in terms of the safety of working conditions, and a fourth indicator that takes into account increased recourse in France to the protected workers sector.

In general, the Group favors a policy that expands incentive agreements in France in order to give employees a vested interest in the performance of the companies to which they are assigned, on the basis of criteria tailored specifically to the business in question.

In 2015, the profit-sharing and incentive payments for the French entities with respect to 2014 amounted to €70 million.

Amounts invested in 2015 in respect of 2014 profit-sharing and incentive payments totaled €17 million, or 24.7% of the sums distributed.

Added to this amount is a contribution from the Group's French entities amounting to €2.6 million.

At the end of 2015, 76.4% of the employees of the French entities were covered by an incentive agreement.

EMPLOYEE SAVINGS AND RETIREMENT SAVINGS

Employee savings

Since 2002, Group employees have been able to save in the medium term with the help of their company via the Group savings plan (PEG).

Retirement savings

Veolia Environnement offers a Group retirement savings plan ("PERCO G") for its employees and the employees of its French subsidiaries under an agreement signed with labor and management partners (December 2012), to allow employees who so wish to prepare for retirement under advantageous tax and social security conditions.

At the end of 2015, the total amount saved by employees⁽¹⁾ in France in the two Group savings plans amounted to €339 million⁽²⁾ and breaks down as follows:

- €320 million with respect to the PEG held by 47,625 employees⁽¹⁾,
- €19 million with respect to the PERCO G held by 22,538 employees⁽¹⁾.

The company investment funds invested in Veolia shares (employee shareholding) for €111 million are held in the PEG⁽³⁾.

The range of dedicated company investment funds (monetary, equity, bonds, and diversified) for €176 million is held in the PEG and the PERCO G.

Employee shareholding

The last transaction took place at the end of 2015 and resulted in the issuance of 1,063,022 new shares, representing 0.19% of the share capital upon the plan's implementation. This capital increase reserved for employees was offered to 97,701 employees in 19 countries. With a subscription rate of 28.05%, this transaction is Veolia's most significant reserved capital increase since 2004. A final transaction is planned for the United Kingdom, the twentieth country, for the end of February 2016.

As of December 31, 2015, approximately 49,450 Group employees⁽⁴⁾ were Veolia Environnement shareholders, holding 1.10% of the Company's share capital as of the filing date of this Registration Document.

As of December 31, 2015, a total of €130 million was held by Group employee shareholders both in France and internationally⁽⁴⁾.

The "Together let's invest in resourcing the world" communication tool designed and rolled out by the Human Resources, Information Systems and Communications Departments, along with the Insign agency to support the 2015 Sequoia employee shareholding plan, received the honor award for managerial communication from the Grands Prix Communication & Entreprises event that took place on November 19, 2015 in Paris.

PENSION PLANS

Pension plans are directly managed in the various countries where the Group operates based on the applicable labor and tax legislation.

There are two types of pension plans:

- State pension plans;
- company pension plans (defined benefit and defined contribution plans).

The Group policy in terms of company pension plans is to replace defined benefit pension plans, where they exist, with less costly defined contribution pension plans.

(1) And former employees.

(2) Excluding assets invested in a blocked current account for €15.3 million.

(3) Plus the FCPE Actions Vivendi Universal (Actions VU) (Vivendi Universal company mutual fund)) for a total €51.8 million as of December 31, 2015, which is also part of employee shareholding.

(4) Excluding Transdev employees.

6.2.4 GUARANTEE THAT DIVERSITY AND FUNDAMENTAL HUMAN AND SOCIAL RIGHTS ARE RESPECTED WITHIN THE COMPANY

6.2.4.1 Promotion of professional equality and diversity and the fight against discrimination

COMMITMENT TO DIVERSITY - EQUAL OPPORTUNITY

Since June 12, 2003, when it joined the United Nations Global Compact, the Group has supported and promoted the Compact's principles in its sphere of influence, particularly the protection of international law on human rights, the recognition of collective bargaining rights, and the elimination of discrimination in employment and occupations. Respect for these basic rights is a natural part of Veolia's comprehensive Human Resources policy.

The 2014-2016 diversity commitments are based on a standard that gives priority to equal opportunity without discrimination, and thus recognizes all the in-house talent and skills. Moreover, two other priorities have been defined to meet Veolia's challenges:

- **Guarantee the expansion of diversity and gender equality:**

Diversity and gender equality in the workplace are challenges in terms of performance, credibility and fairness. Veolia must attract talented people at all levels of the Group in the conduct of all its businesses. Special attention will be focused on increasing the number of women in the Group's executive bodies, and on diversity in hiring in the businesses and in our representative bodies.

In order to support the **development of diversity and gender equality** in the Company, a plan consisting of 10 specific measures was defined and presented to the Board of Directors in 2014. It covers the issues of integration, career management for women, and includes a component on increased awareness and training.

- **Accompany Veolia's internationalization:**

Veolia encourages work in an intercultural environment that respects the culture of each employee. This environment is enriched by all the countries in which the Group is developing. Each employee, regardless of his or her origin, should be fully involved in, and thus contribute to, Veolia's growth.

KEY FIGURES

- Percentage of women in the Group: 20.2%(v)⁽¹⁾
- Percentage of women managers in the Group: 25.3%(v)⁽¹⁾
- Percentage of disabled in the Group: 1.9%
- Seniors in the Group (55 years of age and +): 17.3%
- Young people in the Group (less than 30 years of age): 13.2%

The Diversity commitments of Veolia are reflected in numerous actions: signature of the Diversity Charter, participation in the company classification reporting following the signature of the gender equality agreement with the French Ministry for Women's Rights, and several actions undertaken in the entities and enhanced through "social initiatives."

The Diversity network

The Diversity action plan is driven by a global network of over 40 diversity standards which guarantee the implementation of the 2014-2016 Diversity commitments, establish the diagnostics and action plans appropriate for their specific context, measure the results and highlight innovative measures that support Veolia values.

Finally, a new scorecard based on six topics has been developed to guarantee the traceability of measurements. The indicators are as follows:

- complaints: the number of complaints filed by employees and stakeholders based on the alert mechanisms and the number of cases of discrimination;
- gender equality: the rate of employment of women, the percentage of women managers, the percentage of women non-managers, and the percentage of women recruited;
- seniors: the rate of employment for workers over the age of 55;
- young workers: the employment rate of workers aged less than 30 years old, and the work/study rate;
- disabled workers: the employment rate of disabled workers;
- access to training: the percentage of employees who have access to training per year, and the rate of women managers trained per year.

(1) The information selected by the Company and identified by the sign (v) is subject to reasonable assurance by KPMG S.A.

A number of programs were conducted in 2015, in all countries and entities, particularly Veolia's introduction of a complaint alert and response system in France "Allodiscrim," an independent and confidential call center. Employees who wish to register a discrimination alert can thus call their dedicated center as of July 2015.

A "non-discrimination" audit of the Group's "Veolia for all" recruitment portal was launched in order to monitor the correct application of non-discrimination rules in accordance with 20 legal criteria (French laws). This audit covers both the operation of the tool and the content of the job opportunities for the entire Group. A verification of 1,000 vacant positions entered in the Veolia Career portal for 2015 was performed based on 7 discrimination factors of the 20 legal criteria. This approach will therefore alert recruiters, raise their awareness and even accompany them via training.

Diversity through sport: Veolia wished to promote diversity by drawing on sport, highlighting team spirit, group success, and universal access to sports, regardless of the ability and performance of its employees. In partnership with the French, European and now World Federations of Corporate Sports (FFSE and EFCS, and WFC), Veolia was again involved in the Diversity Race. The second edition was held at the Stade de France in September 2015. The event attracted 301 employees to help promote the values of diversity, an increase of over 110 participants compared to 2014.

When the Group's internal social initiatives were collected in the **Social Equity and Diversity category**, some thirty projects were presented. It was the initiative of the Veolia Waste Recycling and Recovery "ambassadors" seeking to encourage and include women in the business lines that won the award in its category. This project was published in *Social initiatives in 2015: Ideas for progress*.

EMPLOYMENT AND SOCIAL INTEGRATION OF THE DISABLED

"80% of disabilities occur after birth; supporting the integration of the disabled in the Group already signals a change in our perception." The percentage of Veolia disabled employees worldwide stood at 1.88% at the end of 2015. There were 3,275 disabled employees as of December 31, 2015. The Veolia action strategies are as follows:

- **Raise the awareness** of Group employees regarding disability;
- **Strengthen** job protection for the disabled and accompany them so that their disability is recognized;
- **Support** the ergonomic adaptation of workstations;
- **Encourage** recruitment and **sustain** employers of the protected workers sector (ESAT) in France.

SUPPORTING THE MOST VULNERABLE EMPLOYEES

In 2009, an Active Solidarity Plan was launched in France in consultation with the Group French Works Council to support the most vulnerable employees in a difficult economic context. This led to the launch of "Allô Solidarité," an employee counseling and support system in France set up with the help of an external partner.

Today, thousands of Group employees have access to a telephone platform that allows them to speak with professionals about the social challenges they face.

In 2015, over one hundred calls were received each month, mainly about housing and financial issues.

The partnership with the "Vivons Solidaires" association, which has been in place since September 2010, helps to tackle social emergencies. The association receives many requests for assistance with emergency housing and food donations. Union organizations are involved with the board of directors and management of this association.

A RECOGNIZED COMMITMENT

Every year, Veolia's commitment is recognized through labels, certificates, and rankings. Thus, in France, the Diversity Label awarded to the Water activity was renewed in 2014; in the Czech Republic, the Energy activity earned the *Investor in People* label; in China, the Water activity rolled out a Charter on Gender Equality; in the United Kingdom, Veolia was included in the *Financial Times'* list of "Responsible Businesses"; and, in Germany, OEWA recently renewed its work/life balance certification.

LONG-TERM PARTNERSHIPS

The Group is a partner and/or a member of various organizations that promote diversity and equal opportunity in the various countries where the Group operates. In particular, Veolia is a partner in the *Global Compact* and the Women's Forum.

In France, Veolia has been a partner in the French Association of Diversity Managers (AFMD) for five years and contributes to the sharing of best practices with the member companies. In 2015, Veolia hosted the AFMD network to present the agreement on the generation contract and its operational implementation. In 2016, a debate with AFMD members on "diversity through sports" is already scheduled as is a trip to the UK to study diversity practices in Europe.

Veolia is also a partner in the Corporate Social Responsibility Observatory.

6.2.4.2 Workforce cohesion and labor-management relations

STRENGTHENING THE QUALITY AND THE DEVELOPMENT OF LABOR-MANAGEMENT RELATIONS

Veolia ensures that there is an effective dialogue with employees at all levels:

- at company or site level, a natural place for negotiations on many issues that impact employees' daily lives. Within Veolia, nearly 1,000 labor agreements signed with business units supplement the Group directives and agreements;
- at country level, which includes the formal structures for consultation and dialogue that handle all transversal national issues;
- at Group level in the corporate offices and with the Group French and European Works Councils.

The two agreements appointing the Group French and European Works Councils were amended in 2015 to take into account the change in the Group's scope and the experience gained from the previous agreement in order to bolster and modernize the Group's labor-management relations in France and in Europe.

OVERVIEW OF COLLECTIVE BARGAINING AGREEMENTS;

In 2015, a total of 927 (v)⁽¹⁾ collective agreements were signed.

The breakdown by type of agreement is presented in the following table:

Agreements on remuneration	Agreements on health, safety and working conditions	Agreements on social dialogue	Agreements on skills development	Other agreements
49%	22%	12%	6%	11%

There were 10,232(v)⁽¹⁾ employee representatives.

There were 85 strikes in 2015, down -14% compared to 2014, and represented 0.01% of the total number of days worked.

VEOLIA GROUP WORKS COUNCILS, ESSENTIAL STAKEHOLDERS IN TRANSFORMATION

Veolia has formally agreed to set up Group French and European Works Councils, for which the terms and conditions of establishment were amended in 2015. **The Group European Works Council represents more than two-thirds of Veolia employees.**

The Group Works Councils are key players in Veolia's transformation. They receive information on the activity, the financial position and the employment situation. They must be informed of restructuring, acquisition or disposal plans, as was the case for the proposed sale of Dalkia France in 2014 and the plan to withdraw from the Transport activity initiated in 2010. They are also informed and consulted with respect to the exchange of ideas on the Group's strategic directions.

The collective bargaining agreement signed by the Group French Works Council in 2010 on the quality of labor-management relations, and the commitments made under the agreement signed with the Group European Works Council demonstrate the ambition of the Group's Executive Management to structure unique relations with employee representatives and thus contribute to the Group's actions on behalf of all its employees.

Training employee representatives in the performance of their duties is key to quality labor-management relations with respect to the economic and HR issues faced by the Group. Training representatives is also recognizing that the Group's employees are a key internal stakeholder.

This certification training program offered to French central trade union partners, and created in partnership with the Paris Institut d'Etudes Politiques and the "Dialogues" association, reflects this wish. It was also part of a study led jointly with the unions on the subject of union careers. The training strengthens the skills development of trade union representatives who are thus recognized and supported in their work.

Under the 2010 agreement, trade union seminars were set up by each organization in order to improve their structure and define their priorities with respect to the Group's employee policy. These trade union seminars are renewed each year.

Finally, in the spirit of the training offered to the French representatives, a program was implemented for officers and members of the Group's European Works Council. A session dedicated to the new officers of the Group European Works Council took place in mid-January 2016. All members of the Group European Works Council will ultimately be trained, as stipulated in the agreement signed on June 8, 2015. Designed with the officers of the Group European Works Council and the Astree organization, the purpose of this training is to provide the means for representatives to more widely address the cultural diversity and plurality of Veolia's businesses and their challenges.

(1) The information selected by the Company and identified by the sign (v) is subject to reasonable assurance by KPMG S.A.

The Group formalizes these commitments in Group agreements signed with trade union representatives, particularly:

An agreement on the generation contract for the Group in France was signed in 2014.

Pursuant to the securitization law, two employee board members were appointed by the French and European Works Councils respectively.

The Group also signed an agreement in 2012 setting up a group retirement savings plan (PERCO).

A letter of commitment was also signed with the Group's European Works Council on "Prevention, Health and Safety" in 2012.

The commission to monitor the French agreement on the "prevention of occupational hazards, workplace health and safety," signed in 2008 for a three-year term, was amended and renewed by the trade union partners. The amendment formalizes the commitment shared by all to prioritize employee health and safety and prevent accidents within the Group.

In 2015, other than the two amended agreements relating to the functioning of the Group French and European Works Councils, an agreement was signed with respect to the exchange of ideas on the strategic directions within the Group's employee representative bodies.

Given the Group's growing internationalization, the agreement's signatory management and trade union representatives wished to include the officers of the Group European Works Council in this measure. A preparatory meeting for this exchange of views uniting the officers from the Group French and European Works Councils was held in November 2015. The exchange of views with respect to the 2016-2018 strategic plan will be launched in March with a joint session of the Group French and European Works Councils.

Discussions on corporate social responsibility, initiated by the Group European Works Council and management, also continued, with a view to implement a shared dashboard.

6.2.4.3 Respect for fundamental rights

PROMOTION OF AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL ILO CONVENTIONS RELATING TO RESPECT FOR FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

Veolia has pledged to respect the fundamental international conventions, in particular those relating to employee relations and working conditions, such as those adopted under the aegis of the International Labor Organization (ILO). This commitment was reinforced by the Group's decision to join the United Nations *Global Compact* in 2003. Principles 1 to 6 of this platform reflect the ILO's objectives.

With respect to collective bargaining, Veolia draws on both the direct relationships it enjoys with the trade union and employee representatives, as well as the joint organizations created according to the rules of each country.

Thus, in 2015, 90.1% of the Group's employees were covered by labor-management relations arrangements⁽¹⁾. The Group is committed to achieving a coverage rate of 95% by 2020.

PROMOTION OF AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL ILO CONVENTIONS RELATING TO THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION

In accordance with the commitments made to the ILO (see above), Veolia's commitments are set out in detail in Section 6.2.4.1, "Promotion of professional equality and diversity and the fight against discrimination".

PROMOTION OF AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL ILO CONVENTIONS RELATING TO THE ELIMINATION OF FORCED OR COMPULSORY LABOR

In accordance with the commitments made to the ILO (see above), Veolia prohibits any form of forced or compulsory labor. These commitments are recalled in the "Ethics Guide," in particular concerning compliance with international fundamental labor standards and the prohibition of the use of forced labor in all its operations.

PROMOTION OF AND COMPLIANCE WITH THE PROVISIONS OF THE FUNDAMENTAL ILO CONVENTIONS RELATING TO THE EFFECTIVE ABOLITION OF CHILD LABOR

In accordance with the commitments made to the ILO (see above), Veolia strictly prohibits child labor. Minors can work in certain special cases, particularly work-study apprenticeships, but only in stringent compliance with all the regulatory provisions. These commitments are listed in the "Ethics Guide," particularly in regard to compliance with the fundamental international labor standards and the prohibition of child labor.

(1) The information selected by the Company and identified by the sign (✓) is subject to reasonable assurance by KPMG S.A.

6.3 Environmental information

6.3.1 ENVIRONMENTAL POLICY AND PERFORMANCE

6.3.1.1 Environmental policy

As part of its sustainable development commitments (see Section 6.1 above), Veolia has formulated its environmental commitment to better underscore its inclusion of the challenges facing the planet:

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

The Group has realized its ambition through its will to manage its sites in an exemplary manner and by offering the most effective and innovative solutions to its customers. In order to achieve this goal, it has introduced an internal environmental management system (EMS) overseen by the Executive Committee, and has undertaken measures to certify its sites and activities around the world (including ISO 9001 quality management, ISO 14001 environmental management, and ISO 50001 energy management).

6.3.1.2 Environmental objectives

In addition to the 2020 targets associated with the three commitments for the planet (see Sections 6.3.2, 6.3.3 and 6.3.4 below), the Group has broken down its environmental policy into triennial objectives. These objectives apply to the entire Group scope and each entity must supplement, where relevant, these general objectives with local objectives decided on the basis of an analysis of the major environmental impacts identified for its scope.

The plan, whose results are detailed below, expires at the end of 2015. A new 2016-2018 plan is being validated as of the filing date of this registration document. This is part of a longer-term view of sustainable development commitments and was prepared on the basis of a Group materiality analysis and the Company's strategic and performance plans, both of which were determined on a three-year basis (2018). Accordingly, the selected indicators and the defined objectives take into account the Company's strategic, operational, commercial and sustainable development issues.

6.3.1.3 Environmental management

The Group has managed its environmental impacts using its environmental management system since 2002 and has reported on it since 2004. In 2015, the Group defined a new joint system applicable to all its entities. This system identifies the most significant environmental impacts by activity and highlights the operational and environmental performance of its entities for the major challenges such as energy efficiency, consumption of raw materials, emissions, etc. It is designed based on a continuous improvement approach, with an annual review to define improvement objectives and integrate risk management.

This common platform is reinforced by locally implemented environmental management systems subject to external recognition (ISO 14001 certification, labels, compliance with contractual commitments, ...).

MANAGEMENT AND DEPLOYMENT

The Sustainable Development Committee, chaired by the Group's General Counsel and run by the Sustainable Development Department, brings together representatives from corporate functional departments and from the various business lines to decide on how the Group implements sustainable development. It defines the strategic orientations and validates the environmental policy, the objectives and the management system.

The environmental management system is steered by Group operational management, supported by the Director of each business unit and deployed by local managers. The Group Executive Committee monitors its deployment and the results obtained on an annual basis. Within the Executive Committee, the Group Operational Director is responsible for guaranteeing the system's efficiency.

The Group's Internal Audit Department is responsible for verifying the correct deployment of the environmental management system and its application by the operational managers.

In addition, the Risk Department is responsible for coordinating the identification, assessment and control of Group risks, particularly environmental risks. It works with a Risk Committee that brings together the members of the Executive Committee and is chaired by the General Counsel and run by the Chief Risk, Insurance and Compliance Officer. This committee validates

and monitors the effectiveness of the action plans implemented with respect to the significant risks identified in the mapping (see Chapter 5, Section 5.2.1 above).

The Group has also implemented a warning system and a crisis management procedure throughout its locations, particularly to monitor environmental risks and violations. These procedures mean that any necessary measures can be taken on a timely basis and at an appropriate level (see Chapter 5, Section 5.2.1 above). No serious environmental incidents were reported at Group level in 2015.

	2012	2013	2014	2015
ISO 14001 certifications (% of revenue covered)	65%	66%	67%	67% (✓) ⁽¹⁾

(1) The information selected by the Company and identified by the sign (✓) is subject to reasonable assurance by KPMG S.A.

EMPLOYEE TRAINING AND AWARENESS-RAISING

Training and informing employees about environmental issues is an integral part of the measures put in place by the Group in each of the countries where it operates.

The integration process calls for management training and awareness-raising with respect to environmental issues and the challenges specific to Veolia.

The Veolia Campus network provides business units with access to environmental training (see Section 6.2.3.2 above). This is supplemented by local training sessions based on identified needs.

Furthermore, to inform Group employees of the major challenges facing society in line with international and political current affairs, the Sustainable Development Department organizes several conferences each year (four in 2015), with presentations by leading specialists in the areas covered.

Each year, the Group runs an international awareness campaign on World Environment Day on June 5. This is an opportunity for employees around the world to enhance their personal environmental commitment. A jury rewards the best initiatives.

RESOURCES DEDICATED TO THE PREVENTION OF ENVIRONMENTAL RISKS AND POLLUTION

Given the nature of the Group's activities, the amounts allocated to preventing environmental risks, particularly pollution, account for the majority of its expenses and investments. More specifically, industrial investments amounted to €1,484 million in 2015 (see Chapter 3, Section 3.3.2 below) and included investments in growth and compliance measures. The Group also invested in employee training, certification programs and the implementation of the EMS. A specific Research and Innovation budget was also renewed (see Chapter 1, Section 1.5.1 above).

In 2015, the Group continued a policy of selective investment, while maintaining industrial investments that were contractually required or that were needed to maintain industrial assets.

Provisions for environmental risks primarily consist of provisions for costs relating to site closure (including provisions for site restoration, the dismantling of equipment and environmental risks). They totaled €656.6 million in 2015.

6.3.2 SUSTAINABLY MANAGE NATURAL RESOURCES BY ENCOURAGING THE CIRCULAR ECONOMY

In connection with its sustainable development commitment 1 (see Section 6.1 above), *Sustainably manage natural resources by supporting the circular economy*, Veolia has targeted a circular economy revenue of €3.8 billion by 2020.

6.3.2.1 Preserving natural resources

SAVING WATER RESOURCES

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

In 2015, of 9.9 billion m³ of water were withdrawn:

- 9.3 billion m³ were introduced into drinking water distribution networks;
- 0.1 billion m³ were provided to industrial customers for use as process water;
- 0.5 billion m³ were used in industrial processes carried out by the Group.

	2013	2014	2015
Total volume of water withdrawn (m ³) ⁽¹⁾	10,601,227,538	9,788,592,772	9,858,502,612
Volume of water withdrawn directly from the natural environment (% of total volume)	95%	95%	93%
Of which (% of volume of water withdrawn from the natural environment):			
▪ Volume of surface water withdrawn	80%	79%	79%
▪ Volume of groundwater withdrawn	20%	21%	21%
Volume of water withdrawn from a distribution network (% of total volume)	5%	5%	7%

(1) For the Energy activity, scope limited to heat production and distribution facilities exceeding 100 GWhTh.

The largest withdrawals made or managed by the Group are those related to its drinking water production and distribution activity (94% of the total volume withdrawn). In 2015, 8.7 billion m³ of drinking water were produced in the 4,245 production plants operated by the Group under its contracts with local authorities and 9.3 billion m³ were distributed across a network of 323,700 km.

Proposing technical solutions

Veolia is firmly committed to optimizing water cycle management and saving what is at times a scarce resource. It offers a wide range of technical solutions to its customers, designed to:

- protect resources (identification of chronic sources of damage to resources, prevention of accidental pollution and creation and supervision of protected areas);
- optimize their long-term management (resource monitoring, long-term water withdrawal management, controlled use of resources, improved network efficiency, combating fresh water parasites, managing demand, etc.);
- develop alternative resources, where needed (water re-use, groundwater recharge and sea water desalination).

These measures are routinely offered to the Group's customers, who then decide whether to apply them on a case-by-case basis.

Monitoring the state of resources and sharing this information

Climate change in certain regions of the world heightens stress on water resources. These developments are closely associated with local authorities, regulatory bodies and the scientific community. Global water stress maps are available to all on the Internet website: <http://growingblue.com/> to enable managers to prioritize their water footprint challenges based on the local context and regional stress on water resources.

Improving water footprint

In addition to the proposed technical solutions, Veolia has also developed the Water Impact Index (WIIX), a water footprint indicator that enables decision-makers (companies and local authorities) to make the necessary choices concerning water management and use. It may be combined with the carbon footprint and applies both to public water and wastewater services and industrial customers.

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

Reducing losses from distribution networks

In many cities around the world, 20 to 50% of water produced is lost as a result of leaks in the distribution networks. Veolia has made reducing losses from networks one of its priorities and has set a target of reducing the volume of losses by 9% between 2011 and 2015, on a like-for-like basis. On the 2011-2014 *pro forma* basis, the volume of water lost fell by 8.6%, showing a net improvement for most of the networks managed by Veolia.

In 2015, Veolia realigned its reporting scope for this indicator, concentrating on networks serving more than 50,000 inhabitants. Based on this scope, losses represented 26% of the water introduced in the networks.

	2014 <i>Pro forma</i> (2014 – 2015)	2015 <i>Pro forma</i> (2014 – 2015)
Volume of drinking water consumed (millions of m ³) ⁽¹⁾	3,742	3,790
Volume of water losses in distribution networks (millions of m ³) ⁽¹⁾	1,327	1,341

(1) For networks serving more than 50,000 inhabitants

The *Pro forma* decrease in the volume of losses in distribution networks is due to the set-up of leak reduction programs (leak detection, breaking up of networks into sectors, improved metering control, etc.). This reflects the Group's ability to improve the efficiency of complex systems, particularly for recent contracts such as the city of Sofia (Bulgaria).

In order to better focus our leak detection efforts and advise our customers on the best options in terms of investing in network upgrades, two complementary indicators are used to measure network performance:

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

Since the aim is to find the best balance between the environmental and the economic for each network, especially against a background of increasing consumption in some countries and a decline in others, setting up a Group-wide target for this type of indicator is unfeasible. However, the progress made can be measured based on changes in water loss volumes on a like-for-like basis.

Increasing the re-use of water

Saving resources is also achieved by developing alternatives, for example, by re-using treated water, which has seen a significant increase in recent years. In order to further improve wastewater recycling, the Group has set itself the target of achieving a 50% increase in the volume of water re-used from collected and treated wastewater by 2015 (compared with 2011). In 2015, the volume of recycled wastewater increased by 77% compared with 2011.

	2011	2012	2013	2014	2015	2015 target
Volume of water re-used from collected and treated wastewater (in m ³)	194,999,910	225,000,720	261,790,900	291,435,210	345,960,550	-
Improvement compared with 2011	-	+15%	+34%	+49%	+77%	+50%

SAVING AND PRESERVING ENERGY RESOURCES

Veolia is committed to improving energy efficiency, not only in the facilities that it operates, but also through the energy services that it provides. The Group gives priority to the use of renewable and alternative energy and makes every effort to recover the maximum energy potential from waste or wastewater to be treated and from the facilities that it operates.

The highest levels of energy consumption and production are naturally found in the Energy services business. However, energy-related issues also affect the Water and Waste activities, both of which contribute to the Group's consumption and production of renewable and alternative⁽¹⁾ energy, as shown below. Veolia has set itself specific objectives for its different business activities.

	2012	2013	2014	2015	Contribution of activities (%)		
					Water	Waste	Energy
Total energy consumption (million MWh)	125.9	123.0	116.6	122.7(✓)	7%	30%	63%
▪ Of which total thermal energy consumption (million MWh)	111.6	112.2	105.2	110.7	2%	31%	67%
▪ Of which total electrical energy consumption (million MWh)	14.3	10.8	11.4	12.1	57%	14%	29%

	2012	2013	2014	2015	Contribution of activities (%)		
					Water	Waste	Energy
Consumption of renewable or alternative energy (million MWh)	39.0	39.4	39.4	42.0(✓)	2%	78%	20%
▪ Share of renewable or alternative energy used by the Group (%)	31%	32%	34%	34%	-	-	-
Consumption of renewable energy (million MWh)	23.1	23.8	24.1	26.6	4%	66%	30%

	2012	2013	2014	2015	Contribution of activities (%)		
					Water	Waste	Energy
Total energy production (thermal and electric) (million MWh)	71.3	67.7	61.1	62.6(✓)	1%	14%	85%
▪ Of which total thermal energy production (million MWh)	50.5	49.9	45.0	45.0	1%	7%	92%
Production of renewable or alternative energy (million MWh)	16.1	16.7	15.2	16.1(✓)	4%	54%	42%
▪ Share of renewable or alternative energy produced (%)	23%	25%	25%	26%	-	-	-
Production of renewable energy (million MWh)	11.2	11.7	10.7	11.7	6%	40%	54%

(1) Alternative energies are natural or industrial energy sources that are lost if not recovered immediately (such as mine gas, biogas and own consumption)

In 2015, the increase in the consumption and production of energy is related to the development of the Energy activity, particularly in the US. The Group's is pursuing its efforts to diversify its energy mix and recover energy from waste and wastewater. The renewable and alternative proportion of total energy production increased from 23% in 2012 to 26% in 2015.

The Energy business is responsible for energy management at more than 32,800 energy facilities worldwide, from district heating networks to housing, commercial and industrial building boilers. Optimizing the energy efficiency of such thermal installations focuses on operating and maintenance quality and their modernization. Heating networks that offer optimized energy performance by concentrating production on a single site and involving co-generation (the simultaneous production of thermal energy and electricity) represent strong growth areas for the Energy business activity, which is also implementing a policy to diversify its energy mix in favor of renewable energies. The percentage of biomass fuel consumed by Energy services activities increased from 6% in 2011 to 8% in 2015. In the longer term, the target percentage of renewable energy in the energy mix of energy services in the European Union is 20% in 2020.

	2012	2013	2014	2015	Target
Percentage of biomass fuel in total energy consumption (%)	6%	6%	8%	8%	10% in 2015
Percentage of renewable energy in the mix of energy services - EU basis (%)	12%	13%	14%	15%	20% in 2020

With regard to its Water activity, Veolia is developing its expertise with a view to becoming completely or almost entirely energy self-sufficient, primarily in relation to the treatment of wastewater. Indeed, the theoretical energy contained in wastewater is between two and over five times greater than that needed to treat it.

The Group seeks to minimize the energy consumption of the facilities that it operates by making an inventory of best practices and sound technological decisions, developing diagnostic tools and carrying out energy audits. Veolia's Veolink Care PED (permanent energy diagnosis) software helps the Group to control the energy consumption of its plants by allowing it to manage aspects of energy supply, distribution and consumption for all processes in real time. The replacement policy for electro-mechanical equipment also seeks to optimize energy consumption. An increasing number of wastewater treatment plants are now excellent examples of energy efficiency, such as the Braunschweig plant (with a water treatment capacity of a 275,000 population equivalent), which produces more than 100% of the energy it needs to operate.

	2011 <i>Pro forma</i> (2011-2015)	2012 <i>Pro forma</i> (2011-2015)	2013 <i>Pro forma</i> (2011-2015)	2014 <i>Pro forma</i> (2011-2015)	2015 <i>Pro forma</i> (2011-2015)
Purchase of electricity by m ³ of water produced (Wh / m ³ produced)	340	308	311	310	290
Purchase of electricity by m ³ of water treated (Wh / m ³ treated)	654	649	621	602	638

At the same time, as part of its search for the best solution for treating wastewater sludge (see the chapter on Recovering by-products below), Veolia is researching and evaluating options for waste-to-energy recovery (such as anaerobic digestion and incineration or co-incineration with energy recovery) and is seeking to optimize the energy efficiency of its treatment processes. Furthermore, in cases where it is technically viable and economically advantageous for the customer, Veolia is looking to increase energy output using renewable energy production equipment, such as solar panels or wind turbines. It assesses the amount of recoverable energy by installing turbines at the outlets of wastewater treatment plants, as in the case of Brussels (Belgium). Finally, it is continuing to investigate the use of heat pumps, in conjunction with Energy business.

With regard to its Waste activity, the development of waste-to-energy recovery at treatment plants such as landfill sites, incinerators and anaerobic digestion plants means that the use of external energy sources to power operations at such sites can be reduced and energy can be supplied to third parties. Furthermore, recycling activity and the provision of solid recovered fuels have also helped to reduce customers' primary energy needs.

	2012	2013	2014	2015	2015 target
Production of renewable energy from waste (million MWh)	4.1	4.4	4.5	4.6	
Change compared with 2012	-	5%	9%	11%	+12%

REDUCING CONSUMPTION AND RECOVERING RAW MATERIALS

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

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

The Group has optimized raw material consumption and efficiency of use at several levels of the organization. On the economic front, a cost reduction objective incorporating savings on raw material procurement was adopted and rolled out to all areas of activity, requiring a cut in the consumption of certain raw materials. This is performed in conjunction with the Company's greenhouse gas reduction objectives.

Veolia is firmly committed to the recovery chain, particularly by developing methods for recovering materials from the waste it is given for treatment and the by-products of its other activities. It also helps third parties to reduce their consumption of raw materials by making secondary raw materials available to them. In 2015, the Group treated 42.9 million metric tons of waste.

	2011	2012	2013	2014	2015	2015 target
Waste treated (tonnage in millions of T)	65.4	51.3	52.1	46.4	42.9	
Rate of materials recovery from treated waste (%)	15%	19%	20%	20%	19%	26%
Rate of energy recovery from treated waste (%)	44%	47%	53%	48%	51%	-

The waste generated by industrial companies and households (wood, paper, cardboard, glass, metals, plastic, etc.) can be recycled and converted into re-usable materials through selective collection and sorting. Waste that is not suitable for materials recovery can be processed for energy recovery using the heat produced by specially designed incinerators and the recovery of captured biogas produced by the decomposition of landfilled waste.

Between 2011 and 2015, the rate of materials recovery from treated waste rose from 15% to 19%. At the same time, the rate of energy recovery rose from 44% to 51%.

These indicators especially reflect the type of contracts signed by Veolia (with or without recovery). The Group is responsible for developing innovative and efficient waste management technologies and solutions that enable waste recovery (selective collection, materials, energy and organic recovery) and for offering these technologies and solutions to its industrial customers and local authorities, who make the final decision regarding implementation.

USE OF SOILS

Ecological management

The Group's landfill sites and water treatment and production sites cover the largest areas. However, these land areas are not fully sealed and the design of these sites and the operating methods implemented by the Group seek to minimize the footprint of its activities by maximizing the percentage of soil favorable to the maintenance and development of biodiversity. As part of its biodiversity approach (see Section 6.3.4 below), the Group is pursuing its efforts in ecological land management. The conditions governing land use are included in site operating rules and are consistent with the Group's commitment to ecosystem management (the ecological management and development element of the biodiversity commitment in relation to its sites and customers).

Redevelopment of landfilling cells

The operation of a landfill site requires landfilling cells to be dug and prepared. When responsible for this task, the Group complies with all obligations regarding surface sealing and the recovery of excavated materials. Once used, the cells are covered as quickly as possible. These measures encourage the development of local ecosystems. The cells are monitored for environmental impacts before being returned to general use. When the entire site is redeveloped, monitoring continues to ensure that the species planted repopulate the area (post-operation phase). These stages are incorporated in the action plans for sites with major biodiversity issues. As part of this approach, Veolia France entered into a partnership with the Conservatoire Botanique National du Bassin Parisien (Paris Basin National Botanical Conservatory) for the 2013-2016 period. Experiments are therefore conducted at landfilling cells in order to select, multiply and produce indigenous plants to replant redeveloped land with species that are of conservation interest and suited to local environmental features and stresses.

Protective perimeters for water catchment areas

Protective perimeters are established around catchment areas of water intended for human consumption in order to preserve the resource. Within these protective perimeters, human activities that could directly or indirectly damage water quality are prohibited or tightly controlled. In its wellfield operations, the Group conducts voluntary biodiversity-friendly actions (differentiated management of green areas, inventory of animal and plant life, etc.), much like the actions carried out at the Crepieux-Charmy wellfield in Lyon. These best practices are also privileged at the Company's French sites, in accordance with the guidelines for proper ecological management at Group sites.

6.3.2.2 Reducing pollution and protecting health

LIMITING THE DISCHARGE OF POLLUTANTS INTO WATER

Veolia constantly strives to improve its performance in order to reduce the impact of water discharges from its activities.

The main discharges from facilities operated by the Group are related to its Water activity.

Veolia provides wastewater treatment services to nearly 63 million people worldwide and collects 6.5 billion m³ of wastewater; 5.8 billion m³ are treated in the 3,303 urban wastewater treatment plants operated by the Group.

To ensure the efficient management of wastewater collection and treatment services, Veolia has developed a comprehensive approach to help public authorities, according to their size and technical and regulatory issues. The guaranteed success of a wastewater project involves clearly defined stages: assessment of needs, definition of a local strategy, guarantee of quality, measurement of service performance and, lastly, communication to residents regarding the impact of the service.

Optimizing the efficiency of treatment processes is an ongoing concern for Veolia, both in terms of operating the facilities under its management and developing new processes.

The average rates of pollution abatement, expressed in BOD₅ and COD, for the wastewater treatment plants operated by the Group are very satisfactory.

Wastewater treatment efficiency of purification stations with a population equivalent capacity of at least 100,000	2013	2014	2015	Minimum efficiency to be achieved defined by the decree of June 22, 2007 ⁽¹⁾
BOD ₅ treatment efficiency (%)	94.1%	94.7%	96.0%	80%
COD treatment efficiency (%)	89.2%	89.8%	91.0%	75%

(1) French decree of June 22, 2007 concerning the collection, transportation and treatment of wastewater from waste management zones as well as the supervision of operations and efficiency.

Veolia has adopted French regulations as its reference when evaluating its overall performance. In 2015, as in 2014, worldwide efficiencies met the minimum thresholds defined by the decree of June 22, 2007 on wastewater treatment.

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

Veolia's environmental analysis center has developed regulatory analysis techniques and offers customers a comprehensive range of monitoring services (sampling and analysis). It has also identified biological tools for measuring the impact of these discharges on target organisms. Where necessary, the Group assists its customers in defining and implementing solutions to reduce or eliminate the discharge of hazardous substances into the natural environment and in managing risks. These solutions can either be implemented at source (for example, by connecting plants and monitoring networks) or take the form of remedial measures (by optimizing processes, introducing additional treatments, etc.).

LIMITING ATMOSPHERIC POLLUTANTS

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

	2012	2013	2014	2015
SO _x emissions (metric tons) ^{(1) (2)}	68,089	68,477	67,570	69,397
▪ of which thermal combustion facilities (metric tons)	67,356	67,774	66,858	68,713
▪ of which waste incinerators (metric tons)	733	703	711	684
NO _x emissions (metric tons)	36,859	36,927	38,376	40,791
▪ of which thermal combustion facilities (metric tons)	30,023	30,185	31,074	33,046
▪ of which waste incinerators (metric tons)	6,836	6,742	7,302	7,745

(1) For combustion facilities, the calculation of Sulfur Oxide (SO_x) and Nitrogen Oxide (NO_x) emissions is based on the European Directive of October 23, 2001. These documents set the maximum values for emissions based on fuel type and facility capacity.

(2) The calculation methods for SO_x and NO_x emissions may differ depending on the activity. For the Group's waste incinerators, particularly in Europe, dust, TOC, HCl, SO₂, HF, CO, NO_x and flue flow are measured on a continuous basis. Analyzers provide substance concentration measurements every minute or so. For thermal energy plants, emissions are calculated based on energy consumption and regulatory emission limits (as laid down in the Directive of October 23, 2001) for large combustion plants (from 50 to 100 MW). These emission limits have been applied to all energy consumptions, regardless of the size of the facility.

Other methods may be used in response to local requirements, based on emission factors depending on the tonnage burned, with these factors being determined through tests under real operating conditions.

Veolia has adopted the strictest regulatory reference - that of the European Union - to evaluate the quality of atmospheric emissions from incinerators worldwide. In 2015, as in previous years, total emissions worldwide fell below the levels stipulated by the European directive.

Comparison of emissions from hazardous and non-hazardous waste incineration plants in 2015 with the threshold values set out in the European directive:

	CO mg/Nm ³	NO _x mg/Nm ³ ⁽¹⁾	SO ₂ mg/Nm ³	HCl mg/Nm ³	Dust mg/Nm ³	Dioxins ng/Nm ³
Average concentration of emissions from hazardous and non-hazardous waste incineration plants	9	131	12	7	2	0.02
Threshold values for emissions in the European Directive ⁽²⁾	50	200	50	10	10	0.1

(1) For NO_x, the standard depends on the output rate: 200 mg/Nm³ for plants > 6t/hr and 400 mg/Nm³ for plants < 6 t/hr.

(2) European Directive 2000/76/EC of December 4, 2000, repealed by the Industrial Emissions Directive (IED) of 24 November 2010 and transposed into French law by two decrees of September 20, 2002 (daily averages).

RECOVERING RESIDUAL WASTE AND LIMITING THE PRODUCTION OF FINAL WASTE

Waste production is the final result of all the recovery and treatment phases. Veolia is firmly committed to recovery and to turning waste into a resource by developing materials recovery, waste-to-energy and organic recovery processes. The Group is naturally attentive to the waste generated by its own facilities and those it operates and makes every effort to prevent waste production, seeks new recovery possibilities and, when none is possible, treats any waste produced.

The main types of waste produced by the Group's activities are sludge created as a result of wastewater treatment, bottom ash and Air Pollution Control (APC) residues from incineration, rejects from sorted waste and soot, ash and bottom ash related to the combustion of wood and coal in plants.

Residual waste	2012	2013	2014	2015
Water				
Quantity of sludge produced by wastewater treatment (kT of MS) ⁽¹⁾	nr	643	714	718
▪ Proportion of sludge recovered for agricultural purposes ⁽¹⁾	nr	37%	44%	53%
▪ Proportion of sludge recovered for energy purposes ⁽¹⁾	nr	7%	12%	9%
Waste				
Non-hazardous waste produced by Waste solutions (kT)	2,432	3,745	3,127	2,941
Of which:				
▪ quantity of bottom ash produced by the incineration of non-hazardous waste	1,846	1,792	1,843	1,863
▪ quantity of waste produced by sorting	nr	979	694	645
Hazardous waste produced by Waste solutions (kT)	664	641	650	650
Of which:				
▪ APC residues ⁽²⁾ resulting from the incineration of non-hazardous household waste:	265	261	273	277
▪ APC residues ⁽³⁾ resulting from the incineration of hazardous industrial waste:	58	56	49	65
Proportion of recovered bottom ash resulting from the incineration of non-hazardous waste for which Veolia is contractually responsible	nr	77%	80%	79%
Energy				
Quantity of bottom ash and ash (kT)	nr	nr	1,055	1,147
Proportion of recovered bottom ash and ash ⁽⁴⁾	nr	nr	62%	65%

(1) For wastewater treatment plants with a population equivalent capacity of over 100,000.

(2) Air Pollution Control residues.

(3) Air Pollution Control residues.

(4) For heat production and distribution facilities exceeding 100 GWhTh.

* Excluding rejects from sorting activity and other types of waste recorded only from 2013 onwards.

nr: not recorded

In 2013, the Group improved reporting on by-products and waste from its Waste activity, which explains the increase in the tonnages posted. The rejects generated by the sorting activity corresponds to sorting errors by waste producers, as well as outsize recoverable materials that have to be separated during the sorting process at its centers. How such waste is then managed depends on the household waste treatment facilities available locally.

Residues from waste incineration

Bottom ash is the non-combustible solid residue produced by incineration. It accounts for approximately 20% of the tonnage of incinerated waste. Depending on its origin, its recovery is governed by specific regulations. Depending on its composition and after a period of maturation, it can be recovered as road construction material. Veolia is contractually bound to manage 63% of the bottom ash produced by the incinerators that it operates, equivalent to around 1.2 million metric tons. In 2015, it recovered 79% of its bottom ash. When bottom ash cannot be recovered, it is stored at a landfill site for household and similar waste.

Residues from the treatment of fumes are stabilized and then stored at landfill sites for hazardous final waste. The amount produced is in the region of 3% of the waste incinerated for household waste incineration plants.

Combustion residues from thermal energy plants

The combustion of solid fuels such as coal, lignite and biomass produces ash that is largely made up of (non-combustible) mineral matter and a small amount of unburned carbon. The amount of ash produced depends mainly on the level of mineral matter present in the fuel - this tends to be low for biomass but can be high in the case of certain types of coal.

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

The Group is committed to limiting the waste produced by its Energy activity by improving combustion techniques and treating or recovering waste in accordance with local regulations.

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

Wastewater sludge

Wastewater treatment produces sludge, which is a concentrate of the organic and mineral material previously contained in the water. Population growth and more effective wastewater treatment systems using increasingly sophisticated treatment methods have led to an increase in the amount of sludge produced worldwide.

To meet the requirements of its customers, public authorities and manufacturers, all of whom are having to manage an ever-increasing volume of sludge on a daily basis, Veolia works to process this sludge in such a way as to reduce the costs related to its management and to recover it in the form of energy and/or products that can be used in agriculture or industry.

Veolia views two recovery options: organic recovery (manuring or composting), when the sludge quality and availability of suitable land permit, and waste-to-energy recovery (anaerobic digestion, use as a substitute fuel and incineration with energy recovery). In 2015, at least 53% of sludge was recovered for use in agriculture and at least 9% was recovered for energy. Veolia ensures that the quality of the sludge is always appropriate for the customer's intended use.

LIMITING SOIL POLLUTION

Veolia is careful not to generate any chronic or accidental soil pollution at any of the sites it operates. It does this by ensuring proper storage and application conditions for the products used, by effectively managing storm water and the effluents produced during treatment processes and by maintaining operational resources to remedy any potential accidental spillages.

Of all the sites operated by the Group, landfill sites have the highest land footprint and use the most advanced technologies. Veolia has introduced minimum standards for the design and operation of its sites. These include, among other things: carrying out geological soil studies; implementing a watertight system made up of a double barrier (active and/or passive, with the application of a geomembrane that has been tested and certified by an external service provider); introducing systems for collecting and treating leachates⁽¹⁾ and surface water on site or at external plants; and monitoring groundwater. Over the duration of operations and post-operations (at least 20 years), the monitoring program is based, inter alia, on the analysis of surface water, groundwater and discharges. All of the Group's sites conduct self-assessments in relation to these standards. Sites that fail to meet the Group's standards must either propose an action plan showing how they intend to achieve compliance, demonstrate that equivalent measures are in place, or obtain special dispensation on the basis of additional monitoring measures.

Veolia is also committed to restoring and maintaining soil quality through the remediation of contaminated soil and organic recovery of waste and wastewater sludge (see the section on Recovering residual waste and limiting the production of final waste above).

(1) Combination of moisture from the waste and rainwater contaminated by percolating through the waste.

REDUCING LOCAL POLLUTION (ODORS AND NOISE)

The Group works to minimize the local pollution that may be generated across all of its activities.

Odors

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

Veolia implements solutions directly and works with its customers to identify solutions where these relate to investments for which the customer is responsible. To this end, Veolia has developed technologies and works with partners to treat and control odors (for example, biofiltration treatments, scrubbing and electronic measurement systems). It also implements physical-chemical and biological techniques that limit odor problems. In the event of a perceived nuisance, the Group gives priority to dialogue with the local population. For example, the creation of a “nose jury” made up of local residents who have been trained in the identification of odors, or the introduction of a special telephone line, can be used to better assess the odor problem and take appropriate steps.

Noise

The issue of noise has become a key concern for local elected representatives. The main problems relating to noise primarily concern waste collection. Veolia carries out research and has developed some particularly innovative solutions, such as a pneumatic waste collection system that significantly reduces the volume of trucks in cities and towns.

6.3.3 CONTRIBUTE TO COMBATING CLIMATE CHANGE

Veolia has adopted the conclusions of the IPCC 5th assessment report and is working on the transition to a circular economy logic.

In this context, the Group is advocating for the impact of methane to be properly considered as one of the issues of climate change. The global warming potential of methane is 28 times higher than that of CO₂ (calculated over 100 years). This represents a significant challenge for Veolia, whose wastewater treatment and waste recovery and recycling activities generate methane emissions that the Group is able to recover for energy based on its expertise.

As from September 2014, Veolia undertook to promote a robust and predictable carbon price by signing the statement issued by the World Bank. In April 2015, the Group showed its commitment by supporting the World Economic Forum’s CEO climate leaders’ initiative. In May 2015, the Group signed the Global Compact Business Leadership Criteria, the Carbon pricing leadership coalition and that of the AFEP/MEDEF.

At the same time, Veolia defined an internal carbon price in order to incorporate the corresponding risk in project assessment procedures. The internal work resulted in a progressive scenario for 2030.

In connection with its sustainable development commitments (see Section 6.1 above), the Group duly acknowledged the importance of its contribution with its “*contribute to combating climate change*” objective, and defined the following 2020 targets:

- Capture over 60% of methane from landfills we operate.
- Achieve 100 million tons of CO₂ equivalent in reduced emissions from 2015 to 2020
- Achieve 50 million tons of CO₂ equivalent in avoided emissions from 2015 to 2020

Veolia participates in the international conference of the United Nations Framework Convention on Climate Change (UNFCCC). The COP 21 was an occasion for the Group to reaffirm its position with respect to adapting to climate change.

Veolia seized the opportunity at the COP 21 to convey its message to both decision-makers and the general public. With its partners, the Group organized numerous conferences and debates on various climate change issues: circular economy, biodiversity, employment, adaptation to climate change, etc.

At the same time, the Veolia Institute and its partners mobilized the scientific and academic world on the issue of methane.

Veolia has also become involved with the fourth pillar of the COP 21 Lima Paris Action Agenda (LPAA), launched in Lima (COP 20), that focuses on the large-scale initiatives of civil society in parallel with country commitments. In this context, Veolia joined the Global Alliance for Building and Construction in favor of energy efficiency.

6.3.3.1 Emissions linked to Group activities

In 2015, direct emissions (scope 1) from activities managed by the Group stood at 27.4 million metric tons of CO₂ eq. (27.1 million metric tons of CO₂ eq. in 2014). Created by the industrial processes, facilities, equipment and vehicles that the Group manages, these direct emissions break down as follows:

- 53%: CO₂ emissions from Energy activities;
- 27%: methane emissions contained in biogas (from the fermentation of waste in landfills) that is not captured by the collection systems installed;
- 18%: CO₂ emissions from Waste solutions activities (particularly as a result of the incineration of fossil fuels contained in waste);
- 1%: CO₂ emissions from Water activities;
- 1%: N₂O emissions from waste combustion.

To calculate its emissions, Veolia has chosen to adopt the latest conclusions of the IPCC which attributed a Global Warming Potential (GWP) (at 100 years) of 28 to biogenic methane, i.e. 12% higher than the prior year publications which cited a GWP of 25.

Indirect emissions (scope 2) stood at 7.5 million metric tons of CO₂ equivalent (7.7 million tons in 2014); 59% of this amount was linked to electricity consumption and 41% to the purchase of heat.

The Group also assesses greenhouse gas emissions that fall under its control by calculating a part of its third scope. In 2015, emissions linked to employee travel (by air and rail) were calculated for the Group's companies within the scope of France and accounted for 15,686 metric tons of CO₂ equivalent. Scope 3 emissions relating to electricity consumption accounted for 8,307,990 metric tons of CO₂ equivalent(v).

6.3.3.2 Contribute to reducing overall emissions

To combat climate change, the Group has defined one objective for the overall reduction of greenhouse gas emissions (GHG), by reducing emissions from the services sold and facilities managed (through energy efficiency measures, use of renewable energies, destruction of methane, roll-out of Group operating standards) and by enabling third parties to avoid emissions through its activities (such as energy and materials recovery).

The measures implemented to reduce GHG emissions, for each activity, are as follows:

ENERGY

Reduction of GHG emissions:

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

WATER

Reduction of GHG emissions:

- through the on-site consumption of some of the heat and electricity produced from renewable sources (biogas from sludge digestion, recovering potential water energy using hydraulic micro-turbines, heat pumps, etc.);
- through other actions which enable rationalization of energy consumption by the facilities.

GHG emissions avoided:

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

WASTE

Reduction of GHG emissions:

- through the collection and treatment of biogas from landfill sites;
- through the on-site consumption of electricity produced from waste incineration and biogas recovery;
- through the on-site consumption of heat produced from waste incineration and biogas recovery;
- through other actions enabling the reduction of fuel and energy consumption.

GHG emissions avoided:

- through the sale of heat and electricity produced from the combustion of incinerated waste;
- through the sale of energy produced from biogas collected at landfill sites and anaerobic digestion plants;
- through the recycling of raw materials contained in waste;
- through the production of alternative fuels from waste.

6.3.3.3 Results from emissions and reduction measures

In 2015, the Group recorded very positive performance levels in the use of renewable and alternative energy, the electrical and thermal efficiency of combustion facilities and a substantial increase in methane capture from landfill sites. Overall, the increase in emissions is attributable to the development of the Energy activity in the US and increased demand for energy in China.

	2012	2013	2014	2015
Total direct and indirect GHG emissions ⁽¹⁾ (million metric tons CO ₂ eq.)	39.6	37.1	34.7	35.0(√)
▪ direct emissions	29.7	29.8	27.0	27.4
▪ indirect emissions	9.9	7.4	7.7	7.5
Water	7.7	5.1	3.4	3.2
▪ direct emissions	1.8	1.8	0.4	0.2
▪ indirect emissions	5.9	3.3	3.0	3.0
Waste	14.5	15.5	13.2	12.6
▪ direct emissions	14.3	14.3	13.0	12.5
▪ indirect emissions	0.2	0.2	0.2	0.1
Energy	17.5	17.6	18.2	19.1
▪ direct emissions	13.7	13.7	13.7	14.7
▪ indirect emissions	3.8	3.9	4.5	4.4
Total reduced GHG emissions (million metric tons CO ₂ eq.)	11.4	14.3	14.5	15.6(√)
Total avoided GHG emissions (million metric tons CO ₂ eq.)	7.3	7.5	6.8	6.3(√)

(1) In 2015, the Group updated the GWP for methane from 25 to 28, and the electricity emissions factors database (GHG Protocol / 2013 IEA / 2011 values). Past emissions were recalculated at constant factors.

6.3.3.4 Management of our main GHG issues

As part of its environmental plan, the Group has defined objectives to reduce its two main sources of direct emissions, which represent 99% of the total output:

- improve the carbon performance of combustion facilities by 5% from 2011 to 2015;
- achieve a methane capture rate of over 60% from landfills spread over all countries by 2020.

Veolia has also set objectives for the overall reduction of emissions by 2020 (see Section 6.3.3 above).

	2011	2012	2013	2014	2015	2015 objective
Carbon performance of combustion facilities (metric tons of CO ₂ emitted/thermal MWh produced)	0.283	0.264	0.265	0.274	0.301	0.269
Methane capture rate from landfills (%)	50%	49%	52%	56%	57%	≥ 60% in 2020

The carbon performance indicator for combustion plants was negatively impacted by the sale of the Energy France business in 2014, which increased the share of the Group's business in countries with a higher carbon energy mix.

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

6.3.3.5 Adaptation to the consequences of climate change

The Group takes restrictions linked to climate change into account throughout its operational plants and implements solutions to help its customers reduce their vulnerability.

At the business unit level, adaptation to climate change is incorporated into the analysis of environmental risks and challenges performed locally, by integrating relevant regulatory changes, resource availability, identification of additional requirements/volumes and necessary process changes. Adapting to a possible change in the availability of resources, particularly water, could involve developing and re-using treated wastewater and improving the performance of the distribution network (see Section 6.3.2.1 above).

At the Group level, climate change risks are taken into consideration in the risk mapping process, based on resources, regulatory and market changes, purchases and economic risk. In 2014, the definition of risks connected with climate change was reviewed in order to improve the identification and assessment in the risk mapping process within Veolia's strategic risks.

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

6.3.4 CONSERVE AND RESTORE BIODIVERSITY

Mindful of its impacts on the environment, the Group is committed, in accordance with French law, to applying the principles of the mitigation hierarchy (a policy known as ERV), in which the first step involves preventing damage to biodiversity, followed by reducing the impacts and finally compensating for them.

Under its third Commitment for Sustainable Development (see Section 6.1 above), *Conserve and restore biodiversity*, the Group defined a 2020 target; Carry out a diagnosis and deploy an action plan in 100% of sites with significant biodiversity issues.

The Biodiversity commitment adopted by Veolia can be split into three parts:

- better take into account biodiversity issues locally and contribute to the design of innovative solutions inspired by nature;
- deploy initiatives for the ecological management of our clients' sites and our own;
- raise awareness, involve more people both internally and externally and promote initiatives put in place in collaboration with local players.

The biodiversity approach, supported by this commitment, is applied to all the Group's activities and the international context. It is pursued within the framework of a biodiversity committee that unites the management teams in charge of this theme within Group entities (businesses, research and innovation, sustainable development and operations) through a plan of actions and indicators built into the Group environmental plan. Furthermore, a network of biodiversity officers in France and the main countries where sites are located has been in place since 2010. This network ensures the roll-out of the Group's strategy through the implementation of action plans, the sharing of best practices and feedback on experience.

Furthermore, the aim of this approach is part of the vision, aims and principles of governance of the National Biodiversity Strategy (SNB) launched in France, and which Veolia signed in May 2011. In 2015, to demonstrate its support, the Group set up a voluntary commitment initiative comprising a 2016-2018 action plan covering all its activities in France and abroad. This initiative was filed with the French Ministry of Ecology, Sustainable Development and Energy, which officially recognized the approach in October 2015.

Since 2009, Veolia has analyzed the issues connected with biodiversity for each of its business activities, based on the identification of their dependence on ecosystem services and their impacts.

The impacts of the Group's activities are connected in particular with the land coverage of its sites, which contributes to soil degradation, the consumption of natural resources and the residual pollution contained in the waste and emissions from its operations.

Veolia's biodiversity approach is presented on its website <http://www.veolia.com>.

The objective for all sites with significant biodiversity issues to carry out a diagnosis and deploy an action plan was incorporated into the 2012-2015 environmental plan.

Since 2008, the Group has been in partnership with the French committee of the IUCN which supports its actions.

6.4 Societal information

Social responsibility is expressed and assessed through three Group commitments to regional sustainable development (see Section 6.1 above):

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

The Business Units worldwide are the main players in the implementation of the Group's commitments, in cooperation with the functional departments. The Group's commitments are rolled out through zone managers and the Executive Committee as well as the country representatives of the functional departments.

The Group is also supported by two structures, namely:

- the Veolia Foundation (www.fondation.veolia.com), whose priority areas are (i) development assistance and humanitarian emergencies, (ii) support for transition to work and social cohesion, and (iii) environmental and biodiversity protection. The Foundation's projects involve all the Group's employees, as sponsors or volunteers. In 2015, the Veolia Foundation's financial support to 32 new projects or action plans represented €2 million. By extending the Foundation's mandate for a new five-year term (2014-2018), the Group has confirmed its commitment to a policy of skills-based patronage and financial sponsorship;
- The Veolia Institute (www.institut.veolia.org), an association governed by the French Law of 1901, and created by Veolia Environnement to carry out forward-looking analyses of emerging challenges related both to the environment and society. This unique platform promotes innovative modes of interaction between the Company and civil society. For all its activities, the Institute draws on a multidisciplinary network of international partners, including the members of its Foresight Committee. Through its international conferences, journals (FACTS Reports and S.A.P.I.EN.S) and studies, it detects and develops reliable scientific knowledge and tried-and-tested best practices in the field, in order to share them with all public and private players involved in sustainable development discussions.

6.4.1 BUILD NEW MODELS FOR RELATIONS AND VALUE CREATION WITH OUR STAKEHOLDERS

Veolia's commitment and approach

Veolia is committed to interacting with regional players to innovate and jointly build initiatives for the creation of shared value (Commitment 4).

The way that the Group fits into its environment, manages its employees, and communicates and interacts with its stakeholders, determines its admissibility to produce and sell and its "license to operate".

The relationship was previously two-way, then triangular, and has now become multipolar, with the introduction of players from civil society, NGOs, businesses, consumer associations, charities and universities. The arrival of these new players pushed the traditional boundaries of the Veolia businesses and brought about the remodeling of the Company's governance.

In 2015, Veolia continued its policy of partnership relations in two directions:

- **Collaborations with institutional, national or international bodies, as well as economic players, to sharpen the Group's expertise and know-how in its various businesses.**

Veolia has regular exchanges with its institutional stakeholders (associations, international organizations, universities, trade unions, etc.) through various discussion forums (working groups, conferences and international events) and has formed partnerships with several of them. Veolia contributes to discussions, consultations and projects on changes in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs. The Group shares its expertise by meeting stakeholders' requirements at their request or on issues that have a direct or indirect impact on its businesses.

Veolia also works with its customers or business partners in order to forge innovative partnerships based on shared value creation models.

- **Measures to provide support for the socio-economic development of the areas where the Group operates (see Section 6.4.2 below).**

For its employees, as its internal stakeholders, Veolia promotes equal opportunities within the Company through its Human Resources policy (see Section 6.2 above) and its priorities for action. Since its inception in 2012, the Group has supported the *Égalité des Chances* (equal opportunities) foundation through funding for "boarding schools of excellence" (*internats d'excellence*).

Convinced that the development of social dialogue with its employees contributes to improving local working conditions, particularly in emerging countries, Veolia encourages the creation of forums for dialogue with employees (see Section 6.2 above).

Veolia has set up a "Critical Friends" committee in order to draw on the expertise and advice of independent stakeholders. It is made up of about a dozen international prominent individuals, representing associations, institutions and academia, who are willing to contribute their expertise, vision and constructive criticisms to the new Veolia.

Since June 2013, Veolia's Critical Friends have met once or twice a year: site visits (to help the Critical Friends get to know the Group's businesses and to understand the challenges it faces) and discussions with the Chairman and CEO of Veolia Environnement, as well as the members of the Executive Committee. It was decided that the Chair of the Critical Friends committee would report its proposals and positions to the governing bodies of Veolia Environnement each year.

6.4.1.1 Dialogue with local stakeholders within the contractual framework

Establishing dialogue with local stakeholders involves, in particular:

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

LOCAL PUBLIC AUTHORITIES

The public-private partnership model for the provision of public services favors constant dialogue with local authorities and administrations. Accordingly, the appropriate discussion bodies in place are clearly defined at the heart of Group governance for ongoing contracts and the frequency and format of interaction is contractually documented.

In parallel, on certain topics, Veolia provides specific expertise to local or national authorities, supporting them in the definition of the strategy for their services to the environment or in optimizing performance. In doing so, Veolia develops new relational models for creating shared value with these public authorities under performance-based compensation contracts (e.g.: PPS⁽¹⁾ agreements in several North American cities such as New York, Washington and Pittsburgh).

(1) PPS: Peer Performance Solution

INDUSTRIAL CUSTOMERS AND THE TERTIARY SECTOR

Veolia supports its industrial customers with the development of their activities and helps them to reduce their environmental footprint and attain their social and environmental responsibility objectives.

This cooperation essentially concerns:

- the coherence of Veolia's commitments with the CSR policy applied by its industrial customers;
- the building of new partnership models based on shared value creation;
- the provision of Veolia's know-how and tools (e.g. environmental footprint tools) for optimal management of natural resources, respect for biodiversity and the promotion of a circular economy.

The partnerships signed in 2015 with Danone (first ever global alliance for the management of natural resources and the reduction in environmental footprint) and IBM (delivery of intelligent solutions for the management of municipal water services), and the partnership developed with Takeei in Japan (development of an AssetCo/Opco partnership for the operation of two biomass plants) illustrate the new shared value creation and relational models between Veolia and its customers.

CONSUMERS/USERS AND LOCAL COMMUNITIES AFFECTED

The Group develops local initiatives to foster dialogue with its customers, local communities, and inhabitants of the region: neighborhood meetings, meetings with local elected representatives and associations, site visits and open days to inform the general public, etc.

The Group also develops mediation actions (e.g. PIMMS, VoisinMalin in France, services dedicated to relationships with consumers and stakeholders, particularly in poorer areas in Latin America) and social support partnerships for disadvantaged groups (see Section 6.4.2 below).

THE INFORMAL SECTOR

Sometimes in competition (e.g. in recycling) and sometimes in a complementary way, the informal sector can, in certain cases, be a crucial factor in the economics of Veolia contracts. As shown in the two examples below, it is essential that this – and the stakeholders involved – be taken into account:

- in Colombia (Cali), a social integration initiative for rag collectors was developed on a landfill site, the “CET Presidente”, and 100 rag collectors created two recycling cooperatives which still operate independently. The rag collectors received appropriate training and obtained access to medical services;
- in the Philippines (Manilla), the Veolia Foundation supports the NGO Médecins du Monde, which seeks to improve the working conditions and health of people working in the waste electric and electronic equipment recycling sector. After an analysis phase and awareness-raising regarding best practices and the wearing of protective clothing, the Foundation helped finance dismantling platforms and adapted equipment.

6.4.1.2 Dialogue with representatives of civil society and the academic world

THE VEOLIA INSTITUTE: A FORWARD-LOOKING TOOL

Since 2001, the Veolia Institute⁽¹⁾ has been providing forward-looking insights and developing its activities through constant dialogue in scientific and intellectual circles and with practitioners in the field, such as NGOs, which offer benchmarks for the subjects studied. In 2015, its headline achievement was the “Methane - COP21” initiative based on an international conference, prior to the COP, on how to reduce the second most prevalent greenhouse gas and two reporting seminars during the COP21 at the official site alongside the decision-makers and civil society participants. Following the decision of the COP21, the Institute was also awarded the NGO Observer status by the United Nations Framework Convention on Climate Change. The Institute continues to develop its two on-line journals, FACTS Reports and S.A.P.I.EN.S, with the publication in 2015 of a special FACTS Reports issue on “Migration and Health” and the preparation of three special editions for publication in 2016.

OTHER PARTNERSHIPS

Other partnerships have led to the creation of shared value between Veolia and the academic world (e.g. Antropia and ESSEC's Institute for Innovation and Social Entrepreneurship) or civil society and the private sector (e.g. the “Entreprise et pauvreté” action tank that Veolia joined in 2014, partnerships with Ashoka and Ticket for Change regarding entrepreneurial and social business projects). By promoting social entrepreneurship, these partnerships also contribute to local economic development (see Section 6.4.2 below).

(1) www.institut.veolia.org/en

6.4.1.3 Dialogue with international organizations

As a partner to international organizations, Veolia continues to cooperate with the main UN agencies, bilateral organizations and international donor agencies to give effect to the commitments made when it joined the Global Compact in June 2003, and to contribute to the achievement of sustainable development goals and the definition of international agendas for development.

In 2014, the Group was one of the 393 global businesses that obtained the “Advanced” level differentiation for their Communication on Progress as part of its association with the UN Global Compact. To strengthen this leadership and promote this commitment among businesses, Veolia took over the chairmanship of the “Global Compact Advanced” club, a collective exchange and learning platform of the Global Compact France network.

Since 2013, Veolia has been directly involved with the major group consultation initiated by the UN for the preparation and conduct of the Conference of Parties on climate change (COP 21 in Paris in 2015). Veolia also took part in the UN Climate Summit in September 2014 in New York, the COP 20 in Lima (Peru) in December 2014 and major events in Paris in 2015 (see Section 6.3.3 above).

Veolia is an active member of the World Urban Campaign led by UN-Habitat⁽¹⁾. Accordingly, Veolia took part in the World Urban Forum of Medellin (Colombia, April 2014) on “Urban Equity in Development - Cities for Life” and then in 2015 organized a Cities and climate change event at the time of the COP21 (with UN-Habitat and the WBCSD) in preparation for the United Nations Habitat III Conference (Quito, 2016).

6.4.1.4 Participation in multi-stakeholder platforms

By getting fully involved in multi-stakeholder networks or platforms, the Group seeks synergies with its ecosystem. Hence, Veolia is an important player in partnership ventures such as: Vivapolis/Ubifrance, the French Alliance for Cities and Territorial Development (PFVT), the Greater Paris Metropolitan mission, the French partnership for water, competitiveness clusters (water cluster of Montpellier, Maritime Brittany and Mediterranean), the coastal conservation agency (Conservatoire du Littoral and Rivages de France) and France Nature Environment (FNE).

6.4.1.5 Dialogue with international, European and national authorities

Veolia actively contributes to discussions, consultations and projects on changes in environmental services management initiated by international, European and French authorities, professional associations, think tanks and NGOs.

Pursuant to applicable regulations, these actions are implemented in keeping with its adherence to the Global Compact and within the general framework of the Group's ethics program (see Section 5.4 above).

Based on a voluntary approach, Veolia has been listed since 2009 on the register of interest representatives of the European Commission and the European Parliament and registered on the public list of interest representatives of the French National Assembly since 2010 and the French Senate since 2011.

The Group is also a member of the ARPP, the French professional association of parties responsible for relations with public authorities.

Through these memberships, the Group has made a formal commitment to comply with the codes of conduct established by these different institutions.

(1) *United Nations Program working for a better urban future. Its objective is to promote the sustainable development of human settlements from a social and environmental perspective as well as access to decent housing for everyone.*

6.4.1.6 Subcontracting and suppliers

Veolia's purchases are highly diversified and are mainly structured according to the following purchasing areas:

- Energy and raw materials;

Energy mainly includes purchases of electricity, natural gas, fuels and other combustibles, as well as chemicals. These purchases are made locally with national players or the subsidiaries of international suppliers.

- Industrial and service subcontracting;

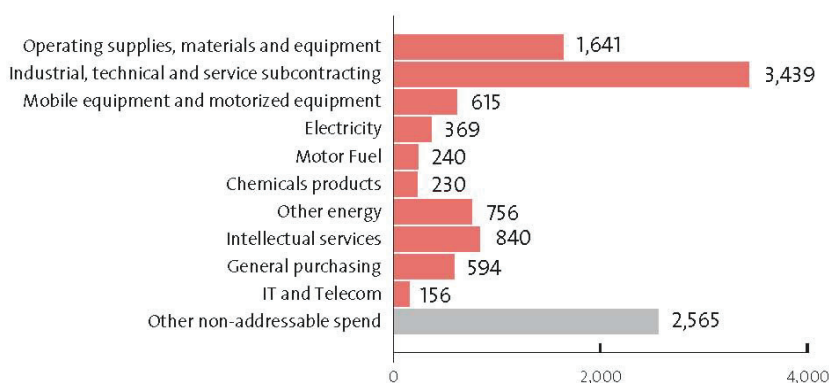
Industrial and service outsourcing concerns maintenance and work for the Group's equipment and facilities carried out by small local players (small and medium-sized enterprises, intermediate-sized companies,...).

- Industrial equipment and materials and mobile equipment.

Industrial equipment and materials and mobile equipment are at the core of the business operations carried out for the Group's major customers. They represent substantial energy consumption and a total cost approach is adopted for their life cycle assessment. They are purchased from the subsidiaries of international suppliers.

Total 2015 external spending ⁽¹⁾

(in € millions)



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

- **Securing commitment from Group suppliers and assessing their CSR performance:**

- sustainable development requirements are progressively incorporated into supplier contracts via a specific clause. This commits the supplier to:
 - compliance with the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child;
 - compliance with ethical and labor law requirements, particularly all applicable mandatory labor law regulations and International Labor Organization (ILO) conventions: concealed employment, child labor, forced labor, etc.;
 - compliance with the prevailing health and safety prevention policy;
 - compliance with regulations concerning the protection of the environment and the implementation of the necessary measures to reduce its impact on the environment;
 - making sure that its own suppliers and subcontractors comply with the same obligations;
 - and finally, in order to ensure transparency, making available and communicating its commitment policy to Veolia.

At the end of 2015, this commitment concerned nearly half of the active contracts in the Group's contract database (50.3%).

- Veolia measures the CSR performance of its strategic suppliers using an assessment system. These assessments consist of a documentary audit by an independent service provider, based on twenty-one criteria covering environmental, social, ethical and supplier relation issues. In the past three years, 29% of the Group's strategic suppliers have been assessed (i.e. A-rated suppliers with an annual expenditure exceeding €2 million and/or whose contract or action plan exists for a Business Unit (BU) and/or where the latter already has an assessment).

(1) This total amount excludes the Proactiva and Hungarian entities, Middle East Africa (except Morocco), Energy activities in Romania, as well as SEM, Veolia Industries Global Solutions (except the international entities), Jenets in Japan and joint ventures.

▪ **Incorporating sustainable development into the purchasing process:**

- the Suppliers Charter is sent via the e-sourcing process at the start of a call for tenders. By accepting this charter, suppliers undertake to comply, inter-alia, with the Group purchasing procedures and commitments in a process of continued improvement, comply with Veolia's corporate social responsibility requirements (roll-out of corrective action plans if necessary, involvement of their own suppliers and subcontractors in this approach);
- in the call for tenders, supplier risks are identified using a risk mapping by purchasing category (CSR and economic criteria and purchasing issues);
- the process takes into account the notion of total cost, which, for Veolia, is one of the best practices for responsible purchasing: it provides a long-term vision of the economic, environmental and/or social aspects of a purchase. The product is repositioned in its environment, based on its functionalities and life cycle. This vision helps to integrate supplier innovation and identify optimization levers.

Example 1: Management of the vehicle fleet

Veolia's objectives for the management of its vehicle fleet in France (light commercial and company vehicles) are to reduce the fleet size by improving resource management, reduce CO₂ emissions, enhance safety, introduce electrical and hybrid vehicles and improve user awareness on consumption. Accordingly, the Group Purchasing Department introduced a "Car Policy" in 2011 in order to reach an average emission rate for passenger vehicles of 100 g CO₂/km. These various measures enabled savings to be made and reduced the Group's CO₂ emissions by nearly 1,300 tons in 2014.

In July 2015, a new vehicle grid was proposed with even "cleaner" models, the introduction for each segment of hybrid models as well as the first-ever electrical vehicles.

In the second half of 2015, the new vehicles helped to achieve an average emission rate of 94.2 g CO₂/km (versus an average rate of 110.4 g CO₂/km in France⁽¹⁾).

Example 2: Management of energy consumption and production in France⁽²⁾

Since 2013, the Group's "Energies" Procurement Department has rolled out a solution for the remote reading of electrical meters at 4,500 sites operated in France, i.e. 20% of the sites which contribute to 90% of Veolia's energy consumption and production. This solution, designed for operations, is used to manage energy consumption and production, identify power demands in real time, optimize the purchase price (electron price, transmission tariff, tax optimization) and compare injection or extraction profiles, simulate invoices and undertake energy efficiency plans. In 2014-2015, new calls for tenders helped negotiate:

- 342 GWh of electricity, generating cost savings of 15%;
- 345 GWh of natural gas, generating cost savings of 21%.

These approaches and results confirm the relevance of total cost analysis and the compatibility of the improvement in the environmental footprint with economic gains.

- **Contributing to the development of the local economy:** In France, as part of the Water business partnership with the GESAT network⁽³⁾, and in collaboration with the Water business' disability strategies in France, the Group Purchasing Divisions have adopted an approach to promote procurement from the protected workers sector (signed supported employment (ESAT)/sheltered workshop (EA) contracts, use of a search engine by category and region, awareness campaigns with purchase requestors, etc.). For fiscal year 2015, the expenditure recorded for purchases from the protected workers sector (excluding VAT) was €6.7 million for France⁽⁴⁾. Furthermore, an indicator is used to measure the weight of the expenditure invested in the local economy (see Section 6.4.2.2 above).

(1) Source: French Ministry of Ecology

(2) Includes the Central Entities, Eau France, VRVD, SADE, SARP, SARPI, SEDE, Veolia Water Technologies, Veolia Industries Global Solutions

(3) GESAT = Association founded in 1982 to promote the protected workers sector and support economic players in their relations with this sector.

(4) Includes the following entities: Corporate, Veolia Eau France (water France) excluding SEM, SADE, Veolia Environmental Services, SARP, SARPI, SEDE and Veolia Water technologies.

6.4.2 CONTRIBUTE TO LOCAL DEVELOPMENT

Veolia contributes to regional appeal and dynamism by proposing and implementing local, innovative and economically viable solutions that respond to the needs of local authorities and the industrial sector in terms of sustainable development.

The Group contributes to the economic and social development of the regions where it operates through the performance of delegated public services and the significant investments that it makes for the repair, maintenance and development of infrastructures.

Veolia is a green economy operator which, through its services, offers solutions that create:

- environmental value: innovations in key areas for the green economy (water, waste and energy); the Group supports its customers to help them reduce their consumption of natural resources, their carbon emissions and to better protect biodiversity; this is reflected in the recognition of the SNB (National Biodiversity Strategy) approach in 2015, which resulted in the implementation of an action plan in all Group activities in France and abroad (see Section 6.3 above);
- social value: access to essential services, employment, local jobs and solidarity;
- economic value: long-term partnership approach, support for SMEs, local innovation, green jobs and training.

6.4.2.1 Veolia, creator of employment, regional development and solidarity

The Group currently has 173,959 employees and acts as a responsible employer and creator of regional business growth and social solidarity (employment, training and the local economy). The Veolia human resources policy is presented in Section 6.2 above. Its major social/societal impacts in the regions are listed here based on initiatives developed by the Group's companies such as:

- making work-study contracts a priority in external recruitment. The Group is convinced that work-study schemes are an excellent way of acquiring skills, in particular under apprenticeship and professionalization contracts (1,992 trainees in 2015);
- policy of openness towards training sectors (schools, universities): hiring of student interns (4,505 in 2015), *Trophées de la Performance* (performance awards), student forums and fairs;
- numerous partnerships: in France, partnerships between the network of regional Veolia Campus sites and professionals involved in training, orientation and employment (such as the Epide “second-chance” schools, and the Conseil National des Missions Locales [French national council of local community organizations]) create pathways for young people who are the most alienated from the workplace to the qualifications that will prepare them for the Group's businesses. Access to a campus can also be an act of social solidarity (e.g. the Centre-East Campus in the Greater Lyon area, where the “Integration through Work” program strives to ensure that 10% of its staff for future promotions come from disadvantaged groups);
- the hiring of people with disabilities and the set-up of national agreements relating to the employment and continued employment of people with disabilities (see Section 6.2.4 above);
- support for social integration programs: welcoming individuals on subsidized employment contracts into Veolia contractual activities or activities performed in partnership with integration structures (e.g. recycling/re-use, sorting of office paper of small companies, etc.). In France, Veolia and Elise, partners since 2012 for the collection and recycling of office paper, decided to strengthen their alliance and extend their involvement to all office waste. Thus, 300 jobs will be created by 2020, not to mention the 275 already created since 2012. The aim of the partnership with the Envie association is to set up employment gateways between the Envie network and the Group. In the UK, the aim of the partnerships with *Blue Sky* and *Job Centre Plus* is the reinsertion of marginalized people and ex-offenders;
- solidarity initiatives tailored to a specific local context: the *Reconciliation Action Plan* (RAP) 2014-2016 in Australia aimed at Aboriginal and Torres Strait Islander peoples, the work undertaken with Kamalini and Shakti Shalini in India (empowerment of women and domestic violence) and Veolia's involvement in the work of the *Agencia Colombiana para la Reintegración*⁽¹⁾.

(1) Colombian Agency for Reintegration (as part of the peace negotiations between FARC and the Colombian government).

6.4.2.2 Economic impact

The jobs (mainly green jobs) generated by Veolia's activity, are, by their very nature, impossible to relocate and are largely open to low-skilled individuals. The Group therefore contributes to the growth of regions, their economies and human potential.

Veolia's involvement in regional economic development is reflected in:

- Economic partnerships with numerous regional players, its local stakeholders (see Section 6.4.1 above);
- Support measures for innovation and business creation: with the Veolia Innovation Accelerator (VIA), the Group acts as a technology integrator to detect and assess pioneering start-ups in the cleantech industry and deploy the most innovative;
- Processes promoting social entrepreneurship such as those managed with IIES, Ashoka (leading global network of social entrepreneurs – 3,000 in 80 countries) and, more recently, with Ticket for change, the purpose of which is to devise mechanisms in order to develop social entrepreneurship on a regional scale. These collaborations, which pool together both the social and fair economy know-how of these entities, as well as their innovative approaches, and the regional network of a company such as Veolia, contribute to the entrepreneurial momentum and help social entrepreneurs to make their businesses more successful, efficient and sustainable. This is reflected in the “Pop Up” approach deployed in four major cities; this new offering is to be rolled out to help cities support innovative social enterprises in line with the Group's businesses. These initiatives illustrate Veolia's desire to set up partnerships so as to jointly build and create shared value between the various players (government authorities, citizens, entrepreneurs, social entrepreneurship players).

Veolia's expenses are primarily reinvested in the regions, as illustrated by the monitoring indicator of commitment 5 (83.9% at the end of 2015 on average in the main geographic zones⁽¹⁾, the 2020 Group target being set at 80%).

6.4.2.3 The solidarity actions of the Veolia Foundation

Support for transition to work and social cohesion is one of three main aims of the Veolia Foundation. In particular, it supports initiatives and structures that encourage the return to work of people outside mainstream society (e.g. work sites, associations and companies that foster professional integration through economic activity, training, social assistance, entrepreneurial solidarity and microcredit, etc.). The beneficiaries of these projects are primarily young people experiencing major difficulties, the long-term unemployed and people on social welfare.

Through its multi-year partnerships, the Veolia Foundation supports associations involved with the social and professional integration of the most disadvantaged populations. Some of the most significant partnerships include **Elise** (sheltered workshop, specializing in the collection of office paper, that employs people with disabilities or professional integration difficulties; Elise is to develop its activities throughout France and the Foundation supports its expansion and diversification), **Adie** (association financing and accompanying micro-entrepreneurs with no access to bank loans; with the Foundation's help, Adie has pledged to support over three years 75 young entrepreneurs with the creation of their businesses with a personalized and very rigorous coaching program) and **Acta Vista** (which trains young people in historic building masonry).

By backing the “**Lulu dans ma rue**” project, the Veolia Foundation undertakes to improve social bonds in major cities while promoting the creation of a new economic activity that will create jobs: a local caretaking and maintenance service puts those seeking random services (minor DIY, deliveries, handling, pet sitting, IT assistance, babysitting, etc.) in contact with the relevant service providers. Following the feasibility study in 2014, the Veolia Foundation backed the experimental phase (launch of the first local caretaking and maintenance service in Paris). The initial results were extremely encouraging from a social (the local business enabled about fifty employees (Lulus) to obtain financial resources, escape isolation, become active and feel useful – powerful driver of social mixing) and economic (viable model) perspective, as well as for the local community. Numerous French cities (Brest, Bordeaux, Toulon, Lille, Grenoble,...) have expressed their wish to launch local caretaking and maintenance services based on the *Lulu dans ma rue* model.

Since 2005, the Veolia Foundation has supported the **Unis-Cité** association which offers young people aged between 18 and 25 who are conducting their voluntary civic service the chance to work on projects concerning the fight against exclusion, the restoration of social bonds and environmental protection. As such, the aim of the “*Médiaterre*” program is to provide low-income families with support in changing their behavior (eco-civic behavior: reduction of waste and control of water and energy consumption).

In 2015, the Foundation also supported around ten professional integration associations or companies in France (e.g.: Lille Sud Insertion and Voisin Malin, a network of salaried inhabitants (“*Voisins Malins*” or smart neighbors) in working-class neighborhoods), Germany, Congo Brazzaville (e.g.: Novam Spemus) or Asia (e.g.: Life Project 4 Youth).

(1) Germany (excluding VWT), Australia (excluding Energy and VWT and New Zealand), United States (excluding Canada and VWT), France (Corporate, Eau France excluding SEM, VRVD, SADE, SARP, SARPI and SEDE and VWT in France, VEI Sense), UK/Ireland (excluding VWT), Poland (excluding VWT, Eau and Propreté), Czech Republic. These geographic zones represent nearly 70% of the Group's revenue.

6.4.3 SUPPLY AND MAINTAIN SERVICES CRUCIAL TO HEALTH AND DEVELOPMENT

Veolia is committed to ensuring sustainable access to essential water, waste or energy.

The Group provides drinking water to 100 million people, wastewater treatment services to nearly 63 million people, waste collection services to 39 million people, and supplies heating to close to 6.4 million people worldwide⁽¹⁾.

6.4.3.1 MDG⁽²⁾/SDG⁽³⁾ and the international community

As a global firm, Veolia pays extremely close attention to the objectives set by the international community. Veolia is therefore committed, working with and on behalf of its delegating authorities, to being a key player in achieving these objectives.

Since the definition of the MDG in 2000, the Group has helped more than 6.5 million people in developing and emerging countries obtain access⁽⁴⁾ to drinking water and connected more than 3 million people to wastewater treatment services⁽⁵⁾. In 2015, 888,000 people were newly connected to drinking water services (v)⁽⁶⁾ and 352,000 people to wastewater treatment services (v)⁽⁶⁾.

Veolia wishes to remain mobilized for UN agencies in implementing the new Sustainable Development Goals (SDG 2015 - 2030) defined by the UN General Assembly in September 2015. Hence, discussions were initiated in 2015 to define the interconnection between the SDGs and Veolia's sustainable development commitments. These discussions will specify the target of commitment 6 on sustainable access and maintenance of services vital to healthcare and human development in its operating regions.

The Group has developed a set of solutions tailored to the local context, enabling it to ensure access for all to quality services. Accordingly, ACCES expertise, illustrating Veolia's strategy and commitment, is a set of solutions initially developed for water access in Africa (technical, financial and institutional, or societal engineering) that has now been extended to all countries and services. Veolia is particularly in favor of policies targeted towards more disadvantaged populations and/or districts.

In France, its "Water for all" solidarity program is organized around three types of assistance: emergency solutions to maintain access to water services by offering different forms of financial assistance appropriate to the individual's situation - a payment schedule, debt write-off or water vouchers - providing support solutions to help people manage their budgets and water consumption in a sustainable manner and preventive solutions to alert them to unusual overconsumption.

6.4.3.2 Consumer health and safety measures

Veolia provides drinking water services to 100 million people around the world. With the constant concern of controlling the quality of the water produced and distributed, Veolia has established a water quality control policy that aims to control the quality of water from source to faucet. It is based on four principles:

- anticipating: through scientific monitoring of emerging parameters, particularly new micropollutants such as endocrine disruptors and pharmaceutical product residues, improvement in the analytical methods for detecting these micropollutants and the assessment of their effects on health;
- monitoring:
 - by performing more frequent and complex water analyses within shorter timescales, according to standardized methods and using cutting-edge equipment and qualified personnel. In 2015, the rates of conformity to regulations of the water distributed were 99.6% and 99.6% respectively for bacteriological and physicochemical parameters,
 - by monitoring compliance of the largest distribution networks throughout the world;

(1) The number of inhabitants served takes account of inhabitants directly supplied by a distribution network operated by Veolia and inhabitants receiving water produced by Veolia but supplied by a third party. For distribution, this relates to inhabitants identified according to local practices (INSEE in France) in the region supplied. For production without distribution, the number of inhabitants supplied may be estimated from the volume sold to the distributor based on an average volume distributed per day and per inhabitant. The inhabitant data gathered and volumes sold to third parties are updated each year.

The calculation of the number of inhabitants supplied with wastewater treatment services follows the same principle, using the capacity of wastewater treatment plants in terms of population equivalents when wastewater is collected by a third party.

(2) Millennium Development Goals: United Nations program 1990 – 2015

(3) Sustainable Development Goals: United Nations program, 2030

(4) Measured using the monitoring indicator for commitment 6

(5) Data obtained from the number of connections set up by Veolia to water and wastewater treatment services, multiplied by an average number of persons per household, in 8 countries where Veolia works to provide access to such services.

(6) The information selected by the Company and identified by the sign (v) is subject to reasonable assurance by KPMG S.A.

- offering solutions to local communities for operational improvements and for the investments required for controlling water quality across the whole supply chain: maintaining network water quality, safeguarding the production and distribution of drinking water and protecting the resource;
- informing populations and ensuring an optimal response in case of accidents or crisis situations: on-call service 24/7, telephone service for responding to consumer concerns, distribution of bottled water in the event of extended disruption to the service, telephone warning system to advise all consumers of any restrictions on consumption and distribution points for bottled water.

Please also see Chapter 5, Sections 5.1.2.5 and 5.2.2.2.5, “Management of operational risks, Management of health and environmental third-party liability risks in respect of past and present activities” above.

The research partnership on the monitoring of drinking water quality is also worthy of mention. Through this partnership, Veolia and BioMérieux have pooled their complementary expertise in order to contribute to the improvement of public health worldwide. They are working together to detect microorganisms present in the natural environment or the network more rapidly than with current methods.

6.4.3.3 Assistance with humanitarian development and emergency relief

Solidarity is expressed through the services that the Group provides and that contribute to the common good. Combatting insecurity by ensuring access to essential services for people without a water supply, water treatment services or electricity is one of the ways that Veolia is actively committed (see Section 6.4.3.1 above)

Solidarity can also be expressed through the direct financing of causes in line with company values (solidarity-oriented companies, associations) or by giving Veolia employees the opportunity to devote their working time to a community project, or even through service agreements concluded in France between Veolia and local authorities that form part of decentralized cooperation projects (international solidarity).

6.4.3.4 International solidarity and humanitarian emergency actions by the Veolia Foundation

The Veolia Foundation contributes to extending access to essential services through its international solidarity activities (humanitarian emergencies and development assistance) and has established numerous partnerships in this area. It provides financial support and the skills of the Group's employees (through the Veoliaforce network).

The Foundation acts in partnership with the United Nations agencies (UNICEF and UNHCR) and international bodies (Red Cross, ACF, MDM, Solidarité Internationale, OXFAM, etc.) or in support of national governments. In August 2014, it signed a partnership agreement with the French government to strengthen the effectiveness of the response to emergency humanitarian situations. In Iraqi Kurdistan, for example, the Foundation participated in 2015 in two field missions, in cooperation with the French Foreign Ministry and the NGO Première Urgence – Aide Médicale Internationale (technical recommendations to improve water supply management at the Bardarash camp, housing 8,000 shabaks, a Muslim ethnic minority persecuted by Daesh). The emergency intervention in Nepal (dispatch of mobile water treatment and storage units and volunteers to the French Red Cross following the earthquake) is also worthy of mention.

In March 2015, the Foundation signed a partnership agreement for medical humanitarian action with the association Doctors Without Borders (*Médecins Sans Frontières*). It therefore pledged to provide MSF with Veoliaforce experts for support in research and innovation projects on issues relating to field activities in areas covered by the Veolia Group's business lines: energy, waste, wastewater treatment and drinking water. In Kenya (Homa Bay where MSF conducts a program to combat HIV), the involvement of Veoliaforce volunteers helped train MSF employees in assembling and operating the Aquaforce 500, a mobile water treatment unit. This mobile equipment will guarantee the water supply required for the mobile health center that the NGO will use for at least two years. In the Kakuma camp (currently the largest refugee camp in Africa), a new assignment was conducted in 2015 under the *Education above all* program regarding the wastewater treatment of school infrastructures and hygiene awareness-raising among young people.

Backing up the Health Ministry of the Democratic Republic of Congo, the Foundation is involved in a long-term program to improve access to water in the fight against cholera (since 2007). The Foundation's participation in a project to restore drinking water infrastructures in the town of Uvira in recent years was also published in the prestigious public health journal PLoSMed: LSHTM (London School of Hygiene & Tropical Medicine) established a direct link between piped drinking water interruptions and the admission rate of patients to the cholera treatment center. More generally, Thierry Vandeveld, the Foundation's Executive Officer, became coordinator of a working group within the WHO's Global Task Force on Cholera Control (GTFCC). A panel of international experts will therefore work on the association between cholera and drinking water access and strive to establish long-term strategies to combat the disease in the long term.

The support for the NGO Sulabh International in India (sanitary complexes in Delhi) is also worthy of mention. In Guinea-Conakry and Mali, the programs undertaken in 2014 continued (new drinking water supplies) and in Niger, a village hydraulics program was launched to help with the restoration of 230 hectares of damaged land to ensure food safety for the inhabitants (UNCCD⁽¹⁾ program).

(1) *United Nations Convention to Combat Desertification*

6.4.4 ACTIONS TAKEN TO PROMOTE HUMAN RIGHTS

For many years now, Veolia has been committed to respect for human rights, not only in its business activities but also in the regions where the Company operates.

Veolia's actions fall within the framework of international initiatives to which the Group has signed up, in particular the UN Global Compact, international human rights law and the OECD guidelines for multinational enterprises (see the Veolia Ethics Guide).

Projects carried out in numerous developing countries have shown that it is possible to reconcile service quality and accessibility and advocate respect for the human rights of the populations served.

After welcoming the official recognition of access to water as a basic human right in 2010, Veolia, as a modest player given the scale of this challenge, continues to work with its public authority partners to ensure that this right is respected through technically ambitious and socially innovative access programs.

Veolia continues to respond to invitations from institutions involved in the application of this right and contributes its recognized technical excellence to help advance this cause, combined with dialogue with all stakeholders to help produce shared solutions.

6.4.5 PREVENTING CORRUPTION

See Chapter 5, Sections 5.3, "Audit and internal control procedures" and 5.4, "Ethics and compliance" above.

6.5 Methodology

The social and environmental information in this document has been taken from the international database that Veolia has developed for its social and environmental reporting. The societal information is taken from this same database and other Group reporting (Finance and Responsible Purchasing) or obtained from limited geographical or business areas or from departments centralized at Group level.

The indicators were chosen to monitor the following as a priority:

- performance relating to the Group's principal CSR challenges;
- effects of the Group's CSR policy;
- regulatory obligations (Article R. 225-105-1 of the French Commercial Code in France).

Scope

Social reporting covers all companies that are fully consolidated in the Group's financial statements and the companies consolidated in the financial statements, which the Group manages operationally and which are located in all the countries where the Group has employees.

Environmental reporting covers activities linked to the operation of public water and wastewater treatment services, waste collection, transfer and processing activities, as well as industrial cleaning and maintenance and energy services (heating and cooling systems, industrial utilities and energy services to buildings). Within this scope, the reporting covers all activities over which the Group exercises operating control. Excluded activities in 2015 are estimated at 7% of revenue and are split between those relating to the operation of industrial water facilities that still need to be integrated into the reporting (particularly France and Canada), the activities of SADE, the Esterra subsidiary not included in the 2015 reporting campaign and low environmental impact activities that were not integrated (support functions, design offices and training institutions). However, the Moroccan entities (Redal and Amendis) were reincorporated into the reporting in 2015.

The environmental information relating to two facilities classified for environmental protection subject to authorization or registration in France was not integrated into the consolidated information published by Veolia. In fact, these facilities were not included in the aforementioned environmental reporting scope and represent a negligible impact with regard to Group data.

Within this scope, environmental and social information taken from the Group's dedicated information system is fully consolidated regardless of the proportion of consolidation in the financial statements.

Societal reporting covers the same scope as that of the social and environmental reporting for the data included in one of these reportings, as stated in the societal reporting guidelines. Social reporting also covers specific scopes due to the nature of the indicators and sources from which the data originates. In this case, the specific nature of the information is stated with the presentation of the indicator.

The data collected covers the period from January 1 to December 31, 2015.

Guidelines

In the absence of a recognized and relevant external reporting reference framework, the Group has defined its own reporting procedures, drawn from best practices and draft international standards, that describe the methodology used for the compiling, measuring, calculating, checking, analyzing and consolidating data. The environmental and societal reporting guidelines are available in French and English for the entities and on the Veolia website (www.veolia.com). The social reporting reference framework is available for the entities in French, English, German, Spanish and Portuguese.

Consolidations and control

The Group uses a software package to conduct automated checks on entities. The data is consolidated and checked by the Group's business units and the Corporate Human Resources Department, and the Technical and Performance Department for the social and environmental indicators respectively. The societal indicators that are not taken from the social or environmental reporting are consolidated and checked by the management/entity concerned (Finance, Purchasing, Foundation) and subsequently by the Sustainable Development Department.

All the CSR information published by the Group in Chapter 6 has been subject to a specific external review. For fiscal year 2015, the indicators noted by the symbol √ were checked with a reasonable level of assurance.

Methodological limits

It is important to Note that there may be methodological limits to the indicators due to the following:

- lack of harmonization between national and international legislation;
- heterogeneous nature of the data managed and the variety of tools in the Group's many subsidiaries;
- changes in definition that may affect the comparison of indicators;
- specific characteristics of labor laws in certain countries;
- practicalities of data collection;
- availability of source data on the reporting date.

The indicators should be interpreted with caution, in particular averages, since the figures comprise worldwide data that requires a more detailed analysis at the level of the geographical zone, country or business line concerned.

6.6 Report by one of the statutory auditors, appointed as independent third party, on the consolidated human resources, environmental and social information presented in the management report

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2015

To the Shareholders,

In our capacity as Statutory Auditor of the Veolia Environnement Company, (the "Company"), appointed as independent third party and certified by COFRAC under number 3-1049⁽¹⁾, we hereby report to you on the consolidated human resources, environmental and social information for the year ended 31 December 2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (Code de commerce).

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (Code de déontologie) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor's responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);
- at the request of the company, express reasonable assurance, that information selected by the Group and identified by the symbol V in the chapter 6 of the management report is presented fairly, in all material respects, in accordance with the Guidelines (Reasonable assurance on a selection of CSR information).

Our work involved nine persons and was conducted between November 2015 and March 2016 during a 25-week period.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

(1) Whose scope is available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in methodological information presented in the paragraph 6.5 of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around fifty interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important, presented in Appendix 1:

- at consolidation level, including the parent company, subsidiaries and controlled entities, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us, presented in Appendix 2, on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 23% of headcount, 47% of quantitative environmental data and 100% of quantitative social data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

3. Reasonable assurance on a selection of CSR Information

Nature and scope of the work

For the information selected by the Group and identified by the symbol √, presented in Appendix 1, our audit consisted of work of the same nature as described in paragraph 2 above for CSR information considered the most important, but in more depth, particularly regarding the number of tests.

The selected sample represents 48% of headcount, between 41% and 100% of quantitative environmental data and 100% of quantitative social data identified by the symbol √.

We consider that this work enables us to express a conclusion of reasonable assurance for the information selected by the Group and identified by the symbol √.

Conclusion

In our opinion, the information selected by the Group and identified by the symbol √ is presented fairly, in all material respects, in accordance with the Guidelines.

French original signed by:
Paris La Défense, 15 March 2016
KPMG S.A.

Philippe Arnaud
Partner
Climate Change & Sustainability Services

Karine Dupré
Partner

Appendix 1

Human resources indicators	Level of assurance
Headcount at 31/12 (breakdown by gender and work category)	Reasonable
Percentage of women in the headcount and in the executive	
Frequency rate of work accidents with sick leave (excluding the journey to and from work)	
Severity rate of work accidents with sick leave (excluding the journey to and from work)	
Number of work accidents with sick leave (excluding the journey to and from work)	
Work days lost due to work accidents (excluding the journey to and from work) (unlimited term and fixed term contracts)	
Total annual headcount – full time equivalent (FTE)	
Absenteeism in calendar days	
Weekly work time (in hours)	
Number of overtime hours	
Annual amount of working days per employee	
Average number of working days per week for a full time employee	
Absentee rate	
Percentage of employees having received at least one training during the year	
Number of collective agreements signed	
of which number of collective agreements related to health, safety or work conditions	
Total number of staff representatives	
Managers engagement rate	
Coverage by a social dialogue organization	
Headcount at 31/12 (breakdown by age and geographical area)	Limited
Total number of departures	
Of which number of individual and collective redundancies (unlimited term contract)	
Hours of training	
Environmental indicators	Level of assurance
Percentage of revenue covered by an ISO 14001 certification	Reasonable
Total direct greenhouse gases emissions (Scope 1)	
Total indirect greenhouse gases emissions (Scope 2)	
Greenhouse gases emissions reduced	
Greenhouse gases emissions avoided	
Indirect greenhouse gases emissions due to train and plane professional travels for the Group companies on the France scope (Scope 3)	
Indirect greenhouse gases emissions due to electricity consumption (Scope 3)	
Methane capture rate in landfill sites under operation and post-operation	
Total energy consumption (thermal)	
Total energy consumption (electrical)	
Consumption of renewable or alternative energies	
Total energy production (thermal)	
Total energy production (electrical)	
Renewable or alternative energy production	
Material recovery rate of treated waste	Limited

Social indicators		Level of assurance
Access to drinking water and wastewater services		Reasonable
Number of approved suppliers assessed on their CSR performance		
Percentage of contracts integrating sustainable development requirements		Limited
Amount of purchasing in France made with the protected and adapted work sector		
Percentage of purchasing made in France to the SME / mid-tier firms		
Qualitative information		
Human resources topics	Remuneration and their evolution	
	Organisation of social dialogue including information procedures, consultation and negotiation with the employees	
	Occupational health and safety conditions	
Environmental topics	The organisation of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues	
	Water consumption and water supply adapted to local constraints	
	Energy consumption and measures implemented to improve energy efficiency and renewable energy use	
	Consideration of noise and of any other activity specific pollution	
	Adaptation to consequences of climate change	
	Measures implemented to protect and conserve the biodiversity	
Social topics	Conditions of dialogue with stakeholders	
	Importance of subcontracting and consideration, in the relationship with subcontractors and suppliers of their social and environmental responsibility	

Appendix 2

Sample of selected entities	
Human resources and environmental information	Veolia China
	Veolia Poland
	Société des Eaux de Marseille
Human resources information	SARP France
	Veolia Italy
	Veolia Japan
	Veolia United Kingdom
	Veolia Colombia
	Veolia Belgium
	UES Générale des Eaux
	Veolia Water Bulgaria
	Veolia Water Czech Republic
	Veolia USA
	Veolia Australia
	VRVD Ile de France
Environmental information	Veolia Germany
	Veolia Water Ile-de-France Nord-Ouest
	Veolia Water Grand-Ouest
	Veolia Water Romania
	Veolia Energy Spain
	Veolia Energy Hungary
	SARPI France
	VRVD Centre-Ouest
Social information	VRVD Rhin-Rhône
	Veolia Environmental Services Australia
	Veolia Environmental Services USA
	Veolia Headquarters (France)

7

CORPORATE GOVERNANCE

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The Company has been a *société anonyme* (a French public limited company) with a Board of Directors since the General Shareholders' Meeting of April 30, 2003. The Company's shares are listed on the Euronext Paris regulated market. It is governed by French law, specifically with regard to corporate governance.

7.1 Members of the Board of Directors AFR

7.1.1 MEMBERS OF THE BOARD OF DIRECTORS AND POSITIONS HELD BY DIRECTORS OUTSIDE THE COMPANY

The Company's Board of Directors has seventeen members, including two directors representing employees and five female directors as well as two non-voting members (*censeurs*) as of the date of filing of this Registration Document (see Section 7.2.1.1 below).

<i>Director /Non-voting member (censeur)</i>	Date of first appointment	Date of most recent appointment	Expiry of term of office ⁽¹⁾
Antoine Frérot, <i>Chairman and Chief Executive Officer</i>	May 7, 2010	April 24, 2014	2018 GSM
Louis Schweitzer*, <i>Vice-Chairman and Senior Independent Director</i>	April 30, 2003	April 22, 2015	2019 GSM
Homaira Akbari* ⁽²⁾	April 22, 2015	-	2019 GSM
Jacques Aschenbroich*	May 16, 2012	-	2016 GSM
Maryse Aulagnon*	May 16, 2012	April 22, 2015	2019 GSM
Daniel Bouton*	April 30, 2003	April 24, 2014	2018 GSM
Caisse des dépôts et consignations, represented by Olivier Mareuse	March 15, 2012	May 14, 2013	2017 GSM
Clara Gaymard* ⁽³⁾	April 22, 2015	-	2019 GSM
Marion Guillou*	December 12, 2012	May 14, 2013	2017 GSM
Serge Michel	April 30, 2003	May 16, 2012	2016 GSM
Pavel Páša ⁽⁴⁾ , <i>director representing employees</i>	October 15, 2014	-	October 15, 2018
Baudouin Prot*	April 30, 2003	April 22, 2015	2019 GSM
Qatari Diar Real Estate Investment Company*, represented by Khaled Al Sayed	May 7, 2010	April 24, 2014	2018 GSM
Nathalie Rachou*	May 16, 2012	-	2016 GSM
Georges Ralli* ⁽⁵⁾	March 10, 2015	-	2016 GSM
Paolo Scaroni*	December 12, 2006	May 14, 2013	2017 GSM
Pierre Victoria ⁽⁶⁾ , <i>director representing employees</i>	October 15, 2014	-	October 15, 2018
Isabelle Courville ⁽⁷⁾ , <i>non-voting member (censeur)</i>	March 10, 2015	-	2016
Paul-Louis Girardot, <i>non-voting member (censeur)</i>	April 24, 2014	-	2018

(1) Since the adoption by the General Shareholders' Meeting of May 7, 2009 of the resolution reducing the term of office of directors from six to four years (with immediate application for current terms), directors are appointed for a term of four years.

(2) Mrs. Homaira Akbari was appointed as a director by the Combined General Meeting of April 22, 2015.

(3) Mrs. Clara Gaymard was appointed as a director by the Combined General Meeting of April 22, 2015.

(4) Nominated as a director representing employees by the Group's European Works Council on October 15, 2014.

(5) Mr. Georges Ralli was co-opted by the Board of Directors on March 10, 2015 to replace Groupama SA, which he represented, for the rest of his current term of office, i.e. until the end of the Combined General Meeting called to approve the financial statements for the year ended December 31, 2015. The Combined General Meeting of April 22, 2015 ratified this co-optation. It is recalled that Mr. Georges Ralli was previously appointed as a private individual director on April 3, 2003.

(6) Nominated as a director representing employees by the Group's France Works Council on October 15, 2014.

(7) Mrs. Isabelle Courville was appointed a non-voting member (*censeur*) by the Board of Directors on March 10, 2015, effective the same date for an initial term ending at the 2016 General Shareholders' Meeting called to approve the financial statements for fiscal year 2015. Mrs. Isabelle Courville will be proposed as a new director by the Board of Directors at the 2016 General Shareholders' Meeting in the context of the annual vote to renew or replace one-fourth of the members of the Board of Directors.

* Independent Director.

The table below presents the voting and non-voting members (*censeurs*) of the Board of Directors as of the date of filing of this Registration Document, their ages, the dates of their first appointment and reappointment, if any, and the expiry date of their terms of office, the main positions they hold outside the Company and the corporate offices they have held with all companies during the last five years.

The offices held by the directors and non-voting members (*censeurs*) stated below are current as of December 31, 2015 based on updated or known information as of the date of filing of this Registration Document with the French Financial Markets Authority (AMF):

Key:

GSM = General Shareholders' Meeting called to approve the financial statements for the year then ended.

* Listed company

^{VE} Group company

DIRECTORS



Principal positions held outside the Company – Other offices

Positions or offices expired in the last five years

ANTOINE FRÉROT

57 years old

Date of first appointment:

May 7, 2010

Date of reappointment:

April 24, 2014

Expiry of current office:

2018 GSM

Principal position held in the Company:

Chairman and Chief Executive Officer and Director of Veolia Environnement*

In France:

- Managing Director of Veolia Eau – Compagnie Générale des Eaux ^{VE};
- Director of Transdev Group ^{VE};
- Director of Veolia Energie International ^{VE};
- Director of Société des Eaux de Marseille ^{VE};
- Chairman of the VE Foundation ^{VE};
- Permanent representative of Veolia Environnement on the Board of Directors of Institut Veolia Environnement ^{VE};
- Vice-Chairman of the Strategy Board of Institut de l'Entreprise (non-profit organization);
- Director of Paris Ile-de-France Capitale Économique;
- Director of the Société des Amis du musée du quai Branly;
- Chairman of the non-profit organization Envie;
- Chairman of the non-profit organization Centre d'Arts Plastiques de Royan;
- Director of CNER, the Federation of French investment and economic development agencies;
- Director of the non-profit organization Amis de la Bibliothèque Nationale de France.

In France:

- Member of the A and B Supervisory Boards of Dalkia (formerly Dalkia holding) until 07/25/2014 ^{VE};
- Chairman of the Supervisory Board of Dalkia France until 07/24/2014 ^{VE};
- Chairman of Campus Veolia Environnement until 05/05/2014 ^{VE};
- Chairman of VE France Régions until 04/12/2014 ^{VE};
- Chairman of the Board of Directors of Veolia Water until 11/19/2013 ^{VE};
- Chairman of the Board of Directors of Veolia Transdev until 12/03/2012 ^{VE};
- Chairman of the Board of Directors of Veolia Propreté until 10/31/2012 ^{VE};
- Chairman of the Supervisory Board of Eolfi until 06/29/2012;
- Director of Veolia Transport until 03/24/2011 ^{VE};
- Member of the Supervisory Board of Ponts Formation Édition until 03/01/2011;
- Member of the Supervisory Board of Louis Dreyfus BV until 02/03/2011;
- Permanent representative of Veolia Eau – Compagnie Générale des Eaux on the Board of Directors of Institut Veolia Environnement ^{VE} until 02/22/2011.

Outside France:

- Member of the Management Board of Veolia Environmental Services North America (United States) ^{VE} until 05/15/2014;
- Director of Veolia Environmental Services North America (United States) ^{VE} until 12/31/2012.



**Principal positions held outside the Company –
Other offices**

Positions or offices expired in the last five years

LOUIS SCHWEITZER
73 years old

Date of first appointment:
April 30, 2003

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 GSM

**Principal position held
in the Company:**

Independent director
of Veolia Environnement*;
Vice Chairman of the
Board of Directors; Senior
Independent Director;
Chairman of the
Nominations and the
Compensation
Committees

Principal position held outside the Company:

- Commissioner General for Investment;
- Chairman of Initiative France.

**Other offices and positions exercised in any
company/entity**

In France:

- Director of L'Oréal*;
- Member of the Board of Musée du Quai Branly;
- Member of the Board of the National Political Science Foundation;
- Director of the Société des Amis du Musée du Quai Branly;
- Chairman of the Board of Directors of Festival d'Avignon;
- Chairman of the Board of Directors of Maison de la culture MC 93;
- Chairman of the French Foreign Affairs Council.

Outside France:

- Member of the Advisory Board of Allianz* (Germany);

In France:

- Director of BNP Paribas*.

Outside France:

- Member of the Advisory Board of Bosch (Germany);
- Chairman of the Board of Directors of AstraZeneca* (United Kingdom);
- Chairman of the Board of Directors of AB Volvo* (Sweden).



**Principal positions held outside the Company –
Other offices**

Positions or offices expired in the last five years

HOMAIRA AKBARI
55 years old

Date of first appointment:
April 22, 2015

Expiry of current office:
2019 GSM

**Principal position held
in the Company:**

Independent director
of Veolia Environnement*

Principal position held outside the Company:

- President and Chief Executive Officer of AKnowledge Partners (United States).

**Other offices and positions exercised in any
company/entity**

Outside France:

- Director of Covisint Corporation* (United States);
- Director of Landstar System Incorporation* (United States);
- Director of Gemalto NV* (Netherlands).

Outside France:

- President and Chief Executive Officer of SkyBitz (United States).



Principal positions held outside the Company – Other offices

Positions or offices expired in the last five years

JACQUES ASCHENBROICH
61 years old

Principal position held outside the Company:

None

- Director and Chairman and Chief Executive Officer of Valeo*.

Date of first appointment:
May 16, 2012

Other offices and positions exercised in any company/entity

Expiry of current office:
2016 GSM

In France:

- Chairman of Valeo Finance;
- Director of École nationale supérieure des mines ParisTech.

Principal position held in the Company:

Independent director of Veolia Environnement*; Member of the Accounts and Audit Committee since December 12, 2012; Chairman of the Research, Innovation and Sustainable Development Committee since December 12, 2012

Outside France:

- Chairman of Valeo SpA (Italy);
- Chairman of Valeo (UK) Limited (United Kingdom);
- Director of Valeo Service España, S.A. (Spain).



Principal positions held outside the Company – Other offices

Positions or offices expired in the last five years

MARYSE AULAGNON
66 years old

Principal position held outside the Company:

In France:

- Chairman and Chief Executive Officer of Affine R.E.*

- Director of AffiParis*.

Date of first appointment:
May 16, 2012

Other offices and positions exercised in any company/entity

Outside France:

- Managing Director of Affinvestor GmbH (Germany).

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 GSM

In France:

- Director of Air-France KLM*;
- Member of the Supervisory Board of BPCE (Banques Populaires Caisses d'Épargne) Group;
- Chairman of the Management Board of Mab-Finances;
- Representative of Affine R.E.*, Mab-Finances and Promaffine on the Boards of various entities of the Affine R.E. Group.

Principal position held in the Company:

Independent director of Veolia Environnement*; Member of the Nominations Committee

Outside France:

- Representative of Affine R.E., Chairman of Banimmo*, Affine R.E. Group (Belgium);
- Director of Holdaffine BV, Affine R.E. Group (Netherlands).



***Principal positions held outside the Company –
Other offices***

Positions or offices expired in the last five years

DANIEL BOUTON

65 years old

Date of first appointment:

April 30, 2003

Date of reappointment:

April 24, 2014

Expiry of current office:

2018 GSM

Principal position held outside the Company:

- Chairman of DMJB Conseil;
- Senior Advisor of Rothschild & Cie Banque.

In France:


- Senior Advisor of CVC Capital Partners;
- Director of Total SA*.

***Other offices and positions exercised in any
company/entity***

None

***Principal position held
in the Company:***

Independent director
of Veolia Environnement*;
Member of the Audit and
Accounts Committee
since November 2, 2009
and Chairman of the
Committee since January
1, 2010; Member of the
Compensation Committee

	Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
CAISSE DES DÉPÔTS ET CONSIGNATIONS Date of first appointment: March 15, 2012 Date of reappointment: May 14, 2013 Expiry of current office: 2017 GSM Principal position held in the Company: Director of Veolia Environnement*	Principal position held outside the Company: None Other offices and positions exercised in any company/entity In France: <ul style="list-style-type: none"> ▪ Director of CNP Assurances*; ▪ Director of Compagnie des Alpes*; ▪ Director of Egis SA; ▪ Director of FSI; ▪ Director of Icade*; ▪ Director of la Poste; ▪ Director of Oseo SA; ▪ Member of the Supervisory Board of SNI; ▪ Director of Veolia Transdev . 	Outside France: <ul style="list-style-type: none"> ▪ Director of Dexia* (Belgium).
<hr/>		
	Principal positions held outside the Company – Other offices Principal position held outside the Company: <ul style="list-style-type: none"> ▪ Chief Financial Officer of Caisse des dépôts et consignations (CDC) Group. Other offices and positions exercised in any company/entity In France: <ul style="list-style-type: none"> ▪ Director of AEW Europe; ▪ Director of CDC Infrastructure; ▪ Director of Icade*; ▪ Director of Société forestière de la CDC; ▪ Permanent representative of CDC on the Board of Directors of Qualium Investissement; ▪ Director of CNP Assurance*; ▪ Director of CDC GPI; ▪ Director of CDC International Capital; ▪ Member of the Group Executive Committee and Public Institution Executive Committee of CDC; ▪ Director of the French Association of Institutional Investors. 	Positions or offices expired in the last five years In France: <ul style="list-style-type: none"> ▪ Director of FSI; ▪ Member of the Supervisory Board IXIS Asset Management. Outside France: <ul style="list-style-type: none"> ▪ Director of Dexia* (Belgium).
OLIVIER MAREUSE 52 years old Principal position held in the Company: Permanent representative of Caisse des dépôts et consignations on the Board of Directors of Veolia Environnement*		



CLARA GAYMARD

56 years old

Date of first appointment:
April 22, 2015

Expiry of current office:
2019 GSM

Principal position held in the Company:

Independent director of Veolia Environnement*

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- President of RAISE.

Other offices and positions exercised in any company/entity

In France:

- Chairman of the American Chamber of Commerce in France;
- Member of the Board of Directors of the French American Foundation.

Positions or offices expired in the last five years

In France:

- Chairman of GE France.



MARION GUILLOU

61 years old

Date of first appointment:
December 12, 2012

Date of reappointment:
May 14, 2013

Expiry of current office:
2017 GSM

Principal position held in the Company:

Independent director of Veolia Environnement*; Member of the Research, Innovation and Sustainable Development Committee since December 12, 2012; Member of the Compensation Committee since November 5, 2014

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of the Board of Directors of Agreenium, the French Institute of Agronomics, Veterinary Science and Forestry.

Other offices and positions exercised in any company/entity

In France:

- Director of Apave;
- Director of BNP*;
- Director of Imerys*;
- Member of the Board of Directors of the Sciences-Po Foundation;
- Member of the National Council of the Legion of Honor;
- Member of the French Research Strategic Council;
- Chairman of the adjudication panel of the Toulouse Excellence Initiative (IDEX).

Outside France:

- Member of the Board of CGIAR.

Positions or offices expired in the last five years

In France:

- Chairman of the French National Consortium for agriculture, food, animal health and the environment;
- Chairman and Chief Executive Officer of INRA;
- Chairman of the Board of Directors of École Polytechnique;
- Chairman of a joint agriculture and climate change research initiative (JPI FACCE);
- Member of the Supervisory Board of Areva, representing the French State.

Outside France:

- Member of the FAO HLPE.



SERGE MICHEL

89 years old

Date of first appointment:
April 30, 2003

Date of reappointment:
May 16, 2012

Expiry of current office:
2016 GSM

Principal position held in the Company:

Director of Veolia Environnement*; Member of the Nominations and Compensation Committees since March 25, 2014

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of Soficot SAS.

Other offices and positions exercised in any company/entity

In France:

- Chairman of Société Gastronomique de l'Étoile;
- Chairman of Groupe Épicure;
- Chairman of Les Joies de Sofi;
- Member of the Supervisory Board of Compagnie des Eaux de Paris;
- Director of SARP Industries^{VE};
- Member of the Supervisory Board of Société des Eaux de Trouville Deauville et Normandie^{VE};
- Permanent representative of CEPH on the Board of Directors of SEDIBEX^{VE};

Positions or offices expired in the last five years

In France:

- Director of Orsay Finance 1;
- Director of Infonet Services;
- Chairman of Carré des Champs-Élysées;
- Director of LCC SA;
- Chairman of CIAM;
- Permanent representative of EDRIF on the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux^{VE};
- Member of the Supervisory Board of Eolfi^{VE};
- Director of Eiffage SA*.



PAVEL PÁŠA

51 years old

Date of first appointment:
October 15, 2014

Expiry of current office:
October 15, 2018

Principal position held in the Company:

Director representing Veolia Environnement* employees; Member of the Research, Innovation and Sustainable Development Committee since November 5, 2014

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- None

Other offices and positions exercised in any company/entity

- None

Positions or offices expired in the last five years

In France:

- Member of the Veolia^{VE} European Works Council
- Officer of the Veolia^{VE} European Works Council.

Outside France:

- None



BAUDOUIN PROT

64 years old

Date of first appointment:
April 30, 2003

Date of reappointment:
April 22, 2015

Expiry of current office:
2019 GSM

Principal position held in the Company:

Independent director of Veolia Environnement*

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Senior Advisor of Boston Consulting Group (France).

Other offices and positions exercised in any company/entity

In France:

- Director of Lafarge*;
- Director of Kering*;
- Chairman of the BNP Paribas Emergency & Development Fund.

Outside France:

- Director of BGL BNP Paribas (Luxembourg);
- Member of the Institute of International Finance (United States);
- Vice-Chairman of the International Monetary Conference – IMC;
- Member of the Monetary Authority of Singapore (MAS) International Advisory Panel (Singapore);
- Member of the International Business Leaders' Advisory Council (IBLAC) of the City of Shanghai (China);

Positions or offices expired in the last five years

In France:

- Chairman of the Board of Directors of BNP Paribas*;
- Director and Chief Executive Officer of BNP Paribas*;
- Member of the French Banking Federation Executive Committee.

Outside France:

- Director of Pargesa Holding SA* (Switzerland);
- Director of Erbé SA (Belgium).

	Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
QATARI DIAR REAL ESTATE INVESTMENT COMPANY Date of first appointment: May 7, 2010 Date of reappointment: April 24, 2014 Expiry of current office: 2018 GSM	Principal position held outside the Company: None Other offices and positions exercised in any company/entity Outside France: <ul style="list-style-type: none"> ▪ Director of Barwa Real Estate (Qatar); ▪ Director of Canary Wharf (United Kingdom). 	None
Principal position held in the Company: Independent director of Veolia Environnement*		



	Principal positions held outside the Company – Other offices	Positions or offices expired in the last five years
KHALED AL SAYED 50 years old Principal position held in the Company: Permanent representative of Qatari Diar Real Estate Investment Company on the Board of Directors of Veolia Environnement*	Principal position held outside the Company: <ul style="list-style-type: none"> ▪ Group Chief Executive Officer of Qatari Diar Real Estate Investment Company (Qatar). 	Outside France: <ul style="list-style-type: none"> ▪ Chief Business Officer of Qatari Diar Real Estate Investment Company (Qatar); ▪ Contracts Director of Qatari Diar Real Estate Investment Company (Qatar); ▪ Supply Chain Director of Eastern Hemisphere Occidental Oil & Gas Corporation (United Arab Emirates - Abu Dhabi); ▪ Supply Chain Director of Shell E.P. (United Arab Emirates - Dubai).



NATHALIE RACHOU

58 years old

Date of first appointment:

May 16, 2012

Expiry of current office:

2016 GSM

Principal position held in the Company:

Independent director of Veolia Environnement*;

Member of the Accounts and Audit Committee since

December 12, 2012

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Senior Advisor of Rouvier Associés.

Other offices and positions exercised in any company/entity

In France:

- Director, Chairman of the Risks Committee and Member of the Audit, and Internal Control Committee of Société Générale*;
- Director and member of the Audit Committee of Altran Technologies*.

Outside France:

- Director and member of the Audit Committee of Laird Plc* (United Kingdom).

Positions or offices expired in the last five years

Outside France:

- Founder and Managing Director of Topiary Finance Ltd. (United Kingdom).



Principal positions held outside the Company – Other offices

Positions or offices expired in the last five years

GEORGES RALLI

67 years old

Date of first appointment:
April 30, 2003

Expiry of current office:
2016 GSM

Principal position held in the Company:

Independent director of Veolia Environnement*

In France:

- Director of Quadrature Investment Managers;
- Director of Chargeurs*;
- Director of Carrefour*.

Outside France:

- Managing Director of IPF Management I Sarl (Luxembourg);
- Managing Director of IPF Partners Sarl (Switzerland).

In France:

- Permanent representative of Groupama SA on the Board of Directors of Veolia Environnement;
- Chairman of Maison Lazard SAS;
- Chairman and Managing Partner of Lazard Frères Gestion SAS;
- Managing Partner of Compagnie Financière Lazard Frères SAS and Lazard Frères SAS;
- Member of the Supervisory Board of VLGI;
- Director of Silic*.

Outside France:

- Deputy Chairman and Managing Director of Lazard Group LLC (United States);
- Chief Executive of the European Investment Banking Business of Lazard (United States);
- Co-Chairman of the European Investment Banking Committee of Lazard (United States);
- Director of LAZ-MD Holding LLC (United States);
- Member of LFCM Holdings LLC (United States);
- Director of Lazard AB (Sweden);
- Member of the Executive Committee of Lazard BV (Belgium);
- Director of Lazard Aserores Financieros SA (Spain);
- Director of Lazard Wealth Management Holding SL (Spain);
- Director of Lazard & Co. Srl (Italy);
- Director of Lazard Investments Srl (Italy);
- Chairman of the Advisory Board of Lazard GmbH (Switzerland);
- Chairman of Lazard Wealth Management Europe Sarl (Luxembourg);
- Chairman of the Executive Committee of Lazard Fund Management GmbH (Germany).



PAOLO SCARONI

69 years old

Date of first appointment:
December 12, 2006

Date of reappointment:
May 14, 2013

Expiry of current office:
2017 GSM

Principal position held in the Company:

Independent director of Veolia Environnement*

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Deputy Chairman of Rothschild Group (Italy).

Other offices and positions exercised in any company/entity

Outside France:

- Member of the Board of Directors of Columbia Business School (United States);
- Member of the Board of Directors of Fondazione Teatro alla Scala (Italy).

Positions or offices expired in the last five years

Outside France:

- Vice-Chairman of London Stock Exchange Plc* (United Kingdom);
- Member of the Board of Directors of Assicurazioni Generali* (Italy);
- Chief Executive Officer of ENI* (Italy).



PIERRE VICTORIA

61 years old

Date of first appointment:
October 15, 2014

Expiry of current office:
October 15, 2018

Principal position held in the Company:

Director representing Veolia Environnement* employees; Member of the Accounts and Audit Committee and the Compensation Committee since November 5, 2014

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- General Representative of the Cercle français de l'eau ;
- Treasurer of the non-profit organization Association pour la défense des intérêts français en Asie Pacifique (ADIFAP)

Other offices and positions exercised in any company/entity

In France:

- Director of Seureca^{VE};
- Representative of founder members of the VE Foundation^{VE};
- Director of Vigeo.

Positions or offices expired in the last five years

None

NON-VOTING MEMBERS (censeurs)



ISABELLE COURVILLE
53 years old

Date of first appointment:
March 10, 2015

Expiry of current office:
2016

Principal position held in the Company:

Non-voting member (*censeur*) since March 10, 2015

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of the Board of Directors of Laurentian Bank of Canada.

Other offices and positions exercised in any company/entity

Outside France:

- Director of Canadian Pacific Railway (Canada);
- Director of TVA, Inc. Group (Canada);
- Director of the Institute of Corporate Directors (Canada).

Positions or offices expired in the last five years

Outside France:

- President of Hydro-Quebec Distribution (Canada);
- President of Hydro-Quebec TransEnergie (Canada);
- Director of Miranda Technologies, Inc. (Canada);
- Representative of Canada on the Asia-Pacific Economic Cooperation Business Advisory Council (ABAC).
- Member of the Northeast Power Coordinating Council (Canada);
- Member of the Saint Justine UHC Hospital Foundation (Canada).



PAUL-LOUIS GIRARDOT
82 years old

Date of first appointment:
April 24, 2014

Expiry of current office:
2018

Principal position held in the Company:

Non-voting member (*censeur*) since April 24, 2014; Member of the Research, Innovation and Sustainable Development Committee since September 14, 2006

Principal positions held outside the Company – Other offices

Principal position held outside the Company:

- Chairman of the Supervisory Board of Veolia Eau - Compagnie Générale des Eaux ^{VE}.

Other offices and positions exercised in any company/entity

In France:

- Director of Société des Eaux de Marseille ^{VE};
- Chairman of the Supervisory Board of Compagnie des Eaux et de l'Ozone ^{VE};
- Vice-Chairman of Institut Veolia Environnement ^{VE}.

Positions or offices expired in the last five years

In France:

- Director of Veolia Environnement*
- Member of the Supervisory Board of Dalkia France ^{VE};
- Member of the A and B Supervisory Boards of Dalkia SAS ^{VE};
- Director of Veolia Propreté ^{VE};
- Director of Veolia Water ^{VE};
- Director of Veolia Transport.

7.1.2 DIRECTOR BIOGRAPHIES

Born on June 3, 1958 in Fontainebleau (France), **Antoine Frérot** is a graduate of the École Polytechnique (class of 1977), engineer at the Ponts et Chaussées corps and holds a doctorate from the École Nationale des Ponts et Chaussées.

He started his career in 1981 as a research engineer at the Central Research Office for French Overseas Departments and Territories. In 1983, he joined the Center for Study and Research of the École Nationale des Ponts et Chaussées as a project manager and then served as assistant director from 1984 to 1988. From 1988 to 1990, he was Head of Financial Transactions at Crédit National. In 1990, Antoine Frérot joined Compagnie Générale des Eaux as a project manager and, in 1995, became Chief Executive Officer of CGEA Transport. In 2000, he was appointed Chief Executive Officer of CONNEX, the Transport Division of Vivendi Environnement, and a member of the Executive Committee of Vivendi Environnement. In January 2003, he was appointed Chief Executive Officer of Veolia Eau, the Water Division of Veolia Environnement, and Senior Executive Vice President of Veolia Environnement. In November 2009, he was appointed Chief Executive Officer, and in December 2010, Chairman and Chief Executive Officer of Veolia Environnement.

Louis Schweitzer is a graduate of the Institut d'Études Politiques (IEP) in Paris. A graduate of the École nationale d'administration (ENA) and Inspector of Finance, he was chief of staff for Laurent Fabius (who was successively junior Budget Minister, Minister for Industry and Research and Prime Minister) from 1981 to 1986. In 1986, he joined Renault's senior management team and then successively held the positions of Head of Planning and Management Control, Chief Financial and Planning Officer and Deputy Chief Executive Officer. He was appointed Chief Executive Officer of Renault in December 1990, then Chairman and Chief Executive Officer in May 1992 until April 29, 2005, when he was appointed Chairman of the Board of Directors of Renault. Mr. Schweitzer did not seek to renew his term of office as a Director of Renault at the May 6, 2009 Annual General Meeting. After being appointed Vice-Chairman of the Veolia Environnement Board of Directors on November 27, 2009, he was appointed Senior Independent Director of the Company on May 16, 2012 and was again appointed Vice-Chairman on May 14, 2013. He has served as Commissioner General for Investment since April 23, 2014.

Homaira Akbari has a Ph.D. in particle physics from Tufts University and an MBA from the Carnegie Mellon University in the United States. She has held several executive positions in Microsoft Corporation, Thales Group, TruePosition, Inc., a subsidiary of Liberty Media Corporation and the Cambridge Strategic Management Group. From 2007 to 2012, she served as Chief Executive Officer of SkyBitz, Inc., the leading provider of remote asset tracking and security solutions, specializing in real time decision-making tools. Homaira Akbari is currently Chief Executive Officer of AKnowledge Partners, LLC, a global advisory firm providing high-impact consultative strategies, solutions and advice to leading Fortune 1000 US companies and private equity firms operating in the Internet of Things (IoT), security, Big Data and analytics sectors.

Jacques Aschenbroich, is an engineering graduate of the Corps des Mines. He held several positions in the French civil service and served on the Prime Minister's staff in 1987 and 1988. He then moved into industry, working in the Saint-Gobain Group from 1988 to 2008. After managing the Group's subsidiaries in Brazil and Germany, he took over the management of the Flat Glass Division of Compagnie de Saint-Gobain and went on to become Chairman of Compagnie Saint-Gobain Vitrage in 1996. From October 2001 to December 2008, he was Senior Vice-President of Saint-Gobain, managing the Flat Glass and High Performance Materials sectors starting in January 2007, and managed the Group's operations in the United States as Chief Executive of Saint-Gobain Corporation and General Representative for the United States and Canada from September 1, 2007. He was appointed director and Chief Executive Officer of Valeo in March 2009, followed by Chairman and Chief Executive Officer on February 18, 2016.

Maryse Aulagnon is Founder and Chief Executive Officer of Affine Group, consisting of two property companies listed in Paris and Brussels specializing in commercial real estate. She holds a Master's degree in economics and is a graduate of the Institut d'Études Politiques (IEP) and of the École nationale d'administration (ENA). She is an honorary Maître des Requêtes of the Conseil d'État (1975 to 1979). After holding various positions at the French Embassy in the United States (1979-1981) and on the staff of several French ministers (Budget and Industry), she joined the Compagnie Générale d'Electricité Group (now Alcatel) in 1984 as Director of International Affairs. She joined then Euris as Deputy Chief Executive Officer when it was created in 1987. In 1990 she founded Affine Group, which she has led since then. She has also been a member of the Supervisory Board of the BPCE banking group (Banques Populaires Caisses d'Epargne) since December 2010 and a Director of Air France-KLM (Chairman of the Audit Committee) since July 2010. Lastly, she serves as a Director of several professional organizations (including Club de l'Immobilier, Fondation Palladio and FSIF and is a founding member of Cercle 30). She is also a Director of cultural and university organizations (Fondation des Sciences-Po, Le Siècle, Terrafemina).

Daniel Bouton holds a degree in political science. He is a graduate of the École nationale d'administration (ENA) and was an Inspector of Finance. He has held several positions in the French Ministry of Economy, Finance and Industry, including budget Director, from 1988 to 1991. In 1991, he began working at Société Générale, serving as Chief Executive Officer from 1993 and as Chairman and Chief Executive Officer from 1997. He was appointed as Chairman of the Board of Directors of Société Générale in May 2008, and resigned from his duties as Director and Chairman of the Bank in May 2009. He founded a consulting company, DMJB Conseil, and became its Chairman in November 2009.

Caisse des dépôts et consignations, established in 1816, is a public establishment carrying out tasks of general interest. As such, it is a long-term investor seeking to contribute to the growth of companies. Its permanent representative on the Board of Directors of Veolia Environnement, **Olivier Mareuse**, graduated from the Institut d'Études Politiques (IEP) in Paris in 1984 and from the École nationale d'administration in 1988. He joined CNP Assurances in 1988 as an assistant director in the financial

institutions department. In 1989, he was named Technical and Financial Vice President in the collective insurance department and subsequently worked as a special assistant to the Chief Executive Officer of CNP Assurances between 1991 and 1994. From 1993 to 1998, he worked as Vice President of Strategy, Management Control and Shareholder Relations and was responsible for the company's initial public offering. He was then appointed Vice President of Investments, a post he held until 2010. In October 2010, he joined the Caisse des dépôts et consignations, first as deputy Chief Financial Officer (CFO) and from December 15, 2010 as CFO and a member of the Management Committees.

Clara Gaymard is a graduate of the Institut d'Études Politiques (IEP) in Paris and of the École nationale d'administration (ENA). She held several senior civil service positions between 1982 and 2006. Before entering ENA, Clara Gaymard started her career at Paris City Hall in the mayor's office between 1982 and 1984. On leaving ENA, she joined the French Court of Accounts as an auditor and was promoted to Senior Audit Commissioner in 1990. She was then Deputy Head of Economic Expansion Services in Cairo (1991-1993), followed by Head of the European Union office (Europe North-South Department) in the External Economic Relations Department (DREE) of the French Economy and Finance Ministry. In June 1995, she was asked by Colette Codaccioni, the Minister of Solidarity, to become her chief of staff. Clara Gaymard was then Deputy Director of SME Support and Regional Action in the DREE (1996-1999) followed by head of the SME mission (1999-2003). In 2003 she was appointed Ambassador-at-large for international investment and President of the Invest in France Agency (AFII). In 2006, Clara Gaymard joined General Electric (GE) as Chairman of GE in France and then of the North-West Europe region from 2008 to 2010. While remaining Chairman and Chief Executive Officer of GE France, she was appointed Vice-Chairman of GE International for Government Sales and Strategy in 2009 and then in 2010, Vice-Chairman for Governments and Cities under the chairmanship of Jeffrey R. Immelt. Since 2013, she has participated in the acquisition of Alstom's energy business and played a major role in its completion. On February 1, 2016 she joined RAISE, as a co-founding partner with Gonzague de Balignières.

Marion Guillou is a graduate of the École Polytechnique (class of 1973), holds a PhD in Food Sciences, and is a General Engineer in bridges, water and forestry engineering, and a member of the Academy of Technology and the Academy of Agriculture. She led the National Institute of Agronomic Research (INRA) for four years (1996-2000) before being appointed as its Chairman and Chief Executive Officer (2000-2004), where she helped guide research on agriculture, food, environment and international openness (2004-2012). She also chaired the French National Consortium for agriculture, food, animal health and the environment (2010-2015). She is currently Chairman of the Board of Directors of Agreenium, the French Institute for agronomics, veterinary science and forestry (since 2015).

Serge Michel has spent his entire career in the construction and public works sector. After having held the position of Executive Vice-President with Compagnie de Saint-Gobain and been Chairman of Socea, he chaired the SGE group until 1991 and the CISE group until 1997. He served as Executive Vice-President of Compagnie Générale des Eaux until 1992. He is currently President of Soficot, a business management and investment consulting company he founded in 1997. He has been a Director of the Company since April 30, 2003.

Pavel Pasa has been a Veolia employee since 1995.

Baudouin Prot is a graduate of the École des Hautes Etudes Commerciales (HEC) and of the École nationale d'administration (ENA). From 1974 to 1983, he was successively Deputy Director to the Prefect of the Franche-Comté region, Inspector of Finance at the French Treasury and Deputy to the General Director of Energy and Raw Materials at the Ministry of Industry. He joined Banque Nationale de Paris in 1983, where he held various positions before being appointed Executive Vice-President in 1992 and Chief Executive Officer in 1996. After being appointed Director and Executive Vice-President of BNP Paribas in March 2000, he was named Director and Chief Executive Officer of BNP Paribas in June 2003. He was elected as Chairman of the Board of Directors of BNP Paribas on December 1, 2011, a position he held until December 1, 2014. He is currently a Senior Advisor at Boston Consulting Group.

Qatari Diar Real Estate Investment Company is wholly-owned by Qatar Investment Authority, which is the sovereign fund of the State of Qatar. The Fund is a large-scale class investor in development and property and operates in twenty countries in the Middle East, Africa and Europe. Qatari Diar has total investment funds of more than US\$ 60 billion. Its permanent representative on the Board of Directors of Veolia Environnement is **Khaled Al Sayed**. He holds a degree in electrical engineering science from the United States and has held various positions in several departments, including engineering, project management, logistics and business development, in internationally recognized organizations, domiciled in Qatar and the United Arab Emirates. His reputation and expertise in business development and project management have been strongly appreciated within Occidental Oil & Gas Corporation and Shell EP International Ltd. The leadership capacity of Khaled Al Sayed and his outstanding results led him to be appointed Group Chief Executive Officer of Qatari Diar Real Estate Investment Company.

Nathalie Rachou is a senior advisor of Rouvier Associates. She graduated from the École des hautes études commerciales (HEC) in 1978 and spent the first part of her career at Banque Indosuez (now Crédit Agricole). After working as a foreign exchange dealer for clients in London and Paris from 1978 to 1982, she was Head of Asset and Liability Management and Market Risk Management until 1986, and then set up the bank's business on MATIF and the bank's derivatives broking subsidiary. From 1991 to 1996, she was General Counsel for Banque Indosuez, then served from 1996 to 1999 as head of Global Foreign Exchange and Currency Options worldwide. In November 1999, she founded Topiary Finance, a United Kingdom based asset management company, which she led until 2015. She has been a non-executive Director of Société Générale since 2008 (Chairman of the Risks Committee and member of the Audit and Internal Control Committee) of Altran Technologies (member of the Audit Committee) since 2012 and of Laird Plc (member of the Audit Committee) since 2016. Finally, she has been a French foreign trade advisor since 2001 and is a member of the Cercle d'Outre-Manche and a trustee of the Dispensaire Français in London.

Georges Ralli holds a graduate degree (DESS) in banking and finance from the University of Paris-V and is a graduate of the Institut d'Études Politiques (IEP) in Paris and the Institut Commercial in Nancy. In 1970, he joined Crédit Lyonnais, where he held various management positions in the company and the network until 1981. In 1982, he held the post of Secretary of the Savings Development and Protection Commission. From 1982 to 1985, he headed the financial negotiations department of Crédit du Nord. He joined Lazard in 1986 and became managing partner in 1993, then jointly headed the mergers and acquisitions department of Lazard LLC as of 1999. From 2000 to 2012, he served as Deputy Chairman and Managing Director of the Executive Committee of Lazard LLC (United States) and in 2005 was named Co-Chairman and Chief Executive of the Lazard European Investment Banking Committee. He was head of La Maison Française until 2009 and led the European mergers and acquisitions activities of Lazard (Maison Lazard) and Asset Management (Lazard Frères Gestion) until 2012. He is today managing-partner of IPF Partners, an investment fund specializing in the health sector.

Paolo Scaroni holds a degree in economics from Bocconi University in Milan and an MBA from Columbia Business School in New York. Following a year with McKinsey & Company after earning his MBA, he held various positions with Saint Gobain between 1973 and 1985, ultimately heading the "flat glass" division. In 1985, Paolo Scaroni became Chief Executive Officer of Techint, while at the same time holding the positions of Vice President of Falck and Executive Vice President of SIV, a joint venture between Techint and Pilkington plc. He became Chief Executive Officer of Pilkington plc in 1996 and held that position until May 2002. After serving as Chief Executive Officer of Enel from 2002 to 2005, he became Chief Executive Officer of Eni in June 2005. He is Deputy Chairman of Rothschild Group since June 2014.

Pierre Victoria is a graduate of the Institut d'Études Politiques (IEP) in Paris and holds a Master's degree in law. He is currently the Director of Sustainable Development for Veolia. He joined the headquarters of Veolia Eau-Compagnie Générale des Eaux in 2001 after holding sales and administrative positions with Veolia Eau-Compagnie Générale des Eaux in western France for twelve years. He is also the General Representative of the Cercle français de l'eau and a member of the French trade union CFDT.

Isabelle Courville graduated in engineering physics from Ecole Polytechnique Montréal and in civil law from McGill University. She was active for 20 years in the Canadian telecommunications industry. She served as President of Bell Canada's Enterprise Group and as President and Chief Executive Officer of Bell Nordiq. From 2006 to 2013, she joined Hydro-Québec where she served as President of Hydro-Québec TransEnergie and eventually as President of Hydro-Québec Distribution. Since 2013, she has been Chair of the Board of Laurentian Bank of Canada. She is also a Board member of Canadian Pacific Railway and the TVA Group. She sits on the Board of the Montreal Heart Institute Foundation and the Institute of Corporate Directors. She was a member of the APEC (Asia Pacific Economic Cooperation) Business Advisory Council from 2010 to 2013.

Paul-Louis Girardot served as Director and Chief Executive Officer of Vivendi until 1998. He focused principally on developing the Veolia Environnement Group's utilities concessions, particularly in the water sector. In addition, he contributed significantly to Vivendi's activities in the telephone sector, in particular mobile telephones. He also worked to expand the Veolia Environnement Group's business in the energy sector and in the decentralized production of electric power (cogeneration), through the Dalkia subsidiary. He has been Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux since 2001. He was appointed to the position of non-voting member (*censeur*) by the Board of Directors at its March 11, 2014 meeting, taking effect at the end of the April 24, 2014 General Shareholders' Meeting for a period of four years and expiring at the end of the 2018 General Shareholders' Meeting.

7.1.3 CONVICTIONS, BANKRUPTCIES, CONFLICTS OF INTEREST AND OTHER INFORMATION

Based on declarations made by the members of the Board of Directors to Veolia Environnement, there are, to the best of the Company's knowledge, no family ties among the members of the Company's Board of Directors and, during the last five years: (i) no member of the Board of Directors of Veolia Environnement has been convicted of fraud; (ii) no member of the Board of Directors has been involved in any bankruptcy, receivership or liquidation proceedings; (iii) no statutory or regulatory authority (including designated professional organizations) has made any official public accusation and/or imposed a penalty on these persons; and (iv) no director has been forbidden by a court from holding a position as a member of a Board of Directors or of a Management or a Supervisory Body of a publicly held company or from participating in the management or business operations of a publicly held company.

To the best of the Company's knowledge, no conflicts of interest exist at Veolia Environnement Board of Directors or executive management level, with the notable exception of Caisse des dépôts et consignations, represented by Olivier Mareuse, with respect to Transdev Group, in which Caisse des dépôts et consignations holds 50% of the capital. In addition to the provisions of the French Commercial Code concerning regulated agreements, the Board of Directors' internal regulations provide that directors must inform the Board of Directors of any existing or potential conflicts of interest and abstain from voting in any situation where such a conflict of interest exists. No service agreements providing for the grant of benefits exist between a Director or the Chief Executive Officer and the Company or its subsidiaries.

No arrangement or agreement has been signed with the Company's principal shareholders, customers or suppliers pursuant to which a member of the Board of Directors has been selected as director or to hold an executive management position in the Company.

Finally, to the best of the Company's knowledge, the members of the Board of Directors have not agreed to any restrictions on their ability to transfer any stake they may hold in the share capital of Veolia Environnement, with the exception of the provision in the Articles of Association stipulating that each director must own at least 750 registered shares of the Company.

7.2 Activities of the Board of Directors and its Committees **AFR**

7.2.1 ACTIVITIES OF THE BOARD OF DIRECTORS

7.2.1.1 Corporate Governance principles and the AFEP-MEDEF Code

The Company applies a corporate governance code in accordance with the provisions of the French Commercial Code and as part of the listing of its shares on the Euronext Paris regulated market.

It is recalled that the Company's Board of Directors confirmed that the Company follows the AFEP-MEDEF Corporate Governance Code of listed corporations (the "AFEP-MEDEF Code") (www.medef.com, heading "gouvernement d'entreprise").

In accordance with the "comply or explain" rule introduced by Article 25.1 of the AFEP-MEDEF Code, the recommendations of this Code disregarded in fiscal year 2015 are set out below.

Summary Table of the AFEP-MEDEF Code recommendations not adopted at the date of this Registration Document

Provision potentially disregarded	Explanation
Criterion no. 6 below stipulated in Article 9.4 of the AFEP-MEDEF Code for the assessment of the independence of Directors: "Not have been a Director of the company for more than twelve years **".	The Nominations Committee and the Board of Directors carefully reviewed the independence of the Directors in light of all the criteria stipulated by the AFEP-MEDEF Code. At the end of this analysis, they considered that, in the event of a strict calendar application of this criteria (12-year period exceeded as of May 1, 2015), Messrs. Daniel Bouton, Baudouin Prot, Georges Ralli and Louis Schweitzer may nonetheless be classified as independent (see Section 7.2.1.3 below).

* The loss of the status of Independent Director occurs only at the expiry of the term of office in which the Director in question exceeds the 12-year period.

7.2.1.2 Members of the Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors has seventeen members, including two Directors representing employees and five female Directors as well as two non-voting members (*censeurs*) as of the date of filing of this Registration Document. The list of their names and the expiry dates of their terms of office, a brief curriculum vitae and the table of other appointments that they may hold, including outside the Group, are featured in Section 7.1.1 above, and their shareholdings in the Company are shown in Section 7.5 below.

With the exception of the Directors representing employees, the members of the Board of Directors are elected by shareholders at General Shareholders' Meetings at the recommendation of the Board, which, in turn, receives proposals from the Nominations Committee. Board members may be removed at any time by decision of the General Shareholders' Meeting. With the exception of Directors representing employees, each Director must hold at least 750 registered shares in the Company.

The Board of Directors may appoint one or more non-voting members (*censeurs*) under Article 18 of the Articles of Association. Paul-Louis Girardot was appointed as a non-voting member (*censeur*) at the March 11, 2014 meeting of the Board of Directors, effective at the end of the General Shareholders' Meeting held on April 24, 2014, for a period of four years, expiring at the end of the 2018 General Shareholders' Meeting. In addition, on March 10, 2015, the Board appointed Mrs. Isabelle Courville, a Canadian citizen, as the second non-voting member (*censeur*), effective the same date, for an initial period that expires at the end of the 2016 General Shareholders' Meeting called to approve the financial statements for fiscal year 2015. Mrs. Isabelle Courville is proposed as a new Director by the Board of Directors at the 2016 General Shareholders' Meeting in the context of the annual vote to renew or replace one-quarter of the members of the Board of Directors. Finally, Mr. Serge Michel was appointed as a non-voting member (*censeur*) at the March 8, 2016 meeting of the Board of Directors, effective at the end of the General Shareholders' Meeting held on April 21, 2016, for a period of four years, expiring at the end of the 2020 General Shareholders' Meeting. The role of a non-voting member (*censeur*) is to attend the Board of Directors' meetings in an advisory capacity, and the Board may freely ask their advice.

Furthermore, the Company's Board of Directors also includes a representative from the Company's Works Council, who attends the Board of Directors' meetings in a non-voting advisory capacity.

RENEWAL OF THE COMPOSITION OF THE BOARD OF DIRECTORS

In accordance with the AFEP-MEDEF Code, Article 11 of the Company's Articles of Association provides for a four-year term of office for Directors and the annual renewal of the offices of one quarter of Board members.

The Combined General Shareholders' Meeting of April 22, 2015, among other things:

- renewed the terms of office as Director of Mrs. Maryse Aulagnon, Mr. Baudouin Prot and Mr. Louis Schweitzer and appointed Mrs. Homaira Akbari and Mrs. Clara Gaymard as Directors for a period of four years ending at the 2019 General Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2018; and
- ratified the cooptation of Mr. Georges Ralli as a Director for the remainder of the term of office of Groupama SA, which he represented, i.e. until the end of the 2016 General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2015.

In accordance with the requirement to renew one quarter of the Board of Directors every year, at its meeting of March 8, 2016, the Board of Directors formally noted that the terms of office of four Directors (Mrs. Nathalie Rachou, Mr. Jacques Aschenbroich, Mr. Serge Michel and Mr. Georges Ralli) expire at the end of the General Shareholders' Meeting to be held on April 21, 2016.

On the recommendation of the Nominations Committee, the Board of Directors decided on March 8, 2016, to recommend the renewal by the Combined General Meeting of April 21, 2016 of the terms of office of Mrs. Nathalie Rachou and Mr. Jacques Aschenbroich and the appointment as new Directors of Mrs. Isabelle Courville (of Canadian nationality and a non-voting member (*censeur*) as of the date of filing of this Registration Document) and Mr. Guillaume Texier (of French nationality) for a period of four years expiring at the end of the 2020 Ordinary General Meeting held to approve the 2019 financial statements and, at their request the non-renewal of the terms of office of Mr. Georges Ralli and Mr. Serge Michel.

After these proposed renewals and appointments and assuming they are approved by the General Shareholders' Meeting of April 21, 2016, the Board of Directors will continue to comprise seventeen Directors, including two Directors representing employees, five women (40%) and two non-voting members (*censeurs*).

APPLYING THE PRINCIPLE OF EQUAL REPRESENTATION OF MEN AND WOMEN

The Nominations Committee has taken formal note of the provisions of the Law of January 27, 2011 providing for balanced representation of women and men on Boards of Directors. In accordance with that law and with the AFEP-MEDEF Code, on March 15, 2012 the Nominations and Compensation Committee (now known as the "Nominations Committee") recommended to the Board that it propose the appointment of more women to the Board at future Annual General Meetings.

As of the date of filing of this Registration Document, the Board has five women Directors, representing 33.33% of total Board members⁽¹⁾. If the changes to the composition of the Board of Directors proposed to the General Shareholders' Meeting of April 21, 2016 are approved, this percentage would increase to 40 %.

SELECTION CRITERIA FOR DIRECTORS

The Board of Directors' Nominations Committee advises the Board on the selection of candidates, where appropriate with the assistance of an external firm, for the purpose of renewing the composition of the Board of Directors primarily based on the following criteria: management skills acquired in major French and non-French international corporations, familiarity with the Company and its industry, professional experience, financial and accounting expertise and sufficient availability. The Board is striving to diversify the profiles of its members, of both French and non-French nationality, particularly by increasing the number of women over the coming years, while making sure that there is a balance between the various stakeholders in the Company. As of the date of filing of this Registration Document, the Board has four non-French Directors (Mrs. Homaira Akbari, a US citizen; Mr. Paolo Scaroni, an Italian citizen; Mr. Khaled Al Sayed, a Bahraini citizen; and Mr. Pavel Páša, a Czech citizen), representing 23.52% of total Board members.

TRAINING AND INTEGRATION OF NEW DIRECTORS

At the request of the Board of Directors, the Company organizes training for new Directors on the specific aspects of the Group's businesses to facilitate their integration, particularly through site visits. Moreover, to facilitate their integration, new Board members may meet the Group's key executive officers.

Thus, in the context of the integration of two Directors representing employees at the end of 2014, the Company organized in 2014 and 2015 an internal training session for them and enrolled them in an outside training program designed by the IFA and Sciences Po leading to the issue of a Corporate Director's Certificate.

(1) Pursuant to Article 6.4 of the AFEP-MEDEF Code, "With regard to the representation of men and women, the objective is that each Board shall reach and maintain a percentage of at least 20% of women within a period of three years and at least 40% of women within a period of six years from the shareholders' meeting of 2013 or from the date of the listing of the company's shares on a regulated market, whichever is later. Directors who are permanent representatives of legal entities and Directors representing employee shareholders are taken into account in determining these percentages, but not Directors representing employees [...]"

7.2.1.3 Independence of Directors

DIRECTOR INDEPENDENCE CRITERIA

According to the terms of the internal regulations of the Board of Directors, members are considered independent if they have no relationship with the Company, its Group or its management that might compromise their ability to exercise their judgment objectively. The internal regulations adopt the independent Director criteria set-out in the AFEP-MEDEF Code:

- (1) not be an employee or have been a member of the Company's Management Board, a Director or member of the executive management of its former parent corporation or of any of the companies that it consolidates, nor have held any such position within the past five years (**criterion no. 1**);
- (2) not be a corporate officer of any company in which the Company directly or indirectly holds a directorship, or in which an employee appointed as such or a corporate officer of the Company (current or within the past five years) is a Director (**criterion no. 2**);
- (3) not be a customer, supplier, investment banker or commercial banker that is material for the Company or its Group or for which the Company or its Group represents a significant part of its business (nor be directly or indirectly linked with such a person) (**criterion no. 3**);
- (4) not have any close family ties with a Director or corporate Officer (**criterion no. 4**);
- (5) not have been a Statutory Auditor of the Company within the past five years (**criterion no. 5**);
- (6) not have been a Director of the Company for more than 12 years on the date on which his/her current term of office was conferred (**criterion no. 6**).

In the case of Directors holding 10% or more of the Company's share capital or voting rights, or representing a legal entity with such shareholdings, the Board, based on a report from the Nominations Committee, shall decide whether or not they are independent, taking into account the composition of the Company's share capital and the existence of any potential conflicts of interest.

Those criteria are assessed and weighted by the Board of Directors, which may decide that a Director who does not meet the criteria defined in the internal regulations may nevertheless be described as independent in light of his/her particular situation or that of the Company, given its shareholding structure or any other reason, or vice versa.

The internal regulations also stipulate that, before publishing the Registration Document each year, the Board of Directors must assess the independence of each of its members based on the criteria set out in the aforementioned regulations, any special circumstances, the situation of the person in question, of the Company and of the Group and the opinion of the Nominations Committee.

ASSESSMENT OF THE INDEPENDENCE OF DIRECTORS

At its meeting of March 8, 2016, the Board of Directors carried out the annual review of the independence of Directors after hearing the opinion of the Nominations Committee.

The Board classified the following twelve Directors (out of a total of fifteen) as independent: Homaira Akbari, Jacques Aschenbroich, Maryse Aulagnon, Daniel Bouton, Clara Gaymard, Marion Guillou, Baudouin Prot, Qatari Diar Real Estate Investment Company represented by Khaled Al Sayed, Nathalie Rachou, Georges Ralli, Paolo Scaroni and Louis Schweitzer.

All of these Directors met the AFEP-MEDEF Code independence criteria for fiscal year 2015 and, in particular, they are not significant shareholders of the Company as defined by this Code, and maintain no business relationship with the Company or its Group.

At its meeting of March 8, 2016, the Board of Directors retained this independent classification for fiscal year 2016 for all the Directors assessed as independent for fiscal year 2015. At this meeting, the Board of Directors also classified the two new Director candidates to be recommended at the General Shareholders' Meeting of April 21, 2016 (Mrs. Isabelle Courville and Mr. Guillaume Texier) as independent if they are elected by the General Shareholders' Meeting of April 21, 2016.

With regards to fiscal year 2016 and criterion no. 6 above, the Board of Directors' meeting of March 8, 2016 noted that the length of the terms of office of three Directors, recognized as independent with respect to the first five criteria, (Messrs. Louis Schweitzer, Daniel Bouton and Baudouin Prot) reached 12 years on May 1, 2015. With regards to this date and the rules of the AFEP-MEDEF Code which clarify that the status of Independent Director is only lost on the expiry of the term of office in which the relevant Director exceeds the 12-year period, it is recalled that: the current terms of office of Messrs. Louis Schweitzer and Baudouin Prot renewed by the General Shareholders' Meeting of April 22, 2015 will expire at the end of the 2019 General Shareholders' Meeting and the current term of office of Mr. Daniel Bouton renewed by the General Shareholders' Meeting of April 24, 2014 will expire at the end of the 2018 General Shareholders' Meeting. However, in the case of these three Directors (Messrs. Louis Schweitzer, Daniel Bouton and Baudouin Prot) and taking account of their seniority which exceeds twelve years on a calendar basis, the Board of Directors decided, as necessary, to classify them as independent due to the general nature of Veolia's activities and the following more specific reasons:

- (1) In determining the independence of a Director, the Board did not want to systematically apply the length of service criterion to Board members present for more than twelve consecutive years. While length of service can, in certain cases, effectively reduce the independence of a Director, as the influence of time can in fact alter the necessary distance with the company and its management, it can, on the other hand, strengthen the ability of a Director to question management and give greater independence of mind. It is this capacity that the Board assessed on a case by case basis to determine the independence of these four Directors.
- (2) From a general standpoint, Veolia's activities are characterized by contracts, markets and long-term investments (which can be as long as several decades in the case of concessions and public-private partnerships), and the Board felt it important not only to retain Directors with in-depth knowledge of the Group, but also persons who have sufficient perspective and clear judgments about the Group's broad strategic plans based on past decisions and experiences.
- (3) More specifically and personally, these three Directors have not established any particular interest or privileged ties with the Group or its executives. More particularly, between April 30, 2003, the date they took office, and today, these three Directors have served with two different Chief Executives: Mr. Henri Proglio (2003 to 2009), and Mr. Antoine Frérot (2010 to date). The performance of their duties during this period, in the context of a change in management at the head of the Group (along with a profound change in the members of the Board during that same period) demonstrates, if necessary, the absence of any specific ties with the Company's management (including its Executive Committee, which has been completely reorganized in recent years) or with the other members of the Board. Therefore, the context of these changes strengthens the status of independence of these Directors and, on the basis of these factors, the Board of Directors believes that length of service alone does not call their independence into question.
- (4) Moreover, the top management positions previously held by each of these three Directors in their respective sectors (Industry for Mr. Louis Schweitzer and Banking for Messrs. Daniel Bouton and Baudouin Prot) strengthen their authority, freedom to speak, and constitute a guarantee of their independent judgment.

In conclusion, after finding that these Directors meet all the criteria for independence of the AFEP-MEDEF Code, with the exception, where applicable, of length of service, the Board of Directors decided not to apply the 12-year service criterion as a criterion that would mechanically make them lose the status of independent Directors insofar as their expertise, their experience and their knowledge of the Group are unquestionably assets which, in this case, do not represent a source of conflict of interest.

For fiscal year 2015, the same reasoning regarding **criterion no. 6 above** (over 12 years' service) also applies to Mr. Georges Ralli, it being noted that his term of office expires at the end of the General Shareholders' Meeting of April 21, 2016 and the renewal of his term of office is not sought.

The following table presents the compliance of each Director with the independence criteria defined by the AFEP-MEDEF Code. The criteria corresponding to the numbers in the following table are presented on the preceding page in the section "Director independence criteria".

Director	Criterion no. 1	Criterion no. 2	Criterion no. 3	Criterion no. 4	Criterion no. 5	Criterion no. 6	Classification
Antoine Frérot	No	Yes	Yes	Yes	Yes	Yes	Not independent
Louis Schweitzer	Yes	Yes	Yes	Yes	Yes	Yes ⁽¹⁾	Independent
Homaira Akbari	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Jacques Aschenbroich	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Maryse Aulagnon	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Daniel Bouton	Yes	Yes	Yes	Yes	Yes	Yes ⁽¹⁾	Independent
Caisse des dépôts et consignations, represented by Olivier Mareuse	Yes	No	No	Yes	Yes	Yes	Not independent
Clara Gaymard	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Marion Guillou	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Serge Michel	Yes	Yes	No	Yes	Yes	No	Not independent
Pavel Páša, <i>Director representing employees</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Baudouin Prot	Yes	Yes	Yes	Yes	Yes	Yes ⁽¹⁾	Independent
Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Nathalie Rachou	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Georges Ralli	Yes	Yes	Yes	Yes	Yes	Yes ⁽¹⁾	Independent
Paolo Scaroni	Yes	Yes	Yes	Yes	Yes	Yes	Independent
Pierre Victoria, <i>Director representing employees</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

"Yes" means compliance with the AFEP-MEDEF Code in relation to the independence criteria.

"No" means non-compliance with the AFEP-MEDEF Code in relation to the independence criteria.

⁽¹⁾ see reasons above

N/A: not applicable

As of the date of filing of this Registration Document, the Company's Board of Directors therefore has twelve independent members out of a total of fifteen Directors (the Directors representing employees are not taken into account when determining these percentages), representing a rate of 80%, in excess of the AFEP-MEDEF Code recommendation⁽¹⁾.

Subject to the approval of the renewals and appointments proposed to the General Shareholders' Meeting of April 21, 2016, the Board of Directors will have thirteen independent members out of a total of fifteen Directors, excluding the two Directors representing employees (i.e. 86.6%).

7.2.1.4 Powers and work of the Board of Directors

POWERS OF THE BOARD OF DIRECTORS

In accordance with the law, the Board of Directors establishes the policies concerning the Company's business and supervises the implementation thereof. Subject to the powers expressly granted to General Shareholders' Meetings and within the limits of the corporate purpose, the Board of Directors has the authority to consider all matters concerning the proper operation of the Company and, by its deliberations, resolves matters that concern the Board.

In addition to the powers conferred on the Board of Directors by the law, its internal regulations impose an internal requirement that certain major decisions of the Chairman and Chief Executive Officer be submitted for prior approval by the Board of Directors. These internal limits on powers are detailed below (see Section 7.3.2 below).

MEETING FREQUENCY, DURATION AND ATTENDANCE

According to its internal regulations, the Company's Board of Directors must meet at least four times a year. The average attendance rate at Board meetings in 2015 was 87.9% (compared with 87% in 2014). The option to participate through electronic communication was used in six out of nine meetings in 2015 (compared with three out of eight meetings in 2014).

Date of Board of Directors' meeting (Fiscal year 2015)	Attendance rate
February 25	13/16 (81.25%)
March 10	14/15 (93.33%)
April 22	12/16 (75%)
May 6	17/17 (100%)
May 21	12/17 (70.59%)
July 31	17/17 (100%)
November 4	15/17 (88.24%)
December 2	15/17 (88.24%)
December 10	16/17 (94.12%)

WORK OF THE BOARD OF DIRECTORS IN 2015

In fiscal year 2015, the Board met nine times (compared with eight times in 2014) and its meetings lasted an average of three hours (as in 2014), with the exception of the meeting of December 10, 2015 when an entire day was devoted to an in-depth discussion of the Group's major strategies proposed by management.

These activities primarily focused on the following topics:

- the review of the 2014 annual financial statements and the 2015 first-half financial statements;
- accounting information for the first and third quarters of 2015;
- the draft corresponding financial communications;
- the dividend policy;
- the proposed appropriation of net income and payment of the dividend;
- the review of the financing policy: it particularly renewed the financial and legal authorizations granted to the Chairman and Chief Executive Officer, notably with regard to financing transactions and off-balance sheet commitments and authorized the Group's significant guarantee transactions;
- an in-depth review of strategy;
- a preliminary review of the 2016 budget.

(1) Pursuant to Article 9.2 of the AFEP-MEDEF Code, "[...] independent Directors should account for half the members of the Board in widely-held corporations without controlling shareholders. In controlled companies, independent Directors should account for at least one third. Directors representing employee shareholders and **Directors representing employees are not taken into account in determining these percentages.**

The Board of Directors also:

- convened the annual Combined General Meeting and approved the reports and draft resolutions to be submitted to the shareholders;
- reviewed the employee savings policy;
- reviewed the 2014 Registration Document and the Report of the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code;
- examined the regular summaries and reports issued by their respective chairs on the work of the Accounts and Audit Committee, the Nominations and Compensation Committees and the Research, Innovation and Sustainable Development Committee;
- reviewed the policy on gender equality in employment and pay;
- examined the 2015 risk mapping;
- examined developments in the SNCM situation.

The corporate governance activities of the Board of Directors focused on the following issues in 2015:

- the compensation policy and amount for the Chairman and Chief Executive Officer;
- the review of the long-term compensation policy for senior executives;
- the examination of the selection of Directors when renewing the composition of the Board, particularly with regard to appointing women;
- the assessment of the independence of Directors;
- the self-assessment of internal control and approval of the Chairman's report;
- the renewal by the General Shareholders' Meeting of part of the Board of Directors;
- the allocation of Director's fees.

In 2015, the Board of Directors was regularly informed of key commercial developments and the initiatives planned by Executive Management. The Board also received reports from Executive Management on road shows. The Board of Directors, mainly through a system of reporting to the Board and the reports of the Accounts and Audit Committee, was periodically informed of changes in the Company's ownership, the Group's financial and cash position, the off-balance sheet commitments of the Company and the Group, and changes in significant litigation. The Group's Chief Financial Officer, General Counsel and the Legal Director attended Board meetings in 2015. The Directors receive a monthly report on the Company's share price and a review of analysts' recommendations. Every six months, Executive Management provides the Directors with detailed documentation regarding the Group's business activities, research and innovation initiatives, internal matters (appointments and social policy) and corporate activities (initiatives with various institutions in France, Europe and abroad, and updates on regulatory changes).

ASSESSMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT ACTIONS

Once a year, the Board must devote one point on its agenda to an assessment of how it operates, to be prepared by the Nominations Committee, and arrange a discussion about the way in which it operates in order to improve its effectiveness, check that major issues are suitably prepared and discussed by the Board and measure the effective contribution of each member to the Board's work. Furthermore, the Board's internal regulations require that a formal assessment be performed every three years by an external organization under the supervision of the Nominations Committee, with the aim of checking that the operating principles of the Board have been complied with and identifying possible improvements in its operation and effectiveness. The Nominations Committee produces an annual report for the Board of Directors, which the Directors discuss, assessing how the Chairman and Directors have performed, as well as the actions taken by Executive Management.

To implement the decisions taken at this meeting, the Chairman and Chief Executive Officer convenes the Board annually for a strategic seminar attended by the Executive Committee.

In accordance with the internal regulations, **it is recalled that a formal assessment was conducted in early 2014** by an external organization and presented to the Board on March 11, 2014 by the Chairman of the Nominations Committee. The following main conclusions emerged from this assessment: over the past two years, Board members had noticed an improvement in the operation of the Board of Directors with respect to the items covered and, in particular, the depth of discussions. With respect to governance, the combination of the duties of Chairman and Chief Executive Officer was considered to be the most suitable solution in the Group's current situation, and the role of the Vice-Chairman was considered essential in this context. With respect to the composition of the Board, the Directors were generally in favor of a reduction in its size, of the continued appointment of more women, and of the co-option of members with special experience of contracts in the utilities and Energy sectors. They also recommended increasing the international membership of the Board.

In terms of the operation of the Board, while the arrangements for meetings, the number of them and the time they last were considered suitable under the present circumstances, the Directors indicated they would like: timetables for meetings to be provided with greater advance notice (two years instead of one year, as currently); to be consulted to a greater extent about the agendas for meetings; and, with regard to content, for presentations to be more concise, with better tracking of the implementation of decisions made and actions to be undertaken. Finally, the Board would like to be more closely involved with risk analysis and have more information about loss-making contracts.

The relationship between the Board and its Committees, as well as their contribution, was considered to be generally satisfactory. The Board wished however to see improvements in the following areas: in terms of governance, the split of the Nominations and Compensation Committee into two Committees and, with respect to the way in which all the Committees operate, the circulation of their work program in advance; for the Accounts and Audit Committee, greater in-depth analysis of risks and of the reports to the Board in this area, as well as greater involvement in monitoring the management information systems.

The results of the annual assessment initiated by the Chairman of the Nominations Committee were communicated at the **Board meeting held on March 10, 2015**. The main conclusions of this annual assessment on March 10, 2015 can be summarized as follows:

The Directors were unanimous in seeing a significant improvement in the work and operation of the Board since its last formal assessment in March 2014. In particular, the Board's strategic planning seemed to be better structured thanks to the implementation of the recommendations made in March 2014 regarding the preparation, format and content of the annual strategy seminar. The main areas of improvement suggested by the Directors were as follows: concerning the issues covered, they would like more time devoted to discussion of the annual budget and to tracking: (i) the profitability of new growth sectors; (ii) the progress of the Group's international businesses in the main countries where it operates; (iii) Group restructuring and reorganization plans; (iv) human resources issues, particularly staffing, (v) cost control and (vi) succession plans. In terms of improving its information, the Board would like executive management to prepare more regular summary presentations on important subjects. Concerning Board membership, the Board would like to add members who have specific expertise in Veolia's public or industrial customer base and/or in new data technologies, and to increase the international profile of the Board when new members are selected. Regarding the work of its Committees, Board members generally considered that the composition of the Committees and the reports of their work were satisfactory. However, they would like more information on the work of the Accounts and Audit Committee concerning the monitoring of risk management and more frequent reports on the work of the Nominations Committee and the Research, Innovation and Sustainable Development Committee.

The Chairman of the Nominations Committee reported to the **Board of Directors' meeting of March 8, 2016** on the results of the annual assessment conducted with the assistance of an external firm and by interviewing several Board members on the individual contribution of each of them. Generally speaking, the Directors expressed considerable satisfaction with the activities of the Board, their relations with Executive Management and its actions. The reasons for satisfaction primarily concerned the quality of the organization and work of the annual seminar devoted to the Group's strategy, the introduction of visits to operating sites, the enrichment of debates and information through the introduction of updates at the beginning of each meeting, the good drafting of agendas and the meeting of deadlines for the provision of files prior to meetings. Compared with the 2015 assessment, the Directors noted an improvement in information provided on the Group's businesses in the countries where it operates, the monitoring of restructuring plans and the strengthening of the Board's involvement in the Group's financial policy and transactions. The areas for improvement identified include the desire to spend more time on certain subjects such as the Group's human resources policy, the risk policy, the Group's position in France, monitoring the implementation of strategic decisions and the impact of rapid changes in digital technologies on Veolia's traditional markets. Furthermore, the results of this assessment led to the decision that Directors would meet alone with the Chairman and Chief Executive Officer at the end of each Board of Directors' meeting for 15 minutes to allow informal discussions on any specific topics or news issues. With regard to the Board Committees and compared with the 2015 assessment, the Directors noted a general improvement in the contribution and reporting of their work and considered that their composition was well adapted. Finally, a significant minority of Directors would like to see a reduction in the size of the Board of Directors and Directors have differing opinions on the expertise required in the long-term to strengthen the Board. The welcome and training of Directors was considered satisfactory and a net improvement on last year.

7.2.1.5 Role of the Chairman of the Board of Directors

The internal regulations of the Board set out the role of the Chairman of the Board of Directors.

The Chairman of the Board of Directors organizes and directs the work of the Board, on which he reports to General Shareholders' Meetings. He is responsible for preparing reports on the organization of the Board's work, internal control and risk management. He chairs General Shareholders' Meetings.

More generally, the Chairman of the Board of Directors ensures the proper operation of the Company's corporate bodies and compliance with good governance principles and practices, in particular regarding the Board Committees. He ensures that the Directors are capable of performing their duties and that they are adequately informed. He devotes the time necessary to questions concerning the Group's future and, in particular, those relating to the Group's strategy.

In accordance with the internal regulations, the Directors are required to promptly inform the Chairman and the Board of all conflicts of interest, even if only potential, and of all proposed agreements that may be executed by the Company in which they may have a direct or indirect interest.

The Chairman of the Board chairs Board meetings and prepares and coordinates the Board's work. In this regard, he:

- convenes Board meetings in accordance with the timetable of meetings agreed upon with the Directors and decides if it is necessary to convene Board meetings at any other time;
- prepares the agenda for meetings, supervises the preparation of documentation to be provided to the Directors and ensures that the information contained in them is complete;
- ensures that certain subjects are discussed by the Committees in preparation for Board meetings and ensures that the Committees perform their duty of making recommendations to the Board;
- leads and directs the Board's discussions;
- ensures that Directors comply with the provisions of the internal regulations of the Board and of the Committees;
- monitors the implementation of the Board's decisions;
- in conjunction with the Nominations and Compensation Committees, prepares and organizes the Board's periodic assessment work.

The Chairman has all the means required for the performance of his duties.

7.2.1.6 Senior Independent Director

APPOINTMENT OF A SENIOR INDEPENDENT DIRECTOR

On October 21, 2009, the Board of Directors decided to create the position of Vice-Chairman, to assist the Chairman with his duty to ensure the proper operation of the Company's governing bodies, based on the British model of the Senior Independent Director. In accordance with the internal regulations of the Board, the Senior Independent Director is chosen from among the Directors classified as independent for the duration of his/her term of office as an independent Director. The Board appointed the independent Director Mr. Louis Schweitzer to assume this position of Vice-Chairman, effective November 27, 2009.

On the recommendation of the Nominations and Compensation Committee, the Board decided to appoint him, with effect from the Annual General Meeting of May 16, 2012, as Senior Independent Director responsible for performing duties relating to the smooth running of the Company's governance bodies for the duration of his term of office, insofar as he remains an independent Director as determined by the Board. At its meeting of March 14, 2013, in accordance with the recommendations of the Nominations and Compensation Committee, the Board of Directors approved the renewal of the appointment of Mr. Louis Schweitzer as Vice-Chairman, a role he held previously until the 2012 General Shareholders' Meeting and that he now combines with his role as Senior Independent Director. This appointment arose from the approval by the General Shareholders' Meeting of May 14, 2013 of the amendment to Article 12 of the Company's Articles of Association, increasing the maximum age for a Vice-Chairman from 70 to 75 years old. Mr. Louis Schweitzer's term of office as a Director was renewed by the General Shareholders' Meeting of April 22, 2015 and his duties of Vice-Chairman and Senior Independent Director are exercised for the duration of his term of office, insofar as he remains an independent Director as determined by the Board.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director's duties include helping the Chairman ensure that the Company's governance bodies are running smoothly. In this regard, the Senior Independent Director examines, in particular, conflicts of interest, including potential conflicts of interest that may involve Board members or the Chairman of the Board with regard to the interests of the Company, whether they arise in connection with operational projects, strategic policies or specific agreements. He submits recommendations to the Chairman and the Board, after any necessary consultation with the other independent Directors.

The Senior Independent Director is informed of the concerns of major shareholders not represented on the Board regarding governance matters and ensures that such concerns are addressed. If necessary, and in agreement with the Chairman of the Board, the Senior Independent Director himself may also respond to questions from major shareholders or meet with them, if the ordinary avenues involving the Chairman and Chief Executive Officer, or the Chief Financial Officer have been unable to handle such concerns or if the nature of the matter itself renders these ordinary avenues inadequate or inappropriate.

In the context of the assessment of the Board's operations pursuant to its internal regulations, the Senior Independent Director is particularly involved in the assessment of the performance of the Chairman of the Board.

In 2015, in addition to assessing the performance of the Chairman of the Board of Directors, the Vice-Chairman and Senior Independent Director particularly examined the concerns of shareholders not represented on the Board with regard to the implementation of the "Florange" Law introducing double voting rights for shares held in registered form by the same shareholder for at least two years.

7.2.1.7 Securities trading by corporate officers

REPORTING OBLIGATIONS AND BAN ON SECURITIES TRADING

According to the Board's internal regulations, each Director and non-voting member (*censeur*) must report all transactions in the Company's securities to the AMF (the French Financial Markets Authority) and to the Company and comply, in particular, with the provisions of Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF's general regulations (a table detailing transactions in Veolia Environnement securities carried out by Directors in 2015 is presented in Section 7.5.1 below). The members of the Board of Directors and Company executives or key senior management, or any person with close ties to them, shall report all acquisitions, sales, subscriptions or trades in the Company's securities and financial instruments to the AMF, within five trading days of completion.

In addition, Directors and executive corporate officers are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of privileged information. In accordance with Article L. 621-18-4 of the French Monetary and Financial Code, the Company draws up, and keeps up to date, a list of permanent insiders, which is available to the AMF, and which includes in particular the members of the Board of Directors and of the Company's Executive Committee.

The Company's Directors and executive corporate officers are required to comply with the provisions of the Company's Code of Conduct with respect to securities transactions (see Chapter 5, Section 5.2.2.2.6 above). In that respect, the members of the Board of Directors and of the Executive Committee are deemed by the Company to be permanent insiders and may not buy or sell the Company's securities, directly or through a third-party intermediary, during certain periods: during the five-week period up to and including the date of publication of the annual financial statements, the four-week period up to and including the publication of the interim financial statements, and the two-week period up to and including the date of publication of quarterly financial information, or even outside of those periods so long as they possess insider information. In order to prevent any difficulties relating to the application of the Code of Conduct, the individuals in question should consult with the Group's Legal Department or the General Counsel.

CORPORATE OFFICER OBLIGATION TO HOLD SHARES

In accordance with Article L. 225-185 of the French Commercial Code, the Company's Board of Directors decided on March 29, 2007, on the recommendation of the Nominations and Compensation Committee, to apply a rule requiring its Chairman and Chief Executive Officer to set up a Veolia Environnement share portfolio equal to 50% of the balance of shares resulting from the exercise of options, after payment of tax (capital gains tax and mandatory social security contributions) and the cost of financing (number of options that it is necessary to exercise by combined exercise and sale in order to finance the exercise price of the portfolio and the tax). This rule has not been applied in practice, as the performance condition set in the 2007 share subscription plan was not satisfied, and no options or performance shares have been awarded to corporate officers since that date. It will be reassessed by the Board in the future and notably in 2016 if performance shares are awarded to the Chairman and Chief Executive Officer (see Section 7.4.3.1 below).

7.2.1.8 Other Information on the operation of the Board

This section summarizes the corresponding sections of the Board of Directors' internal regulations.

RIGHTS AND OBLIGATIONS OF DIRECTORS

According to the Board's internal regulations, its members are subject to the following obligations: to act in the Company's best interests; to inform the Board of any conflict of interest, even potential, and to abstain from voting on any decisions in which they may have a conflict of interest; to perform their duties in accordance with statutory provisions, notably those concerning limits on the number of offices, and to regularly attend Board and Committee meetings; to stay informed in order to be able to deal effectively with the agenda items; to consider themselves bound by professional secrecy and by a duty of loyalty; and, to comply with the Company's Code of Conduct with respect to securities transactions. The members of the Board of Directors and, where applicable, the Chief Executive Officer are required to promptly report to the Chairman of the Board any agreement signed by the Company in which they have a direct or indirect interest or which was concluded through an intermediary on their behalf.

Each Director receives a periodically updated "Directors' Guide" which includes the following primary documents: the Company's Articles of Association, the appointment procedure for, and the duties of, the Chairman and Chief Executive Officer, the appointment procedure for, and the duties of the Vice-Chairman and Senior Independent Director, the internal regulations of the Board of Directors and of the Accounts and Audit Committee, the Nominations and Compensation Committees and the Research, Innovation and Sustainable Development Committee, the French regulations applicable to Audit Committees, the Company's Code of Conduct for securities trading and compliance with French stock exchange legislation, the list of Directors and the expiry dates of their terms of office, the composition of the Board of Directors' Committees, useful contacts for members of the Board of Directors and the Committees, the composition of the Executive Committee and the current version of the AFEP-MEDEF Code.

INFORMATION PROVIDED TO DIRECTORS

The Chairman provides Directors, in a timely manner, with the necessary information for them to fully perform their duties. In addition, the Chairman provides the members of the Board with all significant information concerning the Company on an ongoing basis. Each Director receives and has the right to request all necessary information to perform his/her duties, and may also request additional training concerning specific aspects of the Company and the Group.

In order to fulfill their duties, the Directors may meet with the key management personnel of the Company and Group, subject to giving prior notice to the Chairman of the Board.

At the request of the Chairman or of a Director, the heads of the Group's divisions may be invited to any Board meeting devoted to the outlook and strategy for their business sector.

MEETING ATTENDANCE BY ELECTRONIC MEANS OF COMMUNICATION

Directors may participate in Board discussions by videoconference or other electronic means of communication, in the manner and on the terms set out in Articles L. 225-37 and R. 225-21 of the French Commercial Code and as provided for by the internal regulations of the Board of Directors. In such case, Directors are deemed to be present for the purpose of calculating quorum and majority, except with regard to the vote on certain major decisions as provided by law and by the Board's internal regulations (in particular, the approval of the annual financial statements and the preparation of the management report and the consolidated financial statements).

7.2.2 OPERATION AND COMPOSITION OF THE BOARD COMMITTEES

Since April 30, 2003, when the Company adopted the governance method of a public limited Company with a Board of Directors (*société anonyme à conseil d'administration*), the Company's Board of Directors has been assisted by an Accounts and Audit Committee, a Nominations and Compensation Committee (which was divided into two separate Committees following the Board meeting held on March 25, 2014), and, since September 14, 2006, a Research, Innovation and Sustainable Development Committee.

7.2.2.1 Accounts and Audit Committee

OPERATION AND COMPOSITION OF THE COMMITTEE

The Accounts and Audit Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors at least five times a year to review the periodic and annual financial statements before their submission to the Board of Directors. The Accounts and Audit Committee has between three and six members appointed by the Board of Directors from among the Directors (excluding those in management positions) on the basis of recommendations made by the Nominations Committee. The Committee's Chairman is appointed by the Board.

As of the date of filing of this Registration Document, this Committee has four members, all of whom are deemed independent according to the criteria set forth in the Board's internal regulations: Daniel Bouton (Chairman), Jacques Aschenbroich, Nathalie Rachou and Pierre Victoria⁽¹⁾. During its meeting of March 8, 2016, the Board of Directors adjusted the composition of the Accounts and Audit Committee introducing Mrs. Homaira Akbari (an independent Director) as an additional member with effect from the end of the General Shareholders' Meeting of April 21, 2016 (the percentage of independent members remains unchanged).

According to the internal regulations of the Accounts and Audit Committee⁽²⁾, its members are selected for their financial or accounting expertise, and at least one Committee member must have specific financial or accounting expertise and be independent according to the criteria specified in the Board of Directors' internal regulations. On March 24, 2011, the Board of Directors classified Mr. Daniel Bouton, a member of the Accounts and Audit Committee, as a "financial expert" as defined by French law, having determined that he has the necessary qualifications and experience.

DUTIES OF THE COMMITTEE

The duties of the Accounts and Audit Committee, according to its internal regulations adopted by the Board, include the tasks assigned by the regulations governing the internal control of financial and accounting information stipulated by the Order of December 8, 2008 enacting into French law the Eighth Directive on the Statutory Audit of Accounts (Directive 2006/43/EC) and the AMF recommendations of July 2010. They also include the duties defined by the applicable American Sarbanes-Oxley Act on the assessment of the internal control of financial and accounting information, but which no longer apply to the Group as of December 31, 2014 following the delisting of Veolia Environnement from the New York Stock Exchange (NYSE).

(1) Director representing employees not taken into account when determining the percentage of independent Directors pursuant to Article 9.2 of the AFEP-MEDEF Code.

(2) The internal regulations of the Accounts and Audit Committee were updated by the Board of Directors' meeting of November 2, 2014 to take account, in particular, of the latest changes to the AFEP-MEDEF Code and the change in the maximum number of members of the Committee.

In general, the Accounts and Audit Committee is responsible for monitoring matters concerning the preparation and control of accounting and financial information and, in particular, for monitoring: (i) the integrity of the Group's financial statements and the process for preparing financial information; (ii) the effectiveness of internal control systems concerning financial and accounting information and the Group's management system for risks expressed in the accounting statements or identified by Executive Management that may affect the financial statements; (iii) the Group's compliance with statutory and regulatory requirements where these are relevant to financial reporting or internal control; (iv) the assessment of the Statutory Auditors' capabilities and independence; and (v) the performance by the Group's Internal Audit Department and the Statutory Auditors of their duties with respect to auditing the parent company and consolidated financial statements. In this regard, the Committee monitors more particularly the following activities:

- a) **the process of preparing accounting and financial information:** (i) together with the Statutory Auditors, reviewing the relevance and consistency of the accounting methods used to prepare the parent company or consolidated financial statements, examining whether major transactions are adequately processed on a Group-wide level; (ii) reviewing the scope of the consolidated companies and the procedures for collecting financial and accounting information and interviews and seeking the explanations and comments of the Statutory Auditors in this respect, where necessary; (iii) giving an opinion on the draft interim and annual parent company and consolidated financial statements prepared by Executive Management before those statements are presented to the Board; (iv) interviewing the Statutory Auditors, the members of Executive Management and financial officers, particularly on the off-balance sheet commitments, depreciation/amortization, provisions, goodwill and principles of consolidation; such interviews may be conducted without the presence of the Company's Executive Management; (v) acquainting itself with, and expressing an opinion on the process of preparing press releases on the publication of the annual or interim financial statements and the quarterly information; and in the context of the Board's examination of the press releases concerning, in particular, the annual and interim financial statements, making sure that the presentation of this financial information to the market is consistent with the information in the financial statements, according to the information in its possession;
- b) **internal audit:** (i) acquainting itself with the Company's audit charter; (ii) examining the Group's annual internal audit program on a yearly basis; (iii) periodically receiving information from the Company with regard to progress with the internal control audit program and self-assessment of the internal control and risk management system, summaries of the audit assignments carried out and, once a year, an overall analysis of the main lessons learned from the auditing year; and (iv) interviewing the head of the Internal Audit Department and giving the Committee's opinion on the organization of the work of this department;
- c) **the effectiveness of internal control and risk management systems**, particularly in the context of Article L. 823-19 of the French Commercial Code (see the Order of December 8, 2008, enacting the Eighth Directive on the Statutory Audit of Accounts):
 - *concerning the monitoring of the effectiveness of internal control systems:* (i) periodically receiving information from the Company about the organization and procedures of internal control relating to financial and accounting information; (ii) interviewing the head of internal control and giving the Committee's opinion on the organization of the work of his/her department; (iii) hearing an annual report from the Ethics Committee on the whistle blowing system available to employees with respect to accounting, finance, management control and audit; having significant matters referred to it by the Ethics Committee in such fields and ensuring the follow-up of those cases with this Committee,
 - *concerning the monitoring of the effectiveness of the management system for risks expressed in the accounting statements or identified by Executive Management that may have an effect on the financial statements:* (iv) periodically examining the mapping of the main risks identified by Executive Management that may affect the financial statements; (v) acquainting themselves with the main characteristics of the procedures for managing those risks and their results, based in particular on the work of the Risk Management Department, the Internal Audit Department and the Statutory Auditors in relation to internal control procedures; and (vi) following up on the implementation of corrective actions in relation to any identified weaknesses that might have an impact on the financial statements;
- d) **Statutory Auditors:** (i) reviewing the Statutory Auditors' planned work on an annual basis; (ii) interviewing the Statutory Auditors and the executives in charge of finance, accounting and treasury, in certain cases without the presence of members of the Company's Executive Management; (iii) supervising and making recommendations in respect of the Statutory Auditor selection process; (iv) expressing its opinion on the amount of Statutory Auditor fees; (v) giving its prior approval to auditors' activities that are strictly ancillary or directly complementary to the audit of the financial statements; and (vi) being informed of the fees that the Company and the Group pay to the audit firm and its network, ensuring that the amount of these payments or the share of these payments in the firm's and the network's revenue does not call into question the independence of the Statutory Auditors, and reviewing together with the Statutory Auditors any risks threatening their independence and the precautionary measures taken to reduce such risks.

ACTIVITIES OF THE COMMITTEE IN 2015

In 2015, the Accounts and Audit Committee met five times (seven times in 2014). The average attendance rate in 2015 was 90% (compared with 86% in 2014).

The Accounts and Audit Committee organized its activities, as before, within the framework of a program drawn up for the year and approved by the Committee. Minutes are taken of the meetings and the Committee Chairman produces a report for the Board of Directors.

The Accounts and Audit Committee reviewed the annual and interim financial statements and the associated business report.

It reviewed the main accounting options, the draft financial communications, impairment tests, at-risk contracts and the main tax risks to which the Company is exposed. The Committee reviewed the financial information and business reports for the first and third quarters of 2015. It also examined the summary of the internal control activities and self-assessment for fiscal year 2014, certified by the Statutory Auditors. It examined reports on fraud and reviewed the action plans, as well as the report on the activities of the Ethics Committee. The Committee examined summaries of internal audits conducted in 2014 and the first half of 2015, and approved the internal audit program for 2016.

The Committee also reviewed with Company management the following key processes contributing to its duties: the financial policy and planned financing transactions, changes in internal control, investment and divestment procedures and processes, the legal reporting of major disputes, the risk management system and the Group's insurance program and the redefinition of the Net Financial Debt and ROCE financial indicators.

The Committee notably examined planned divestitures and acquisitions, progress with Group restructuring transactions and developments with the SNCM situation.

The Committee reviewed the Statutory Auditors' assignments for 2015. It also reviewed the Statutory Auditors' fee budget for 2015 and the distribution of assignments between the joint auditors, as well as their independence, how they organized their tasks and their recommendations.

The Committee may interview persons outside the Company if it deems such interviews useful for the performance of its duties. In addition, the Committee may consult outside experts. It may also interview the Company's financial officers or the Statutory Auditors without the presence of the Chief Executive Officer. During the past year, the Chairman of the Accounts and Audit Committee and/or the Committee members interviewed and met: the Chairman and Chief Executive Officer, the Chief Financial Officer, the Director of Financial Control, the Legal Director and secretary of the Committee, the Group Audit Director, the Risk Management, Insurance and Compliance Officer, the Information Systems Director, the Tax Director, the Chairman of the Ethics Committee, the Cash-flow and Financing Director, and the Company's Statutory Auditors.

7.2.2.2 Nominations Committee⁽¹⁾

OPERATION AND COMPOSITION OF THE COMMITTEE

The Nominations Committee meets when convened by its Chairman or at the request of the Chairman of the Board of Directors, at least twice a year. In 2015, the Nominations Committee met seven times. The average attendance rate was 100%.

In accordance with its internal regulations, the Nominations Committee is comprised of three to six members, who are appointed by the Board of Directors on the recommendation of the Nominations Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors on the recommendation of the Committee.

As of the date of filing of this Registration Document, this Committee has three members, two-thirds of whom are deemed independent according to the criteria set forth in the Board's internal regulations: Mr. Louis Schweitzer* (Chairman), Mrs. Maryse Aulagnon and Mr. Serge Michel. During its meeting of March 8, 2016, the Board of Directors adjusted the composition of the Nominations Committee introducing Mr. Paolo Scaroni as an additional member with effect from the end of the General Shareholders' Meeting of April 21, 2016. At the end of this General Shareholders' Meeting, the Committee will comprise three members, all of whom will be independent.

DUTIES OF THE COMMITTEE

The main duties of the Nominations Committee are as follows:

- a) **nominations:** the Committee is charged with making recommendations regarding the future composition of the Company's management bodies and, more importantly, it is responsible for selecting the Company's corporate officers and developing a succession plan; it also recommends the appointment of Directors and of the members, as well as the Chairman of each Board Committee, striving to ensure diversity in experience and points of view, while making certain that the Board of Directors retains the necessary objectivity and independence vis-à-vis any specific shareholder or group of shareholders. The Committee gives its opinion on the succession plan for the Company's key managers who are not corporate officers of the Company. The Committee strives to ensure that at least (i) one-half of the Directors, (ii) two-thirds of the members of the Accounts and Audit Committee and (iii) one-half of the members of the Nominations Committee are independent Directors. Each year, the Nominations Committee conducts a case-by-case assessment of each Director with regard to the independence criteria set forth in the internal regulations of the Board of Directors and makes proposals to the Board of Directors for the Board's review of the position of each Director in question;
- b) **assessment:** the Nominations Committee assists the Board in its periodic assessments. It prepares the Board's annual assessment of its organization and operation, and leads the formal assessment of the Board that is carried out every three years by an outside organization. Each year, the Committee provides the Board of Directors with a report assessing the

⁽¹⁾ The Nominations Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' meeting of March 25, 2014.

performances of the Chairman and of the Directors, as well as the actions of Executive Management. Lastly, each year, the key managers who are not corporate officers of the Company meet with each member of the Committee.

ACTIVITIES OF THE COMMITTEE IN 2015

In 2015, the Nominations Committee focused on changes in the composition of the Board of Directors, the search for and review of candidates to serve on the Board, the report of the formal assessment of the Board and its Committees, and the review of the independence of Directors. Several meetings were also dedicated to governance, the succession plan for key managers (including the Chairman and Chief Executive officer) and reviewing the actions of the Chairman and Chief Executive Officer.

7.2.2.3 Compensation Committee⁽¹⁾

OPERATION AND COMPOSITION OF THE COMMITTEE

The Compensation Committee meets when convened by its Chairman or at the request of the Chairman of the Board of Directors, at least twice a year. In 2015, the Compensation Committee met five times. The average attendance rate was 100%.

In accordance with its internal regulations, the Compensation Committee has between three and six members, who are appointed by the Board of Directors on the recommendation of the Compensation Committee. The Committee members are selected from among the Directors who do not hold management positions. The Chairman of the Committee is appointed by the Board of Directors on the recommendation of the Committee.

As of the date of filing of this Registration Document, this Committee has five members, three of whom are deemed independent (75% are independent) according to the criteria set forth in the Board's internal regulations: Mr. Louis Schweitzer (Chairman), Mr. Daniel Bouton, Mrs. Marion Guillou, Mr. Serge Michel and Mr. Pierre Victoria⁽²⁾. During its meeting of March 8, 2016, the Board of Directors adjusted the composition of the Compensation Committee introducing Mrs. Clara Gaymard (an independent Director) as an additional member with effect from the end of the General Shareholders' Meeting of April 21, 2016. At the end of this General Shareholders' Meeting, the Committee will comprise five members, including four independent directors and a director representing employees (100% are independent).

DUTIES OF THE COMMITTEE

The main duties of the Compensation Committee are as follows: (i) to study and make proposals regarding the overall compensation of the Company's executive corporate officers, in particular with regard to the rules and criteria governing the variable portion of compensation consistent with the annual assessment of their performance and the medium-term strategy and performance of the Company and the Group, and with regard to the granting of in-kind corporate benefits, share subscription or purchase options and the allocation of free shares, pension plans, termination compensation and any other benefits, ensuring that all such components are taken into account in assessing and setting their overall compensation; (ii) to recommend to the Board of Directors an overall amount of Directors' fees to be paid to Directors, as well as the rules for their distribution; (iii) to present its opinion to the Board of Directors on the general policy and terms and conditions for granting share purchase or subscription options, the allocation of free shares and the setting-up of employee share ownership plans, as well as Company or Group employee profit-sharing measures; (iv) to make proposals to the Board concerning the granting of stock options and, if applicable, free shares to the Company's corporate officers, as well as with respect to the performance conditions applicable thereto; (v) to make proposals to the Board concerning the obligation for the Company's executive corporate officers to hold shares obtained by exercising stock options or, if applicable, the allocation of free shares; and (vi) to present its opinion concerning the compensation policy with regard to the Company's key managers who are not corporate officers of the Company or of other companies in the Group.

ACTIVITIES OF THE COMMITTEE IN 2015

In 2015, the work of the Compensation Committee focused on preparing proposals and recommendations for the Board of Directors on the following matters in particular: the compensation of the Chairman and Chief Executive Officer (amendment of the fixed portion for 2015, determination of the variable portion for 2014 and setting of variable compensation objectives for 2015), reviewing the compensation policy for Executive Committee members, the Group employee savings policy in the context of the Sequoia transaction and reviewing the Directors' fees' budget and allocation with the introduction of an increase in Directors' fees for "trans-continental" Directors.

(1) The Compensation Committee was formed by the split of the Nominations and Compensation Committee into two distinct Committees, decided by the Board of Directors' meeting of March 25, 2014.

(2) Director representing employees not taken into account when determining the percentage of independent Directors pursuant to Article 9.2 of the AFEP-MEDEF Code.

7.2.2.4 Research, Innovation and Sustainable Development Committee

OPERATION AND COMPOSITION OF THE COMMITTEE

In accordance with its internal regulations, the Research, Innovation and Sustainable Development Committee meets at the initiative of its Chairman or at the request of the Chairman of the Board of Directors. It is required to hold at least three meetings per year. The Committee met three times in 2015 (as in 2014). The average attendance rate was 100% (compared with 85% in 2014).

The Research, Innovation and Sustainable Development Committee has between three and five members, who are appointed by the Board of Directors on the recommendation of the Nominations Committee. The Chairman of the Committee is appointed by the Board of Directors based on the recommendation of the Chairman of the Board.

As of the date of filing of this Registration Document, this Committee has three members, all of whom are deemed independent according to the criteria set forth in the Board's internal regulations: Mr. Jacques Aschenbroich (Chairman), Mrs. Marion Guillon and Mr. Pavel Páša⁽¹⁾. Mr. Paul-Louis Girardot, a non-voting member (*censeur*), also attends Committee meetings.

DUTIES OF THE COMMITTEE

The main duty of the Research, Innovation and Sustainable Development Committee is to assess the Group's strategy and policies in these areas and to issue an opinion to the Board of Directors.

The Committee is informed of programs and priority actions undertaken and assesses the results thereof. In particular, it keeps abreast of the budgets and staff levels and gives its opinion regarding the allocation of means and resources and whether they are appropriate in light of the strategic choices made.

The Committee's main contacts are the Chairman of the Company's Board of Directors, Executive Management and the Executive Committee, the Group's Research, Innovation and Sustainable Development departments, as well as any other manager within the Company who has information or opinions that may be of use to the Committee.

The Committee may also interview persons outside the Company if it deems such interviews to be of use in the performance of its duties. In addition, the Committee may consult outside experts.

ACTIVITIES OF THE COMMITTEE IN 2015

The Committee seeks to analyze the content of Veolia's service offerings, its potential customers, the size of markets, the Group's competitive advantages, its competitors, its research programs, technologies and the best economic balance for each area addressed. In 2015, the Committee particularly focused on the Group's digital offering ("digital cities") and the management of water resources. In addition, it reviewed the Group's sustainable development policy and drew-up a work program for 2016-2017.

(1) Director representing employees not taken into account when determining the percentage of independent Directors pursuant to Article 9.2 of the AFEP-MEDEF Code.

7.3 Executive Management and the Executive Committee

7.3.1 FORM OF ORGANIZATION OF EXECUTIVE MANAGEMENT'S POWERS

As a French public limited company (*société anonyme*) with a Board of Directors, the Company is legally entitled to opt either for a separation of the roles of Chairman and Chief Executive Officer or to have a single person hold both these positions. As mentioned in the AFEP-MEDEF Code, the law states no preference between those two options. Accordingly, the Board of Directors may choose between these two forms of executive management in accordance with their specific requirements.

The Board of Directors of the Company decided to entrust the executive management of the Company to Antoine Frérot (see, Section 7.1 above). His term of office began on November 27, 2009 and was extended on December 12, 2010 until the end of the General Shareholders' Meeting called to approve the 2014 financial statements. His term of office was renewed again on April 24, 2014 until the end of the General Shareholders' Meeting called to approve the 2017 financial statements. At the same Board meeting of December 12, 2010, the Board formally noted the resignation of Henri Proglio as Chairman and decided, on the recommendation of the Nominations and Compensation Committee, to change the management form of the Company and to approve the principle of combining the duties of Chairman of the Board with those of the Chief Executive Officer. The choice to combine the positions of Chairman and Chief Executive Officer was reiterated by the Board on April 24, 2014. This combined form of management was adopted for the following reasons:

- Henri Proglio held the combined duties of Chairman and Chief Executive Officer from 2003 to the end of 2009, and that form of management proved to be perfectly effective for Veolia Environnement during that period;
- the changes in the Company's governance resulting from the appointment of Henri Proglio as Chairman and Chief Executive Officer of EDF were subject to an in-depth review by the Board in 2009. The Board decided that it was in the interest of the Company and its shareholders to separate the duties of Chief Executive Officer from those of Chairman of the Board to maintain the Company's continuity and stability towards its customers and employees during a transition period. This separation of executive powers ended on December 12, 2010;
- this combined form of governance ensures unified management that is more suitable and effective within a decentralized group such as Veolia Environnement. It is also more tightly knit and responsive, since it simplifies the processes of decision-making and responsibility, for example in the implementation of the Group's far-reaching transformation process, launched in 2012;
- the limits on powers stipulated by the Board's internal regulations (see Section 7.3..2 below), the existence of a Senior Independent Director who is also the Vice-Chairman of the Board (see Section 7.2.1.6 above), and the presence of independent Directors on the Board offer all the guarantees necessary for the exercise of the combined form of management in accordance with the practices of good governance;
- finally, regarding the practices of CAC 40 companies, it is the preferred management system since most companies with a Board of Directors have opted for this combined form of management.

7.3.2 LIMITS ON THE POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer, who assumes the duties of executive management, is fully empowered to act in the name of the Company under any circumstances. He is required to act within the limits of the corporate purpose, subject to those powers that the law expressly confers on shareholders' meetings and the Board of Directors. He represents the Company in its relations with third parties.

The powers carried out by the Chairman and Chief Executive Officer are limited by the internal regulations of the Board of Directors. Thus, according to these internal regulations, the following decisions of the Chief Executive Officer require prior approval by the Board:

- determining the Group's strategic direction;
- Group transactions of an individual amount in excess of €300 million, with the exception of financing transactions;
- after consultation with and the recommendation of the Accounts and Audit Committee, investment or divestment transactions of the Group, including a commitment of between €150 million and €300 million per transaction, with the exception of financing transactions;
- financing transactions, whatever their terms, (including the early redemption or repurchase of debt) amounting to more than €1.5 billion per transaction if carried out in a single tranche and €2.5 billion if the transaction is carried out in several tranches;
- transactions in the Company's shares involving an overall amount in excess of 1% of the Company's total shares.

7.3.3 EXECUTIVE COMMITTEE

In accordance with the Company's principles of corporate governance and practice since April 30, 2003, the Chairman and Chief Executive Officer is supported by an Executive Committee.

Chaired by Antoine Frérot, the Executive Committee is convened whenever the Group's major policies are established, for the purposes of reflection, consultation and decision-making. It is also consulted on major Group projects. The Executive Committee meets monthly.

In order to further enhance the Company's capabilities to assess and oversee projects, a Group Commitment subcommittee was created in 2008 to conduct in-depth reviews of major Group projects before, where appropriate, their submission to the Board of Directors for authorization depending on the amounts involved. The Group Commitment subcommittee is chaired by the Chairman and Chief Executive Officer and includes the Chief Operating Officer, the Chief Financial Officer, the General Counsel, the Technical and Performance Manager and the Innovation and Markets Senior Executive Vice President. Issues and topics are presented to it by the Regional Manager in charge of the project.

As of the date of filing of this Registration Document, the Company's Executive Committee comprises eleven members:

- Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement;
- Laurent Auguste, Senior Executive Vice President, Innovation and Markets;
- François Bertreau, Chief Operating Officer;
- Estelle Brachlianoff, Senior Executive Vice President, United Kingdom, Ireland;
- Régis Calmels, Senior Executive Vice President, Asia;
- Philippe Capron, Chief Financial Officer;
- Philippe Guitard, Senior Executive Vice President, Central and Eastern Europe;
- Patrick Labat, Senior Executive Vice President, Northern Europe;
- Jean-Marie Lambert, Senior Executive Vice President, Human Resources;
- Claude Laruelle, Director of Global Enterprises;
- Helman le Pas de Sécheval, General Counsel.

7.4 Compensation and benefits AFR

A summary of compensation paid or payable in respect of fiscal year 2015 to the Chairman and Chief Executive Officer, Mr. Antoine Frérot and the 2016 compensation policy presented for shareholder advisory vote at the Combined Shareholders' Meeting of April 21, 2016, is detailed in Section 7.4.4 below.

7.4.1 EXECUTIVE COMPENSATION

The total compensation paid during fiscal year 2015 to executive and non-executive corporate officers by the Company and by controlled companies within the meaning of Article L. 233-16 of the French Commercial Code is detailed below.

It is noted that the Board of Directors of Veolia Environnement, at its meeting on January 7, 2009, confirmed that the AFEP-MEDEF Code would be the reference used by Veolia Environnement, notably in regard to the compensation of executive corporate officers. This Registration Document and, in particular, the tables in Sections 7.4.1 and 7.4.3.1 below (share subscription and/or purchase options, free shares, performance shares) have been prepared in accordance with the format recommended by the AFEP-MEDEF Code and the AMF's recommendation no. 2012-02.

7.4.1.1 Rules and principles adopted by the Board of Directors to determine the compensation paid to executive corporate officers

PRINCIPLES ADOPTED IN 2013, 2014 AND 2015 TO DETERMINE THE COMPENSATION OF MR. ANTOINE FRÉROT IN HIS CAPACITY AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Fixed compensation and benefits

At its meeting on March 10, 2015, the Board of Directors, at the recommendation of the Compensation Committee, decided to increase the fixed compensation awarded to Mr. Antoine Frérot in his capacity as Chairman and Chief Executive Officer of the Company from €900,000 to €950,000 (+5.5%) with effect from fiscal year 2015, given the excellent results achieved in 2014. This fixed compensation had remained unchanged since January 2011.

In addition to his compensation, he is entitled to a company car and to social security benefits equivalent to those of employees (healthcare and insurance). He is also eligible to participate in the supplementary defined contribution group pension plan applicable since July 1, 2014; an overview of this plan is provided in Section 7.4.2 below (supplementary defined contribution group pension plan applicable since July 2014).

Variable compensation for fiscal years 2013, 2014 and 2015

The variable portion of the Chairman and Chief Executive Officer's compensation has been weighted since 2003 between a quantitative portion of 70% and a qualitative portion of 30% of the target bonus ("Target Bonus Base") for his variable compensation. The Target Bonus Base was equal to 100% of his fixed compensation in 2010, and is equal to 125% since 2011, i.e. €1,125,000. Since 2010, the financial criteria for determining the quantitative portion of variable compensation have remained the same and are consistent with the Group's objectives. The quantitative portion of variable compensation is determined based on the criteria and financial indicators for fiscal years 2013, 2014 and 2015 set out below according to the attainment during the relevant fiscal year of the budgetary objectives fixed annually by the Board of Directors. The criteria for the qualitative portion for fiscal years 2013, 2014 and 2015 are set out below.

2013 variable compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 14, 2013, retained for the purpose of determining the variable portion of the Chairman and Chief Executive Officer's compensation for 2013, the same weightings for the quantitative (70%) and qualitative (30%) portions, as well as the Target Bonus Base (recap: set at 125% of fixed compensation, i.e. €1,125,000 euros in the event of 100% attainment of annual targets). Quantitative and qualitative criteria for 2013 variable compensation were set as follows:

For the quantitative portion of variable compensation, the quantitative criteria for 2013 (second year of the Group's transformation) were established with regard to attainment of the budget targets for (i) growth in adjusted operating cash flow after deduction of net investments, adjusted by the positive or negative change in Working Capital Requirements (hereafter referred to as the "Cash Flow Indicator") (weighted 35%); and (ii) the increase in Adjusted Operating Income (weighted 35%). These criteria were consistent with the Group's two major objectives, which in 2013 were to control debt and to improve profitability within the overall context of a refocusing strategy.

The qualitative portion of variable compensation was assessed with regard to the further implementation of the Group's strategic transformation plan.

In light of the results and the attainment of the 2013 objectives, the quantitative portion of variable compensation was calculated at €583,377, reflecting an average attainment rate of 74.1% for the Cash Flow Indicator and the Adjusted Operating Income criteria (i.e. 74% of the quantitative Target Bonus Base).

At its meeting of March 11, 2014, the Board of Directors decided to award Mr. Antoine Frérot €303,750 for the qualitative portion of his 2013 variable compensation, i.e. 90% of the qualitative Target Bonus Base, given in particular the implementation during 2013 of the profound reorganization of the Group in a difficult economic context and the initial results of this transformation.

The total amount of his variable compensation (quantitative and qualitative) for fiscal year 2013 is therefore €887,127 or 78.85% of his Target Bonus Base for fiscal year 2013.

2014 variable compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

Following the proposals made by the Nominations and Compensation Committee, the Board of Directors, at its meeting on March 11, 2014, recommended keeping the same weighting for the quantitative (70%) and qualitative (30%) portions, as well as the Target Bonus Base (recap: set at 125% of fixed compensation, i.e. €1,125,000 in the event of 100% attainment of annual targets). Quantitative and qualitative criteria for 2014 variable compensation were set as follows:

For the quantitative portion of variable compensation, the quantitative criteria for 2014 (third year of the Group's transformation) were established with regard to attainment of the budget targets for (i) growth in net free cash flow (before financial investments and financial divestments and dividends)⁽¹⁾ (hereinafter referred to as "Free cash flow" (weighted 35%); and (ii) the increase in Adjusted Operating Income (weighted 35%). These criteria were consistent with the Group's two major objectives announced in 2014 which were to decrease debt and to significantly improve profitability.

The qualitative portion was assessed by the Board, at the recommendation of the Compensation Committee, based on the Chairman and Chief Executive Officer's performance in further implementing the Group's strategic transformation plan and the improvements made by him, as Chairman of the Board of Directors, to the quality of the Board of Directors' activities.

In light of the results and the attainment of the 2014 objectives, the quantitative portion of variable compensation was calculated at €869,613, reflecting an attainment rate of 120% for the Free cash flow criteria and of 100.8% for the Adjusted Operating Income criteria (i.e. 110.4 % of the quantitative Target Bonus Base).

At its meeting of March 10, 2015, the Board of Directors decided to award Mr. Antoine Frérot €337,500 euros for the qualitative portion of his 2014 variable compensation, i.e. 100% of the qualitative Bonus Base, primarily for having achieved transformation plan results exceeding budget objectives and for the improvements made, among other things, in conducting the Board of Directors' seminar dedicated to Group strategy.

The total amount of his variable compensation (quantitative and qualitative) for fiscal year 2014 is therefore 1,207,113 euros or 107.3 % of his Target Bonus Base for fiscal year 2014.

The cap on the variable portion of Mr. Antoine Frérot's compensation was €1,282,500, or 114% of his target variable compensation.

2015 variable compensation paid to Mr. Antoine Frérot, in his capacity as Chairman and Chief Executive Officer

With respect to the Group's objectives and the 2015 variable compensation of the Chairman and Chief Executive Officer, and in accordance with the recommendations of the Compensation Committee, the Board of Directors' meeting of March 10, 2015 decided to increase the amount of the Target Bonus Base to €1,187,500 for fiscal year 2015 (if targets are 100% attained) and to retain unchanged the weightings for the variable quantitative (70%) and qualitative (30%) components.

The criteria and means of determining the quantitative portion of his variable compensation were adjusted in line with the Company's budget and objectives for 2015 relating to growth in (i) the Group's net free cash flow (before financial investments and financial divestments and dividends)⁽¹⁾ (35% weighting) and (ii) Current EBIT (35% weighting).

Furthermore, the 30% qualitative component was assessed based on the Chairman and Chief Executive Officer's performance in carrying out the Group's strategic transformation plan (20%) and a Health and Safety criterion, tied to the decline in the frequency of workplace accidents (10%).

The cap on 2015 variable compensation was set at €1,353,750, or 114% of target variable compensation.

In light of the results and the attainment of the 2015 objectives, the quantitative portion of variable compensation was calculated at €1,088,608, i.e. 131% capped at 120% of his quantitative variable compensation (quantitative Target Bonus Base), or €997,500, reflecting an attainment rate of 156% for the Free cash flow criterion and of 106% for the Current EBIT criterion.

(1) See Chapter 3, Section 3.8.3 above, Definitions

At its meeting of March 8, 2016, the Board of Directors decided to award Mr. Antoine Frérot €356,250 for the qualitative portion of his 2015 variable compensation, i.e. 100% of his target qualitative variable compensation (qualitative Bonus Base), primarily for the excellent results of the Group's strategic transformation plan and the decrease in the rate of workplace accidents in the Group.

Mr. Antoine Frérot's total variable compensation (quantitative and qualitative portions) for fiscal year 2015 is therefore €1,353,750, equal to the cap on 2015 variable compensation of 114% of his target variable compensation.

Total compensation paid to Mr. Antoine Frérot in his capacity as Chairman and Chief Executive Officer

In fiscal year 2015, total compensation paid to Mr. Antoine Frérot amounted to €2,159,150. Mr. Antoine Frérot thus received the fixed portion of his 2015 compensation (€950,000) and the variable portion of his 2014 compensation, paid in 2015 (€1,207,113). Finally, he received benefits in kind and waived his Directors' fees for 2015 for positions held in the Company and other companies of the Group.

For fiscal year 2015, total compensation due is €2,305,787, representing a 9.32% increase on fiscal year 2014 and comprising the fixed portion of his 2015 compensation (€950,000), and the variable portion of his 2015 compensation (€1,353,750), as well as benefits in kind. Mr. Antoine Frérot did not receive Directors' fees for his positions held in the Company and other companies of the Group.

The table below summarizes all types of compensation, which are set out in detail in the tables hereafter and in Section 7.4.3.2.1 below presenting information relating to share subscription or purchase options and performance shares.

Summary of compensation, options and shares awarded to Mr. Antoine Frérot

<i>(in euros)</i>	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015
Total compensation payable for the fiscal year	1,789,157	2,109,146	2,305,787
Value of options granted during the fiscal year	0	0	0
Value of performance shares granted during the fiscal year	N/A	N/A	N/A
TOTAL	1,789,157	2,109,146	2,305,787

Summary of compensation paid or payable to Mr. Antoine Frérot

	Fiscal year 2013		Fiscal year 2014		Fiscal year 2015	
	Amounts payable for the fiscal year	Amounts paid during the fiscal year	Amounts payable for the fiscal year	Amounts paid during the fiscal year	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation in his capacity as Chairman and Chief Executive Officer of the Company	900,000	900,000	900,000	900,000	950,000	950,000
Variable compensation in his capacity as Chairman and Chief Executive Officer of the Company	887,127	679,293	1207,113 ⁽²⁾	887,127	1,353,750	1,207,113
Exceptional compensation					0	0
Directors' fees						
▪ Paid by Veolia Environnement	0	0	0	0	0	0
▪ Paid by controlled companies	0	0	0	0	0	0
Benefits in kind ⁽¹⁾	2,030	2,030	2,033	2,030	2,037	2,037
TOTAL	1,789,157	1,581,326	2,109,146	1,789,157	2,305,787	2,159,150

(1) Provision of a company car.

(2) Variable portion for 2014 paid in 2015.

MR. ANTOINE FRÉROT'S COMPENSATION IN HIS CAPACITY AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND OBJECTIVES FOR 2016

In accordance with the recommendations of the Compensation Committee, the Board of Directors' meeting of March 8, 2016 decided to set the frequency of review of fixed compensation at every three years, in the absence of any major events. Accordingly, the gross fixed compensation for fiscal year 2015 set by the Board of Directors' meeting of March 10, 2015 remains unchanged for fiscal year 2016.

With respect to the Group's objectives and Mr. Antoine Frérot's variable compensation, the Board of Directors' meeting of March 8, 2016, at the recommendation of the Compensation Committee, decided to review the method of calculating variable compensation as follows: retention of the weightings at 70% for the quantitative portion and 30% for the qualitative portion.

The 2016 Target Bonus Base is reduced from 125% to 100% of annual fixed compensation. The cap on target variable compensation is set at 140% of annual fixed compensation for 2016, or €1,330,000.

The criteria and financial indicators for the quantitative portion of the Chairman and Chief Executive Officer's variable compensation (70% of the target bonus) are Group current EBIT (20%), Group net free cash flow (before financial investments and financial divestments and dividends)⁽¹⁾ (20%), organic growth in Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services) (30%) and Group ROCE (after tax)¹ (30%). The quantitative portion will be equal to the total resulting from the application of each of these criteria assessed separately.

Furthermore, the qualitative portion (30% of the target bonus) will be assessed with respect to health and safety at work criteria (basis: Group rate of workplace accidents with sick leave), the environmental performance of the Group, managerial performance and achievements with respect to the Group's strategy. The Board of Directors will perform an overall review of the 2016 qualitative portion of variable compensation, at the recommendation of the Compensation Committee, based on these criteria.

GRANT OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS AND PERFORMANCE SHARES

With regard to the share subscription or purchase option and performance share grant policy for the Company's Chief Executive Officer, as of the date of filing of this Registration Document and since the former took office, the Board of Directors has not granted any financial instruments of this nature to the Chairman and Chief Executive Officer. The same is true for grants to the Group's executives, managers and employees, with the exception of share subscription option plan no. 8, decided on September 28, 2010, which lapsed following failure to attain the required performance criteria.

Information regarding share subscription or purchase options potentially granted to the Chairman and Chief Executive Officer during fiscal year 2015 can be found in Section 7.4.3.1 below. The Company's free share and performance share grant policy for 2015 and 2016 is set out in Section 7.4.3.1 below.

IMPLEMENTATION OF A LONG-TERM INCENTIVE PLAN, THE "MANAGEMENT INCENTIVE PLAN" (MIP)

In October 2014, the Group implemented a long-term incentive plan named the "Management Incentive Plan" ("MIP") authorized by the Board of Directors at its meeting of August 27, 2014. The plan was intended for the Group's 300 key managers (including Mr. Antoine Frérot as Chief Executive Officer, and the Executive Committee).

This incentive plan was based on a joint investment approach, comprising the beneficiary's personal investment in Company shares combined with an allocation, subject to performance conditions, of additional shares ("Share Bonus") financed by the Group (no dilution impact primarily due to the allocation of treasury shares held by the Company). Subject to the attainment of performance conditions, the Share Bonus will vest on expiry of the plan in April 2018, subject to confirmation of the continued employment of the relevant beneficiary and of such beneficiary having retained all the initially invested shares. Under this plan, Mr. Antoine Frérot purchased 24,403 Company shares on October 22, 2014 at a market price of €13.04 per share. The attainment of the performance condition relating to the share bonus vesting in respect of fiscal year 2015 was noted by the Compensation Committee on March 4, 2016 based on the accounts adopted by the Board of Directors on February 24, 2016. As of the date of filing of this Registration Document, the share bonus for fiscal year 2015 had not yet been calculated, as this calculation can only be finalized 20 trading days after the publication of the accounts on February 25, 2016. The share bonus vesting to Mr. Antoine Frérot in respect of 2015 is currently provisionally estimated at approximately 45,000 shares (representing less than one year's annual fixed compensation). These shares will become available on expiry of the plan in April 2018. The detailed features of this incentive plan are presented in Section 7.4.3.2 below.

(1) See Chapter 3, Section 3.8.3 above - Definitions.

7.4.1.2 Compensation paid to directors⁽¹⁾

AMOUNT AND ALLOCATION OF DIRECTORS' FEES IN 2015

In its meeting of March 10, 2015 and in accordance with the recommendations issued by the Compensation Committee, the Board of Directors decided to ask the General Shareholders' Meeting of April 22, 2015 to approve an increase in the total annual amount of directors' fees from €980,000 to €1,080,000, which it did. This request to increase the total amount of directors' fees was made for the following reasons: to take into account the appointment of two directors representing employees on October 15, 2014, the appointment of an additional director of American nationality and residing in the United States, proposed to the General Shareholders' Meeting of April 22, 2015, the appointment of an additional non-voting member (*censeur*) of Canadian nationality and residing in Canada, the increase in directors' fees for directors and non-voting members (*censeur*) residing on another continent (€2,000 per meeting attended in person by the relevant director or non-voting member) and the reorganization of the Board Committees.

The Board of Directors also took Note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his directors' fees for 2015, and decided to continue allocating directors' fees in 2015 in the same way as in 2014⁽²⁾, as follows: a fixed portion of 40% and a variable portion of 60% based on attendance rates; the Board of Directors meeting of March 25, 2014 decided to extend this rule to directors' fees allocated to committee Chairmen and members.

(1) *Non-executive corporate officers.*

(2) *Directors' fees are allocated as follows:*

- €33,600 for the office of director, including (a) a fixed amount of €13,440, divided into four quarterly payments of €3,360 per quarter, and (b) a potential variable amount of €20,160 maximum, divided into four quarterly payments and adjusted based on the number of meetings held during each quarter of the relevant fiscal year and the number of meetings that the director attends;
- an additional amount of €2,000 per meeting subject to attendance (physical presence of the relevant director or non-voting member) for directors and non-voting members (*censeurs*) residing on another continent;
- an additional amount of €8,400 subject to the attendance rate of a director as a member (not a chairman) of a Board committee;
- an additional amount of €100,000 subject to the attendance rate for the Vice-Chairman and Senior Independent Director;
- an additional amount of €67,200 subject to the attendance rate for the Chairman of the Accounts and Audit Committee;
- an additional amount of €33,600 subject to the attendance rate for the Chairman of the Nominations and Compensation Committees;
- an additional amount of €16,800 subject to the attendance rate for the Chairman of the Research, Innovation and Sustainable Development Committee; and
- €16,800 for the office of non-voting member (i.e., 50 % of the amount payable for the office of director), half of which payable in proportion to the attendance rate of the non-voting member (*censeur*) at meetings.

TABLE OF DIRECTORS' FEES IN 2015-2014

The table below shows the amount of directors' fees paid in 2015 and 2014, as well as the amount payable for these two fiscal years to members of the Board of Directors of Veolia Environnement by the Company and by controlled companies. Moreover, since 2012, Mr. Antoine Frérot has decided to waive directors' fees paid by Group-controlled companies.

Director	2015				2014			
	Amounts ⁽¹⁾ payable for the fiscal year		Amounts ⁽¹⁾ paid during the fiscal year		Amounts ⁽¹⁾ payable for the fiscal year		Amounts ⁽¹⁾ paid during the fiscal year	
	By the Company	By controlled companies	By the Company	By controlled companies	By the Company	By controlled companies ⁽¹⁾	By the Company	By controlled companies
Homaira Akbari ⁽²⁾	26,609	0	16,923	0	N/A	N/A	N/A	N/A
Jacques Aschenbroich	52,430	0	56,490	0	58,800	0	57,120	0
Maryse Aulagnon	37,520	0	36,120	0	34,860	0	34,160	0
Daniel Bouton	109,200	0	109,200	0	109,200	0	109,200	0
Caisse des dépôts et consignations	26,880	0	29,400	0	31,080	0	33,320	0
Pierre-André de Chalendar ⁽³⁾	11,200	0	22,960	0	45,780	0	44,660	0
Antoine Frérot ⁽⁴⁾	0	0	0	0	0	0	0	0
Clara Gaymard ⁽²⁾	23,262	0	14,862	0	N/A	N/A	N/A	N/A
Groupama SA ^{(5) (8)}	5,227	0	13,627	0	33,600	0	33,600	0
Groupe Industriel Marcel Dassault ⁽⁶⁾	N/A	N/A	N/A	N/A	12,600	0	25,200	0
Marion Guillou	48,160	0	46,620	0	39,480	0	38,220	0
Serge Michel	50,400	5,430	50,400	5,430	53,200	3,830	57,400	3,830
Pavel Páša ⁽⁷⁾	42,000	0	0 ⁽¹⁰⁾	0	9,701.09	0	N/A	N/A
Baudouin Prot	31,360	0	32,760	0	26,040	0	23,240	0
Qatari Diar Real Estate Investment Company	26,880	0	26,880	0	18,480	0	18,900	0
Nathalie Rachou	42,000	0	42,000	0	42,000	0	42,000	0
Georges Ralli ⁽⁸⁾	25,200	0	16,800	0	N/A	N/A	N/A	N/A
Paolo Scaroni	31,360	0	27,720	0	28,560	0	31,080	0
Louis Schweitzer	164,960	0	165,520	0	162,300	0	156,000	0
Pierre Victoria ⁽⁷⁾	50,400	0	0 ⁽¹⁰⁾	0	11,801.09	0	N/A	N/A
Thierry Dassault ⁽⁶⁾	N/A	N/A	N/A	N/A	5,460	0	10,990	0
Isabelle Courville ⁽⁹⁾ non-voting member (censeur)	19,520	0	13,560	0	N/A	N/A	N/A	N/A
Paul-Louis Girardot, non-voting member (censeur)	24,080	10,262	25,200	10,262	32,608	10,262	38,908	10,262
TOTAL	848,648	15,692	747,042	15,692	755,550.18	14,092	753,998	14,092

N/A: not applicable

(1) Amounts before withholding tax deducted at source.

(2) Mrs. Hamaira Akbari and Mrs. Clara Gaymard were appointed as directors by the General Shareholders' Meeting of April 22, 2015.

(3) The term of office of Mr. Pierre-André de Chalendar expired on April 22, 2015.

(4) The full compensation of Mr. Antoine Frérot is indicated in Section 7.4.1.1 below. At its meeting of March 10, 2015, the Board of Directors took Note of the renewal of Mr. Antoine Frérot's decision to waive his directors' fees for 2015.

(5) As from May 16, 2012, directors' fees are paid to Mr. Georges Ralli at the request of Groupama SA.

(6) As from fiscal year 2011, directors' fees are paid to Mr. Olivier Costa de Beauregard at the request of Groupe Industriel Marcel Dassault (GIMD). In a letter dated March 28, 2014, GIMD and Mr. Thierry Dassault informed the Company of their decision to resign with immediate effect from their respective offices as director and non-voting member (censeur) of the Company.

(7) Mr. Pavel Páša and Mr. Pierre Victoria were appointed as directors representing employees by the Group's France and European Works Councils, respectively, on October 15, 2014. They joined the Board of Directors at its meeting on November 5, 2014. At its meeting of March 10, 2015, the Board of Directors recorded Mr. Pierre Victoria's decision to transfer his directors' fees to his trade union and Mr. Pavel Páša's intention to transfer his directors' fees to an organization representing or assisting employees.

(8) Mr. Georges Ralli was co-opted by the Board of Directors on March 10, 2015 to replace Groupama SA, which he represented, for the rest of his current term of office, i.e. until the end of the Combined General Meeting called to approve the financial statements for the year ended December 31, 2015. The Combined General Meeting of April 22, 2015 ratified this co-optation.

(9) Mrs. Isabelle Courville was appointed as a non-voting member (censeur) by the Board of Directors on March 10, 2015, effective the same date for an initial term ending at the 2016 General Shareholders' Meeting called to approve the financial statements for fiscal year 2015. Mrs. Isabelle Courville will be proposed as a new director by the Board of Directors at the 2016 General Shareholders' Meeting in the context of the annual vote to renew or replace one quarter of the members of the Board of Directors.

(10) Payments scheduled in 2016.

AMOUNT AND ALLOCATION OF DIRECTORS' FEES IN 2016

At its meeting of March 8, 2016 and in accordance with the recommendations issued by the Compensation Committee, the Board of Directors decided not to ask the General Shareholders' Meeting of April 21, 2016 to increase the total annual amount of directors' fees. The Board of Directors also took note of the renewal of the decision by the Chairman and Chief Executive Officer to waive his directors' fees for 2016, and decided to continue allocating directors' fees in 2016 in the same way as in 2015 (see details in Note 2 to the above section "Amount and allocation of directors' fees in 2015").

7.4.1.3 Compensation of executives excluding the Chairman and Chief Executive Officer (Executive Committee members)

All members of the Executive Committee in office on December 31, 2015 (see Section 7.3.3 above), (excluding the Chairman and Chief Executive Officer) received total gross compensation of €6,617,023 in 2015 (for an Executive Committee comprising ten members excluding the Chairman and Chief Executive Officer), compared with €5,311,009 in 2014 (for an Executive Committee comprising nine members excluding the Chairman and Chief Executive Officer).

The tables below show the total gross compensation paid to members of the Company's Executive Committee as of December 31, 2013, 2014 and 2015, with the exception of the Chairman and Chief Executive Officer, including the fixed and variable compensation paid or payable by Veolia Environnement in respect of these fiscal years, benefits in kind and directors' fees received by Executive Committee members in respect of directorships held in companies of the Group in France and abroad.

(in euros)	Fiscal year 2013 (9 members)	
	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	2,985,000	2,924,016
Variable compensation	1,917,052	1,348,709
Directors' fees		
▪ Paid by Veolia Environnement		
▪ Paid by controlled companies		
Benefits in kind ⁽¹⁾	10,098	10,098
TOTAL	4,912,150	4,282,823

(1) These figures do not take into account possible expatriation compensation.

(in euros)	Fiscal year 2014 (10 members)	
	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	3,541,667	3,618,579
Variable compensation	3,088,738	1,683,852
Directors' fees		
▪ Paid by Veolia Environnement		
▪ Paid by controlled companies		
Benefits in kind ⁽¹⁾	8,578	8,578
TOTAL	6,638,983	5,311,009

(1) These figures do not take into account possible housing and expatriation compensation.

(in euros)	Fiscal year 2015 (10 members)	
	Amounts payable for the fiscal year	Amounts paid during the fiscal year
Fixed compensation	3,660,000	3,674,864
Variable compensation	3,685,766	2,929,159
Directors' fees		
▪ Paid by Veolia Environnement		
▪ Paid by controlled companies		
Benefits in kind ⁽¹⁾	13,000	13,000
TOTAL	7,358,766	6,617,023

(1) These figures do not take into account possible housing and expatriation compensation.

7.4.2 PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

There is no contract between the members of the Board of Directors and the Company or its subsidiaries that provides for the payment of benefits or compensation that is due, or may be due, in the event of members ceasing or changing their duties within the Company or its subsidiaries, other than the Chairman and Chief Executive Officer's termination compensation and the supplementary defined benefit group pension plans described below.

7.4.2.1 Compensation in the event of termination of the office of Chairman and Chief Executive Officer

It is noted that, in accordance with the AFEP-MEDEF Code, the Board of Directors of the Company, at its meeting on December 17, 2009, recorded the termination, as of January 1, 2010, of Mr. Antoine Frérot's employment contract, which had been suspended on November 27, 2009 when he was appointed Chief Executive Officer of Veolia Environnement. The termination of Mr. Antoine Frérot's employment contract caused him to lose the right under the collective bargaining agreement to receive severance compensation related to his years of service within the Group (over 20 years as of that date).

The Board of Directors, following a proposal from the Nominations and Compensation Committee, and further to the approval of shareholders at the General Shareholders' Meeting of May 7, 2010 decided to award Mr. Antoine Frérot compensation in the event of the termination of his term of office as Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L. 225-42-1 of the French Commercial Code; law relating to employment, labor and purchasing power).

Within the framework of the renewal of Mr. Antoine Frérot's term of office at the April 24, 2014 General Shareholders' Meeting, the Board of Directors decided at its meeting of March 11, 2014, at the proposal of the Nominations and Compensation Committee, to renew this termination compensation under conditions similar to those previously granted and in accordance with the provisions of the AFEP-MEDEF Code, namely:

- payment of this compensation is limited only to "forced departure in connection with a change of control or strategy". It would not apply where (1) Mr. Antoine Frérot leaves the company on his own initiative outside the case of a "forced departure", or (2) he is able to claim his full retirement on the date of cessation of his office as Chief Executive Officer, or (3) he accepts after his departure as Chief Executive Officer, a proposal of reclassification to an executive management position (as employee or corporate officer) within the Group;
- the maximum amount is limited to twice the yearly gross compensation (excluding directors' fees and benefits in kind) including the fixed portion of his compensation during the last year ("Fixed Portion") and the average of the variable portions ("Variable Portion") paid or payable for the last three fiscal years prior to termination of his position as Chief Executive Officer ("Reference Compensation");
- the calculation of this amount and of the fixed and variable portions of this compensation both depend on the attainment of performance conditions. The calculation of the severance payment is equal to twice the sum of (1) the Variable Component of his Reference Compensation (average over the previous 3 fiscal years) and (2) the Fixed Component of his Reference Compensation (last fiscal year) corrected by a "Performance Rate" corresponding to the average percentage attainment of the target variable compensation bonus (also called "base bonus target" or 100% attainment of annual objectives) for the last 3 fiscal years ended before the termination of his duties. The methods for determining the variable portion of Mr. Antoine Frérot's compensation are detailed in Section 7.4.1.1 above.

The renewal of this compensation in the event of termination of Mr. Antoine Frérot's term of office was ratified by the Company's General Shareholders' Meeting on April 24, 2014.

7.4.2.2 Supplementary group pension plan

SUPPLEMENTARY DEFINED BENEFIT GROUP PENSION PLAN IN PLACE UNTIL JUNE 30, 2014

The defined benefit group pension plan open to all executives of category 8 and higher (and the Chairman and Chief Executive Officer) was modified, with effect from July 1, 2013, by the Board of Directors' meeting of March 14, 2013, upon a motion by the Chairman and Chief Executive Officer and after a favorable opinion by the Works Council and the Nominations and Compensation Committee. The pension plan was capped at 10% of the reference compensation, in turn capped at 8 times the annual social security ceiling.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code and on the basis of a special report prepared by the statutory auditors, the General Shareholders' Meeting of May 14, 2013 approved these changes to the extent that they concern the Chairman and Chief Executive Officer.

The main characteristics of this supplementary defined benefit group pension plan were as follows:

- the eligibility of employees was conditional upon the following: at least five years of service, the completion of their career in the company and their presence in the company workforce at the time of voluntary or involuntary retirement as well as the settlement of their general plan at the full rate (including mandatory basic pensions or supplementary pensions);
- the reference compensation used to determine the amount of the pension was the average of the last three years' full compensation subject to a maximum of 8 times the annual social security ceiling;
- **the pension amount** was determined based on the number of years' service in the Group and **capped at 10% of the reference compensation** for beneficiaries with more than 30 years' service;
- the maximum annual increase in potential pension entitlements was estimated at 0.4%.

The amount booked to provisions (current service cost) for this supplementary group pension plan for 2015 is equal to the amount shown as post-employment benefits in Notes 6.3 and 10 to the consolidated financial statements (see above).

SUPPLEMENTARY DEFINED CONTRIBUTION PENSION PLAN IN PLACE FROM JULY 1, 2014

After a favorable opinion of the Works Council and the Nominations and Compensation Committee, the Board of Directors, decided, at their meeting of March 11, 2014, upon a motion by the Chairman and Chief Executive Officer:

- to close the supplementary defined benefits group pension plan for executives of category 8 and higher (including the Chairman and Chief Executive Officer who does not hold an employment contract) with a freeze on entitlements and closure of the plan to new members, effective June 30, 2014;
- and to amend, effective July 1, 2014, the existing supplementary defined contribution group pension plan. The main features of the amended plan are as follows:
 - category of beneficiaries: executives within the meaning of Article 4 of the national collective agreement of AGIRC (the supplementary pension fund for executives), whose compensation is greater than or equal to three times the annual social security ceiling. Compensation includes all components subject to social security contributions (fixed salary, variable salary, bonuses, benefits in kind). In particular, this plan is open to management employees of category 8 and higher (including the Chairman and Chief Executive Officer),
 - funding of the plan: contributions to the plan are equal to a percentage of the compensation of the relevant employees,
 - contribution payments break down as follows: 2.25% employer contribution for tranches A, B et C; 1.25% employee contribution for tranches A, B and C; 4.50% employer contribution above tranche C; 2.50% employee contribution above tranche C,
 - pension amount: the amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the liquidation date for all mandatory and optional pensions based on the reserves held by the insurance company and other parameters assessed on that date,
 - optional individual payments: these may be made within the limits of the available tax and social security budget.

In accordance with the provisions of Articles L. 225-38 and L. 225-40 of the French Commercial Code and on the basis of a special report prepared by the statutory auditors, the General Shareholders' Meeting of April 24, 2014 approved these changes concerning the Chairman and Chief Executive Officer.

In accordance with the recommendations of the AFEP-MEDEF Code, the value of the benefits provided by the supplementary pension plan is taken into account when setting the Chairman and Chief Executive Officer's total compensation. Furthermore, the group of potential beneficiaries is not limited to the Chairman and Chief Executive Officer, but also includes category 8 and higher executives employed by the Company.

The reference period used to calculate benefits is the average compensation calculated over three years, excluding compensation paid at the time of employment termination or retirement, as well as any other type of extraordinary compensation.

Following the closure of the supplementary defined benefit group pension plan for executives of category 8 and higher with effect from June 30, 2014, any entitlement accumulated under this plan will be calculated according to its value as of June 30, 2014. Accordingly, the reference compensation corresponds to the average of the last three calendar years prior to the closure of the plan and the service history used for calculation purposes will be that as at June 30, 2014.

Provided that he is still present in the company at the time of retirement in accordance with legal requirements, the theoretical annual amount of the lifetime annuity paid by the defined benefit pension plan to the Chairman and Chief Executive Officer, could represent 6% of his annual reference compensation. This reference compensation is capped at 8 times the annual social security ceiling.

This theoretical annual lifetime annuity would be reduced by the annuity amounts paid by the Group defined contribution pension plan to which the Chairman and Chief Executive Officer is entitled by virtue of his affiliation with the Group, calculated without payment of survivor benefits.

Therefore, the theoretical annuity, under the Group defined benefit pension plan will be eliminated if the entitlement accumulated under the defined contribution pension plan would result in a higher annuity. Assuming a retirement age of 62 and based on a total annual compensation level of between 1.5 and 2 million euros, the potential annuity of the Chairman and Chief Executive Officer under all pension plans (including the basic social security retirement plan, the complementary pension plans and the company's group supplementary pension plans) could represent a theoretical amount of approximately 7% to 10% of his annual compensation.

Overview of the position as of December 31, 2015

	Employment contract ⁽¹⁾		Supplementary pension plan		Compensation or benefits payable or likely to be payable in the event of termination or a change of position		Compensation pursuant to a non-compete covenant	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive Corporate Officer								
Antoine Frérot, Chairman and Chief Executive Officer								
Start date of term of office as Chief Executive Officer: November 27, 2009								
End date of term of office as Chairman and Chief Executive Officer: 2018 GSM		X ⁽¹⁾	X ⁽²⁾		X ⁽³⁾			X
<p>(1) Pursuant to a decision adopted by the Board of Directors on December 17, 2009, the employment contract of the Chief Executive Officer, Antoine Frérot, was terminated with effect from January 1, 2010.</p> <p>(2) Antoine Frérot is a beneficiary of the supplementary defined benefits group pension plan set up for category 8 and higher executives of Veolia Environnement closed with effect from June 30, 2014. Since July 1, 2014, he is a beneficiary of the supplementary defined contributions group pension plan set up notably for category 8 and higher executives.</p> <p>(3) Pursuant to a decision adopted by the Board of Directors on March 11, 2014, Antoine Frérot is entitled to compensation in the event of termination of his term of office as Chief Executive Officer, in accordance with the provisions of the "TEPA" Act (Article L. 225-42-1 of the French Commercial Code) and the AFEF-MEDEF Code (see Section 7.4.2.1 above).</p>								

7.4.3 LONG-TERM PROFIT-SHARING PLANS

7.4.3.1. Share subscription and/or purchase options

7.4.3.1.1 COMPANY POLICY ON THE ALLOCATION OF STOCK OPTIONS AND FREE SHARES

Company policy for fiscal year 2015

The Company did not grant any stock options, free shares or free shares subject to performance conditions ("performance shares") in 2015.

Company policy for fiscal year 2016

The Board of Directors' meeting of March 8, 2016, at the recommendation of the Compensation Committee, set the Company's general policy with respect to incentive arrangements for executives and managers of the Group for 2016.

In this context, the Board of Directors decided, for fiscal year 2016, to favor the grant of performance shares (with a vesting period ending in 2019) to replace the Management Incentive Plan (MIP), which expires in April 2018. Accordingly, the Board of Directors will ask the General Shareholders' Meeting of April 21, 2016 to approve, for a period of eighteen months, an authorization to grant free shares to all employees of the France scope (approximately 45,000 potential beneficiaries) and performance shares to a group of executives (approximately 600 beneficiaries) comprising the Chairman and Chief Executive Officer, members of the Company's Executive Committee as well as the top executives of the Group and high potential employees. This authorization will be requested up to a maximum ceiling of 0.5% of the share capital on the day of the General Shareholders' Meeting of April 21, 2016, including a sub-ceiling of 0.2% for free shares and a sub-ceiling of 0.3% for performance shares. Within this second sub-ceiling, 0.03% of the share capital may be granted to the Chairman and Chief Executive Officer.

This performance share grant, planned for 2016, would be preceded by the grant of free shares without performance conditions to all employees of the Company and its subsidiaries in the France scope (excluding the Chairman and Chief Executive Officer). The vesting period for these free shares would be one year with an additional lock-in period of two years. The vesting period for the performance shares would be three years without an additional lock-in period, subject to a specific shareholding obligation applicable to the Chairman and Chief Executive Officer to be determined by the Board of Directors.

The vesting of these performance shares will be subject, notably, to a continued employment condition at the end of the three-year vesting period (with no lock-in period, i.e. an expected expiry date in 2019) and a financial performance condition corresponding to a 10% average annual increase in current net income from 2015, recognized on expiry of the plan expected in 2019 and based on the results for fiscal year 2018. If this average increase is less than 5%, no performance shares will vest, while between 5% and 10%, they will vest on a proportional basis.

Overview of share subscription and/or purchase option plans as of December 31, 2015

	Subscription options
	Plan no. 8
Date of the General Shareholders' Meeting	05/07/2010
Date of the Board of Directors' meeting	09/28/2010
Total number of options initially granted	2,462,800
▪ Of which total number of options granted to corporate officers	0
Number of corporate officers initially concerned	0
Number of employees initially concerned	1,221
Exercise start date	09/29/2014
Expiry date	09/28/2018
Strike price *	€22.50
Number of options exercised as of December 31, 2015	0
Total number of shares that may be subscribed or purchased as of December 31, 2015 **	0***

* Adjusted, where necessary, to take account of transactions impacting the Company's share capital.

** After application of legal adjustments and the plan performance conditions, after taking into account options exercised and any changes in the situation of beneficiaries since each plan was set up.

*** Except in the event of a public offer for the Company's shares, in which case the 2,127,400 stock options under Plan no. 8 would become exercisable.

A share subscription option plan (Plan no. 7) was set up on July 17, 2007, pursuant to a decision by the Board of Directors. This plan expired on July 17, 2015. On expiry, no shares had been subscribed by Group executives or employees under this plan.

For information on the potential dilution resulting from share subscription options and free shares, please refer to Chapter 2, Section 2.1.5 above.

7.4.3.1.2 OPTIONS AND FREE SHARES GRANTED TO AND EXERCISED BY EXECUTIVE CORPORATE OFFICERS IN 2015

Share subscription and/or purchase options granted during the fiscal year to executive corporate officers by Veolia Environnement and any other Group companies

Executive corporate officer	Plan number and date	Type of option	Number of options granted during the fiscal year	Valuation of the options	Strike price (in euros)	Exercise period
Antoine Frérot (Chairman and Chief Executive Officer)	N/A	N/A	None	N/A	N/A	N/A

N/A: not applicable

Free shares granted during the fiscal year to executive corporate officers by Veolia Environnement and any other Group companies

Executive corporate officer	Plan number and date	Number of free shares granted during the fiscal year	Valuation of the shares	Availability date	Performance conditions
Antoine Frérot (Chairman and Chief Executive Officer)	N/A	None	N/A	N/A	N/A

N/A: not applicable

Share subscription and/or purchase options exercised during the fiscal year by executive corporate officers

Executive corporate officer	Plan number and date	Number of options exercised during the fiscal year	Type of option	Strike price (in euros)
Antoine Frérot (Chairman and Chief Executive Officer)	N/A	None	N/A	N/A

N/A: not applicable

Free shares that became available during the fiscal year to executive corporate officers

	Plan number and date	Number of shares that became available during the year	Vesting conditions
Executive corporate officer			
Antoine Frérot (Chairman and Chief Executive Officer)	N/A	None	N/A
N/A: not applicable			

Share subscription options held by Antoine Frérot, Chairman and Chief Executive Officer of the Company as of December 31, 2015

As of December 31, 2015, Mr. Antoine Frérot no longer held any share subscription options.

Mr. Antoine Frérot has not received any free shares.

7.4.3.1.3 OPTIONS GRANTED TO THE TOP TEN EMPLOYEES OTHER THAN CORPORATE OFFICERS IN FISCAL YEAR 2015 AND OPTIONS EXERCISED BY THEM DURING THE FISCAL YEAR

Share subscription and/or purchase options granted to the top ten employee beneficiaries other than corporate officers and options exercised by them	Total number of options granted/shares subscribed or purchased	Average weighted price**	Plan number
Options granted during fiscal year 2015 by Veolia Environnement and any company within the scope of the option award, to the ten employees of Veolia Environnement and any other company included within this scope, having received the greatest number of shares	None	N/A	N/A
Options held in Veolia Environnement and the companies referred to above exercised during fiscal year 2015 by the ten employees of Veolia Environnement and the aforementioned companies, having exercised the greatest number of options *	None	N/A	N/A

N/A: not applicable

* Excluding options exercised by employees who have left the Group.

** Strike price after legal adjustments.

7.4.3.2 Management Incentive Plan (MIP)

In October 2014, the Group set up a long-term incentive mechanism, named the “Management Incentive Plan” (MIP), for the Group's top 300 executives (including the Chairman and Chief Executive Officer and the members of the Executive Committee).

This plan was based on a joint investment approach with a personal investment by the beneficiary in the Company's shares, accompanied by the grant, subject to performance conditions, of an “additional” share bonus financed by the Group (primarily through the grant of treasury shares held by the Company).

The initial investment made by the beneficiary results in a guarantee limited to 80% of the value of his/her investment (excluding any income or other taxes payable by the beneficiary), except for the Chairman and Chief Executive Officer and the members of the Executive Committee, whose investments are not guaranteed. The maximum amount of the investment is equal to three times the reference gross monthly salary determined by the Group, and may not be less than €5,000.

The share bonus, granted in three tranches, is linked to the attainment of the following criteria: an increase in the price of the share over the acquisition price at the time of the initial investment in October 2014, and net recurring income attributable to the Group per share. These criteria are assessed at three dates (March 2016, March 2017 and March 2018) corresponding to the publication of the Company's annual financial statements for 2015, 2016 and 2017. The gains are calculated at each of these dates, but definitively vest at the expiry of the plan in April 2018, subject on that date to (i) confirmation that the beneficiaries in question satisfy the requirement of continued employment, and (ii) retention by the beneficiaries of the initial share investment.

The performance condition relating to the share bonus vesting in respect of fiscal year 2015 was fully attained and noted by the Compensation Committee on March 4, 2016 based on the accounts adopted by the Board of Directors on February 24, 2016.

As of the date of filing of this Registration Document, the share bonus for fiscal year 2015 had not yet been calculated, as this calculation can only be finalized 20 trading days after the publication of the accounts on February 25, 2016, the reference share price for the calculation of the share price increase being determined over the 20 trading days between February 26 and March

24, 2016. Subject to this condition, the share bonus vesting to Mr. Antoine Frérot is currently estimated at approximately 45,000 shares (representing less than one year's annual fixed compensation). These shares will become available on expiry of the plan in April 2018.

As of December 31, 2015, 423,653 shares were invested in this plan, including 100,688 shares acquired by members of the Executive Committee at the subscription date.

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code, the shares purchased by the members of the Executive Committee (including the Chairman and Chief Executive Officer) were declared to the French Financial Markets Authority (AMF).

In April 2015, Veolia received a prestigious Global Equity Organization (GEO) award for its loyalty program, the Management Incentive Plan. Presented in 2015 at the 13th GEO awards ceremony held in London, the GEO prizes recognize the excellence of companies and industries across the world who are using equity compensation to attract, retain and engage employees.

7.4.4 SUMMARY OF COMPENSATION PAID OR PAYABLE IN RESPECT OF FISCAL YEAR 2015 TO MR. ANTOINE FRÉROT, CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND THE 2016 COMPENSATION POLICY PRESENTED FOR SHAREHOLDER ADVISORY VOTE AT THE COMBINED SHAREHOLDERS' MEETING OF APRIL 21, 2016

In the tenth resolution presented to the Combined Shareholders' Meeting of April 21, 2016, shareholders are asked to issue a favorable opinion on the following compensation components paid or payable in respect of fiscal year 2015 to Mr. Antoine Frérot, Chairman and Chief Executive Officer and the 2016 compensation policy:

Compensation component	Amount	Comment
Fixed compensation	€950,000	In accordance with the recommendations of the Compensation Committee, the Board of Directors' meeting of March 10, 2015 decided to increase the fixed compensation awarded to Mr. Antoine Frérot to €950,000 (+5.5%), given the excellent results achieved in 2014. This fixed compensation had remained unchanged since 2011.
Variable compensation	€1,353,750	<p>At its meeting of March 8, 2016, the Board of Directors, at the recommendation of the Compensation Committee, set and approved the total amount of Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) in respect of fiscal year 2015 at €1,353,750.</p> <p>On the basis of unchanged weightings for the quantitative (70%) and qualitative (30%) portions of the Target Bonus Base (set at 125% of fixed compensation, i.e. €1,187,500 in the event of 100% attainment of annual targets) and in view of the quantitative and qualitative criteria set by the Board at its March 10, 2015 meeting, the amount of the variable portion for 2015 was determined as follows:</p> <ul style="list-style-type: none"> ▪ with respect to the quantitative criteria: attainment of budget objectives relating to (i) Group net free cash flow before financial investments, financial divestments and dividends (35% weighting) and (ii) the increase in current EBIT (35% weighting). These criteria formed part of the Group's objectives announced for 2015 concerning growth in current EBIT and payment of the dividend out of Free cash flow. The quantitative portion of variable compensation was calculated at €1,088,608, i.e. 131% capped at 120% of the target quantitative variable compensation ("quantitative Bonus Base"), or €997,500, reflecting an attainment rate of 156% for the Free cash flow criterion and of 106% for the current EBIT criterion; ▪ with respect to the qualitative criteria: at its meeting of March 8, 2016, the Board of Directors decided to award Mr. Antoine Frérot €356,250 for the qualitative portion of his 2015 variable compensation, i.e. 100% of his target qualitative variable compensation (qualitative Bonus Base), primarily for the results of the Group's strategic transformation plan (20%) and the observed reduction in the rate of workplace accidents in the Group (10%). <p>Mr. Antoine Frérot's variable compensation (quantitative and qualitative portions) for fiscal year 2015 is therefore €1,353,750, or 114% of his target variable compensation for 2015.</p> <p>The cap on variable compensation for 2015 is 114% of his Target Bonus Base, which in turn is equal to 125% of fixed compensation, or €1,353,750.</p>
Multi-year variable compensation	No payment	Mr. Antoine Frérot did not receive any multi-year variable compensation in 2015.
Exceptional compensation	N/A	Mr. Antoine Frérot does not receive any exceptional compensation.

Compensation component	Amount	Comment
Launch of a long-term incentive compensation plan named the "Management Incentive Plan" (MIP)	No payment	<p>In view of the closure of the defined benefit pension plan of which the Chairman and Chief Executive Officer was a member until June 30, 2014, the Board of Directors decided and authorized on August 27, 2014, the launch of a long-term incentive compensation plan, named the <i>Management Incentive Plan</i> (MIP) with the following main characteristics:</p> <ul style="list-style-type: none"> beneficiaries: restricted category of employees of around 300 executives, including the Chairman and Chief Executive Officer, Mr. Antoine Frérot; personal investment via the acquisition of Veolia Environnement shares (at market prices) for an amount ranging between €5,000 (minimum) and three months of gross compensation (maximum). This investment confers entitlement, subject to continued employment and financial performance (Company's performance and share price) criteria, to the allocation of additional shares at the expiry of the Plan, namely in April 2018. This share bonus is funded by the Company via the allocation of treasury shares (no dilution). It is to be allocated in three tranches based on the financial performance reported in fiscal years 2015, 2016, 2017, on the release of the annual financial statements, and vests only when the plan expires in April 2018, subject to confirmation of the continued employment of the relevant beneficiary and of such beneficiary having retained all the initially invested shares. For each of the three tranches, this bonus is calculated by multiplying five times the rise in the Veolia Environnement share compared with the initial acquisition price, weighted by the percentage attainment of the objectives set for the improvement in the Group's results (indicator selected: Net adjusted income per share attributable to owners of the Company) the 80% protection of the investment granted to Plan beneficiaries does not apply to either Mr. Antoine Frérot or the members of the Executive Committee. <p>Pursuant to the procedure governing regulated agreements and commitments, this commitment was authorized by the Board of Directors' meeting of August 27, 2014 and ratified by the General Shareholders' Meeting of April 22, 2015 (6th resolution).</p> <p>Under this plan, Mr. Antoine Frérot acquired 24,403 Company shares at their market price of €13.04 per share on October 22, 2014. The share bonus vesting to Mr. Antoine Frérot in respect of 2015 is currently provisionally estimated (calculation to be finalized on March 24, 2016) at approximately 45,000 shares, representing less than one year's annual fixed compensation. These shares will become available on expiry of the plan in 2018.</p>
Directors' fees	N/A	Mr. Antoine Frérot has waived his right to receive Directors' fees as Chairman of the Board of Directors of Veolia Environnement and in respect of the offices he holds in Group companies.
Allocation of stock options and/or of performance shares	No allocation	Since his appointment as Chief Executive Officer of the Company (November 27, 2009) and throughout 2015, Mr. Antoine Frérot was not allocated any stock options and/or performance shares.
Severance payment	No payment	<p>Mr. Antoine Frérot is entitled to a severance payment in the case of the termination of his employment contract as Chief Executive Officer. It is applicable solely in the event of a "forced departure owing to a change in control or strategy". In accordance with the AFEF-MEDEF Corporate Governance Code, the maximum amount of this severance payment is capped at twice the CEO's total gross annual compensation (excluding Directors' fees and benefits in kind) including the sum of the fixed portion of his compensation for the previous fiscal year ("Fixed Portion") and the average of the variable portion ("Variable Portion") paid or payable in respect of the last 3 fiscal years ending before the termination of his duties as Chief Executive Officer ("Reference Compensation"). The amount of this severance payment and its fixed and variable portions depends in both cases on the extent to which performance conditions have been attained. Indeed, the calculation of the severance payment is equal to twice the sum of (1) the Variable Portion of his Reference Compensation (average over the previous three fiscal years) and (2) the Fixed Portion of his Reference Compensation (last fiscal year) corrected by a "Performance Rate" corresponding to the average percentage attainment of the target bonus (also called "Bonus Base" or 100% attainment of annual objectives) for the last three fiscal years ending before the termination of his duties.</p> <p>Note that Mr. Antoine Frérot terminated his employment contract as of January 1, 2010 and that the termination of his employment contract caused him to lose the right under the collective bargaining agreement to receive severance compensation for his years of service within the Group (over 19 years as of that date).</p> <p>Pursuant to the procedure governing regulated agreements and commitments, this commitment was authorized by the Board of Directors' meeting of March 11, 2014 and ratified by the General Shareholders' Meeting of April 24, 2014 (8th resolution).</p>

Compensation component	Amount	Comment
Supplementary pension plan	No payment	<p>After a favorable opinion of the Works Council and the Nominations and Compensation Committees* , the Board of Directors, decided, at its meeting of March 11, 2014, upon a motion by the Chairman and Chief Executive Officer:</p> <ul style="list-style-type: none"> to close the supplementary defined benefit group pension plan for executives of category 8 and higher (including the Chairman and Chief Executive Officer who does not hold an employment contract) with a freeze on entitlements and closure of the plan to new members, effective June 30, 2014; to amend, effective July 1, 2014, the existing supplementary defined contribution pension plan with the following main features: <ul style="list-style-type: none"> this plan is open to all executives of category 8 and higher (including the Chairman and Chief Executive Officer), its funding is ensured by contributions to the plan equal to a percentage of the compensation of the relevant employees, contribution payments break down as follows: 2.25% employer contribution for tranches A, B and C; 1.25% employee contribution for tranches A, B and C; 4.50% employee contribution above tranche C; 2.5% employee contribution above tranche C, pension amount: the amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the liquidation date for all mandatory and optional pensions based on the reserves held by the insurance company and other parameters assessed on that date. <p>Pursuant to the procedure governing regulated agreements and commitments, these amendments to the supplementary defined contribution pension plan to the extent they concern the Chairman and Chief Executive Officer were authorized by the Board of Directors' meeting of March 11, 2014 and ratified by the General Shareholders' Meeting of April 24, 2014 (7th resolution) based on the special report drawn up by the statutory auditors.</p> <p>Provided that he is still present in the company at the time of retirement in accordance with legal requirements, the amount of the lifetime annuity paid by the defined benefit pension plan will depend on Mr. Antoine Frérot's retirement age, the amount of contributions paid, and possible optional individual payments under the supplementary defined benefit pension plan. Note that this theoretical annuity will be eliminated if the entitlement accumulated under the defined contribution pension plan would result in a higher annuity. Should the Chairman and Chief Executive Officer retire at the age of 62 and based on a level of total annual compensation ranging between €1.5 million and €2 million, his potential annuity under all pension plans (including the basic social security scheme, additional plans and the supplementary defined benefit group pension plan) could amount to a theoretical payment of around 10% of his annual compensation.</p>
Collective healthcare and insurance plans		<p>Mr. Antoine Frérot benefits from the collective healthcare and insurance plan in force within the Company under the same conditions as those applicable for the category of employees with which he is assimilated for the setting of social benefits and other ancillary components of his compensation.</p> <p>Pursuant to the procedure governing regulated agreements and commitments, this commitment was authorized by the Board of Directors meeting of March 11, 2014 and ratified by the General Shareholders' Meeting of April 24, 2014 (7th resolution).</p>
Benefits in kind	€2,037	Mr. Antoine Frérot enjoys the use of a company car.

* This Committee was split into two separate committees following a decision of the Board of Directors on March 25, 2014.

2016 compensation policy

Compensation component	Amount	Comment
2016 fixed compensation	€950,000	In accordance with the recommendations of the Compensation Committee, the Board of Directors decided to set the frequency of review of fixed compensation at every three years, in the absence of any major events. Accordingly, it retains unchanged for fiscal year 2016, the 2015 gross fixed compensation decided by the Board of Directors' meeting of March 10, 2015 at the recommendation of the Compensation Committee.
2016 variable compensation		<p>With respect to the Group's objectives and Mr. Antoine Frérot's variable compensation, the Board of Directors' meeting of March 8, 2016, at the recommendation of the Compensation Committee, decided to review the method of calculating variable compensation as follows:</p> <ul style="list-style-type: none"> retention of the weightings at 70% for the quantitative portion and 30% for the qualitative portion. the 2016 Target Bonus Base is reduced from 125% to 100% of annual fixed compensation. the cap on target variable compensation is equal to 140% of annual fixed compensation for 2016, or €1,330,000. <ul style="list-style-type: none"> with respect to the quantitative criteria: the criteria for the quantitative portion of the variable compensation (70% of the Target Bonus) are as follows, it being noted that the quantitative portion will be equal to the total of the four components resulting from the application of each of these criteria separately: <ul style="list-style-type: none"> 20% of the Target Bonus Base based on Group current EBIT, 20% based on Group net free cash flow before financial investments, financial divestments and dividends, 30% based on organic growth in Group revenue (at constant exchange rates and excluding acquisitions and divestitures of more than €100 million but including acquisitions of privatized public services), 30% based on Group ROCE (after tax). with respect to the qualitative criteria: the criteria for the qualitative portion of the variable compensation (30% of the target bonus) are as follows: <ul style="list-style-type: none"> health and safety at work, based on the rate of workplace accidents with sick leave, environmental performance, managerial performance, strategic aspects. <p>The 2016 qualitative portion of variable compensation will be assessed as a whole by the Board of Directors based on recommendations by the Compensation Committee.</p>
Proposed grant of performance shares to a group of approximately 600 Group executives including the Chairman and Chief Executive Officer	No payment	<p>At the recommendation of the Compensation Committee, the Board of Directors asks shareholders in the twentieth resolution presented to the General Shareholders' Meeting of April 21, 2016, to approve an authorization, for a period of 18 months, to grant free shares without performance conditions (with a vesting period of one year and a lock-in period of 2 years) to all Group employees of the France scope representing approximately 45,000 potential beneficiaries (excluding the Chairman and Chief Executive Officer) and performance shares to a group of approximately 600 Group executives including the Chairman and Chief Executive Officer. This plan, which is intended to be launched in 2016 with an expiry date in 2019, would replace the Management Incentive Plan (MIP) which expires in April 2018.</p> <p>Shareholders' are asked to authorize the following ceilings:</p> <p>an overall ceiling of 0.5% with application of a first sub-ceiling of 0.2% for free shares without performance conditions and a second sub-ceiling of 0.3% for performance shares, including 0.03% for performance shares granted to the Chairman and Chief Executive Officer.</p> <p>The grant of performance shares would be subject to the following conditions:</p> <ul style="list-style-type: none"> a continued employment/presence condition until the end of the 3-year vesting period (with no lock-in period, <i>i.e.</i> an expected expiry date in 2019) and a financial performance condition corresponding to a 10% average annual increase in current net income attributable to the Group from 2015, recognized on expiry of the plan expected in 2019 and based on the results for fiscal year 2018. <p>If this average increase is less than 5%, no performance shares will vest, while between 5% and 10% they will vest on a proportional basis.</p>

7.5 Corporate officer and executive share ownership

Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-22 of the AMF General Regulations, members of the Board of Directors and the Company's executives, or any person with close links to them, are required to notify the AMF of any acquisitions, sales, subscriptions or exchanges of Company securities or financial instruments, within five days of completing the transaction.

In addition, directors and executives are also subject to French regulations on breach of duty and insider trading, which penalize the use or disclosure of privileged information⁽¹⁾.

Finally, directors and executives are required to comply with the Company's code of conduct governing trading in its securities (see Chapter 5, Section 5.2.2.6 and Chapter 7, Section 7.2.1.7 above). Under the provisions of this Code, the Company considers members of the Board of Directors and Executive Committee to be permanent insiders, who can only purchase or sell Company securities, directly or through an intermediary, under certain conditions and during specific, time-limited periods, in particular after the publication of the Company's annual and interim results.

7.5.1 DIRECTOR AND NON-VOTING MEMBER SHARE OWNERSHIP AND TRANSACTIONS IN VEOLIA ENVIRONNEMENT SHARES

To the Company's knowledge, on December 31, 2015, members of the Board of Directors, including non-voting members (*censeurs*), held a total of 48,645,323 Veolia Environnement shares, representing 8.6% of the Company's capital as of that date. The table below sets out the number of Veolia Environnement shares held individually by each of the Company's directors and non-voting members (*censeurs*):

	Number of shares held as of 12/31/2015	Number of shares held as of 12/31/2015
Antoine Frérot	36,450	36,450
Louis Schweitzer	16,132	16,132
Homaira Akbari ⁽¹⁾	3,000	N/A
Jacques Aschenbroich	2,176	2,176
Maryse Aulagnon	1,000	1,000
Daniel Bouton	3,065	3,065
Caisse des Dépôts et Consignations, represented by Olivier Mareuse	48,570,712	48,570,712
Pierre-André de Chalendar ⁽²⁾	N/A	750
Clara Gaymard ⁽³⁾	750	N/A
Marion Guillou	750	750
Groupama SA, represented by Georges Ralli ⁽⁴⁾	N/A	1,549
Serge Michel	3,094	3,094
Pavel Páša, <i>director representing employees</i>	0	0
Baudouin Prot	1,687	1,687
Qatari Diar Real Estate Investment Company, represented by Khaled Al Sayed	750	750
Nathalie Rachou	822	822
Georges Ralli ⁽⁴⁾	1,049	N/A
Paolo Scaroni	916	916
Pierre Victoria, <i>director representing employees</i>	762	762
Isabelle Courville, <i>non-voting member (censeur)</i> ⁽⁵⁾	1,000	N/A
Paul-Louis Girardot, <i>non-voting member (censeur)</i>	1,208	1,208
TOTAL	48,645,323	48,641,823

N/A: not applicable

(1) Mrs. Homaira Akbari was appointed as a director by the Combined General Meeting of April 22, 2015.

(2) Mr. Pierre-André de Chalendar announced, prior to the Combined General Meeting of April 22, 2015, that he would not seek renewal of his term of his office.

(3) Mrs. Clara Gaymard was appointed as a director by the Combined General Meeting of April 22, 2015.

(4) Mr. Georges Ralli was co-opted by the Board of Directors on March 10, 2015 to replace Groupama SA, which he represented, for the rest of his current term of office, i.e. until the end of the Combined General Meeting called to approve the financial statements for the year ended December 31, 2015. The Combined General Meeting of April 22, 2015 ratified this co-optation.

(5) Mrs. Isabelle Courville was appointed a non-voting member (*censeur*) by the Board of Directors on March 10, 2015, effective the same date for an initial term ending at the 2016 General Shareholders' Meeting called to approve the financial statements for fiscal year 2015.

(1) Under the terms of Article L. 621-18-4 of the French Monetary and Financial Code, a list of permanent insiders has been drawn up which includes the members of the Board of Directors and the members of the Executive Committee of Veolia Environnement. This list is made available to the French Financial Markets Authority, the AMF.

The table below details transactions in Veolia Environnement securities during fiscal year 2015 performed by directors of the Company. To the best of the Company's knowledge, no other transactions involving the purchase or sale of Veolia Environnement securities by directors or any person with close personal links to them were reported during fiscal year 2015:

Director	Financial instrument	Type of transaction	Transaction date	Unit price (in €)	Total transaction amount (in €)
Homaira Akbari	Shares	Purchase	August 11, 2015	20.87	62,610
Clara Gaymard	Shares	Purchase	August 21, 2015	19.625	14,718.75

7.5.2 TRANSACTIONS IN VEOLIA ENVIRONNEMENT SHARES BY EXECUTIVES

To the best of the Company's knowledge, no purchases or sales of Veolia Environnement securities were reported by Executive Committee members (see Section 7.3 above) or any person with close personal links to them during fiscal year 2015.

7.6 Statutory auditors' special report on regulated agreements and commitments

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

General Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2015

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on the regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying that such commitments and agreements are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any.

It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorized by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These guidelines require that we verify the consistency of the information provided to us with the relevant source documents.

1. AGREEMENTS AND COMMITMENTS PRESENTED TO THE GENERAL SHAREHOLDERS' MEETING FOR APPROVAL

In accordance with Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments that were authorized by the Board of Directors.

1.1 SNCM settlement agreement

Board of Directors' meeting of May 21, 2015

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer and a director of Transdev Group, an entity owned on a 50/50 basis by Veolia Environnement and Caisse des Dépôts et Consignations
- Caisse des Dépôts et Consignations, legal entity director with a 8.62% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse

During its meeting of May 21, 2015, the Board of Directors authorized the signature of a settlement arrangement comprising two agreements contingent on each other and bringing together, in addition to Veolia Environnement (hereafter referred to as "Veolia"), Transdev Group (hereafter referred to as "Transdev"), Caisse des Dépôts et Consignations, the bodies involved in the administration and judicial liquidation of Société Nationale Maritime Corse Méditerranée (SNCM) and SNCM itself. The two agreements were signed on May 28 and December 3, 2015 and were approved by the Marseille Commercial Court on December 4, 2015.

Terms and conditions and reasons justifying the agreement: under the terms of this settlement protocol, the bodies of the proceedings waived all requests for payment for insufficient assets and proceedings for liability or personal sanctions against Transdev and Veolia, in exchange for the irrevocable waiver by your Group of all receivables reported to the receiver during the SNCM judicial receivership proceedings, i.e. a total of €14,535,239.80. Transdev also accepted the waiver of all receivables reported to the receiver, i.e. an amount of €104.3 million and, following the approval of the settlement agreement, agreed to pay an amount of €61.6 million to the bodies of the proceedings to contribute to the funding of employment contract severance payments and the voluntary redundancy plan.

1.2 Brand license

Board of Directors' meetings of November 5, 2014 and February 24, 2016

Agreement signed between your Company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding)

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Manager of Veolia Eau-Compagnie Générale des Eaux;
- Mr. Paul Louis Girardot, Non-voting Board Member – Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux.

Context and reasons justifying the agreement: your group has launched a transformation plan to simplify, structure and integrate its organizational set-up by country. This integration is reflected in particular by the use of a single "Veolia" brand (and a single logo) for the whole group to ensure better convergence and readability of the customer offers and to ensure their cross-cutting nature.

Terms and conditions: to take account of this new organizational set-up and the roll-out of the single "Veolia" brand, your Board of Directors authorized the signature, with the "head" entities designated by country or geographic zone and with Veolia Eau-Compagnie Générale des Eaux in particular (it is their responsibility to decline these contracts locally), of a new usage license for the "Veolia" brands in accordance with the following key conditions:

- one-year term automatically renewable for one or several annual periods with retroactive effect as of January 1, 2014;
- royalty fee set at 0.3% of the revenue of each of the license holders (or sub-license holders).

The Board of Directors' meeting of February 24, 2016, duly noted and authorized as necessary the tacit renewal of this agreement for the period January 1 to December 31, 2015, as well as the amendment of the term of this agreement from one year to indefinite with effect from January 1, 2016.

The Company recorded royalty fee income of €8,770,000 from Veolia Eau-Compagnie Générale des Eaux for fiscal year 2015.

2. AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved during previous fiscal years

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed of the following agreements and commitments, previously approved by shareholders in prior years and having continuing effect during the year.

2.1 Agreements concerning the remuneration of guarantees issued by your Company on behalf of its subsidiaries

Board of Directors' meeting of May 17, 2011

Agreement signed between your Company and its subsidiary Veolia Eau-Compagnie Générale des Eaux (99.99% shareholding)

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer – Manager of Veolia Eau-Compagnie Générale des Eaux;
- Mr. Paul Louis Girardot, Non-voting Board Member – Chairman of the Supervisory Board of Veolia Eau-Compagnie Générale des Eaux.

The parties agreed on the need to ensure that Veolia Environnement is fairly remunerated for services rendered to Veolia Eau-Compagnie Générale des Eaux subsidiaries through the issue of endorsements and guarantees of any nature, granted to any third party.

The remuneration payable depends on the country in which the guarantee operates, the nature and the term of the guarantee issued as well as the amount of the commitment given.

These contracts were entered into for an indefinite term.

On this basis and for fiscal year 2015, your Company recorded income of €2,532,802 in respect of commitments issued on behalf of Veolia Eau-Compagnie Générale des Eaux subsidiaries.

2.2 Agreements in the context of the merger of Veolia Transport and Transdev

Board of Directors' meetings of March 24, 2010 and February 23, 2011

Persons concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer and a director of Transdev Group, an entity owned on a 50/50 basis by Veolia Environnement and Caisse des Dépôts et Consignations
- Caisse des Dépôts et Consignations, legal entity director with a 8.62% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse

In the context of the merger of Veolia Transport and Transdev, the signature of various agreements and contract amendments between your Company, Caisse des Dépôts et Consignations (CDC) and Transdev Group (formerly Veolia Transdev) was authorized by your Board of Directors on March 24, 2010 and February 23, 2011. These agreements were finalized on May 4, 2010 and March 3, 2011 with the merger completed on March 3, 2011.

The following agreements continued in effect during fiscal year 2015:

- the shareholders' agreement between your Company and CDC signed on May 4, 2010 and amended on March 3, 2011;
- the reciprocal guarantee agreements between your Company, CDC and Transdev Group;
- the counter-guarantee agreement between your Company and CDC;
- the brand license agreement between your Company and Transdev Group:
 - following the change of brand and name of Transdev Group in April 2013, the amount to be invoiced to Transdev Group for fiscal year 2015 is nil,

- the agreement concerning the remuneration of endorsements and guarantees between your Company and Transdev Group:
 - the parties agreed on the need to ensure that Veolia Environnement is fairly remunerated for services rendered through the issue of endorsements and guarantees of any nature, granted to any third party,
 - the remuneration payable depends on the country in which the guarantee operates, the nature and the term of the guarantee issued as well as the amount of the commitment given,
 - on this basis and for fiscal year 2015, your Company did not record any income in respect of commitments issued on behalf of Transdev Group but only for commitments issued directly on behalf of certain Transdev Group subsidiaries.

2.3 Agreement regarding the new Veolia Environnement head office in Aubervilliers

Board of Directors' meeting of October 22, 2012

Agreement entered into with Icade SA, a subsidiary of Caisse des Dépôts et Consignations, the latter being a legal entity director of both Icade and of Veolia Environnement.

Person concerned:

- Caisse des Dépôts et Consignations, legal entity director with a 8.62% shareholding in Veolia Environnement, represented by Mr. Olivier Mareuse

Pursuant to the move to the new Veolia Environnement head office in Aubervilliers, the parties agreed to continue the exclusive partnership signed on June 17, 2011 and to enter into an agreement which was signed on October 31, 2012.

The purpose of this agreement was:

- to record the changes to the real estate scope and to the initial project concept concerning the regrouping of the various group head offices located in the Greater Paris region at a single site;
- to determine the terms of cooperation of the Parties during the definition phase of the modified project and the principles that will preside over the negotiation of their agreements;
- to definitively set the sums payable between the parties due to the amendment of the initial project.

Following the conclusion of these negotiations, two concurrent acts setting out the compensation terms for Icade in the event Veolia Environnement withdraws from this project and the terms of a 9-year firm lease for off-plan property (BEFA) were signed on January 31, 2013. This lease would take effect on the delivery of the building planned for mid-2016.

The two concurrent acts signed on January 31, 2013 were not effective in fiscal year 2015.

2.4 Service agreements with Soficot

Board of Directors' meeting of March 11, 2014

Agreement entered into with Soficot SAS, represented by its Chairman Mr. Serge Michel.

Person concerned:

- Mr. Serge Michel, Director

Your Board of Directors authorized the signature of a three-year agreement commencing January 1, 2014 between your Company and Soficot under the terms of which the latter undertakes to assist your Company in defining and establishing a corporate strategy particularly in terms of development and/or divestment activities in European Union countries. This assignment includes:

- assisting in the selection of opportunities or targets;
- building relationships with potential decision-makers, players or partners who are able to help or participate in the development or the implementation of your corporate strategy;
- advising your Company in the context of its restructuring operations or the turnaround of activities in difficulty particularly by drawing up proposals for reorganization measures and actions plans;
- assisting your Company in its procedures and negotiations with stakeholders and particularly its partners or customers (public or private).

This agreement provides for payment to Soficot of fixed remuneration of €600,000 per annum, adjusted in line with the SYNTEC index, and with no "success fees".

Remuneration of €631,376 was paid to Soficot in respect of this agreement for fiscal year 2015.

2.5 Retention of additional healthcare and insurance coverage for the Chairman and Chief Executive Officer

Board of Directors' meeting of March 11, 2014

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer

In the context of the termination of the employment contract of the Chairman and Chief Executive Officer effective as of January 1, 2010, the Board of Directors' meeting of December 17, 2009 authorized the Chairman and Chief Executive Officer to continue to benefit from the additional healthcare and insurance coverage enjoyed by all company employees after the date of termination of his employment contract. The Board of Directors' meeting of March 11, 2014 renewed this authorization.

The cost of retaining the benefits of this plan for the Chairman and Chief Executive Officer was €11,659 for fiscal year 2015.

2.6 Supplementary defined contribution pension plan benefiting the Chairman and Chief Executive Officer

Board of Directors' meeting of March 11, 2014

Person concerned:

- Mr. Antoine Frérot, Chairman and Chief Executive Officer

Your Company amended with effect from 1, 2014, the supplementary defined contribution pension plan with the following main features:

- category of beneficiaries: executives within the meaning of Article 4 of the national collective agreement of AGIRC (the supplementary pension fund for executives), whose compensation is greater than or equal to three times the annual social security ceiling. Compensation includes all components subject to social security contributions (fixed salary, variable salary, bonuses, benefits in kind). In particular, this plan is open to management employees of category 8 and higher (including the Chairman and Chief Executive Officer);
- funding of the plan: contributions to the plan are equal to a percentage of the compensation of the relevant employees;
- contribution payments break down as follows: 2.25% employer contribution for tranches A, B et C; 1.25% employee contribution for tranches A, B and C; 4.50% employer contribution above tranche C; 2.50% employee contribution above tranche C;
- pension amount: the amount of the supplementary pension is not defined in advance. For each employee, it is calculated on the liquidation date for all mandatory and optional pensions based on the reserves held by the insurance company and other parameters assessed on that date;
- optional individual payments: these may be made within the limits of the available tax and social security budget.

Employer contributions benefiting the Chairman and Chief Executive Officer totaled €90,135 for fiscal year 2015.

Paris-La Défense, March 15, 2016

KPMG Audit

A Division of KPMG S.A.

Jean-Paul Vellutini Karine Dupré

Ernst & Young et Autres

Gilles Puissochet Xavier Senent

N.B. The Statutory Auditors' special reports on regulated agreements and commitments for fiscal years 2013 and 2014 are presented in the Appendices to the Veolia Environnement 2013 and 2014 Registration Documents, respectively.

8

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8.1 Main provisions pursuant to the law and the Articles of Association concerning Veolia Environnement AFR

8.1.1 CORPORATE NAME AND REGISTERED OFFICE

Since April 30, 2003, the name of the Company has been Veolia Environnement. Its abbreviated corporate name is VE.

The Company's registered office is located at 36/38, avenue Kléber, 75116 Paris, France. The telephone number is (33) 1 71 75 00 00.

8.1.2 LEGAL FORM AND APPLICABLE LAW

Veolia Environnement is a French *société anonyme à conseil d'administration* (public limited liability company with a Board of Directors) governed by French law and particularly the provisions of Book II of the French Commercial Code.

8.1.3 DATE OF INCORPORATION AND TERM

The Company was incorporated on November 24, 1995, for a term of 99 years beginning on the date of its registration in the Trade and Companies Register, i.e. for a term lasting until December 18, 2094.

8.1.4 TRADE AND COMPANIES REGISTRY

The Company is registered in the Paris Trade and Companies Register under number 403 210 032. The Company's APE code is 7010 Z.

8.1.5 CORPORATE PURPOSE

Pursuant to Article 3 of the Company's Articles of Association, Veolia Environnement's corporate purpose, directly and indirectly, in France and in all other countries, involves:

- conducting all service activities, for private, professional and public customers, that are related to the environment, in particular, water, wastewater, energy, transportation and waste management;
- the acquisition, use and exploitation of all patents, licenses, trademarks and models that are directly or indirectly related to corporate activities;
- the acquisition of all equity investments, in the form of subscriptions, purchases, contributions, exchanges or by any other means, and the acquisition of shares, bonds and all other securities in existing or future enterprises, groupings or companies, and the option of disposing of such interests;
- in general, all commercial, industrial, financial or non-trading transactions, whether in personal or real property, that are directly or indirectly related to the aforementioned corporate purpose, and, in particular, the issue of all guarantees, first-demand guarantees, sureties and other security interests, in particular for the benefit of all groupings, enterprises or companies in which the Company holds an equity investment within the scope of its business activities, as well as the financing or refinancing of its business activities.

8.1.6 FISCAL YEAR

The Company's fiscal year starts on January 1 and ends on December 31 of each calendar year.

8.1.7 APPROPRIATION OF NET INCOME UNDER THE ARTICLES OF ASSOCIATION

Each share grants entitlement to an amount of the profit in proportion to the percentage of the capital that such share represents.

The distributable earnings are made up of the net income for the fiscal year, minus any accumulated losses and the various deductions provided for by law, plus any retained earnings.

The General Shareholders' Meeting may decide to distribute amounts drawn from the reserves of which it may freely dispose, by expressly stating the reserve items from which the amounts are drawn.

After approving the financial statements and recording the existence of amounts that are eligible for distribution (including the distributable earnings and, if any, the amounts drawn from reserves referred to above), the General Shareholders' Meeting may decide to distribute all or part of such amounts to the shareholders as dividends, to allocate them to reserve items, or to carry them forward.

The General Shareholders' Meeting has the option of granting the shareholders, for all or part of the dividends paid out or interim dividends, an option of payment in cash or payment in shares under the conditions laid down by the law. Furthermore, the General Shareholders' Meeting may decide, for all or part of the dividend, interim dividends, distributed reserves or premiums, or for any capital reduction, that such distribution or such capital reduction will be carried out in kind by delivery of Company assets.

The Board of Directors has the option of distributing interim dividends prior to the approval of the annual financial statements pursuant to the terms and conditions provided for by law.

8.1.8 GENERAL SHAREHOLDERS' MEETINGS

8.1.8.1 Notice of Meetings

General Shareholders' Meetings are convened and deliberate under the terms and conditions provided for by law. Meetings are held at the Company's registered office or at any other location stated in the notice.

Shareholders' decisions are made at ordinary, extraordinary, special or combined meetings, depending on the nature of the decisions that shareholders are called upon to make.

8.1.8.2 Participation in and attendance at Meetings

CONDITIONS

All shareholders, regardless of the number of shares they hold, are entitled to attend meetings in accordance with the laws and regulations in force, either by attending them in person, by being represented at them, by voting pursuant to the ballot-by-mail process, (also known as "by mail"), or by giving a proxy to the Chairman of the meeting.

In accordance with Article R.225-85 of the French Commercial Code, the only shareholders permitted to attend meetings are those who can provide proof of their legal status through the recording of the securities in their name, or in the name of the intermediary registered as acting on their behalf, no later than the second business day prior to the meeting at midnight, Paris time (hereafter, D-2), either in the registered securities accounts, or in bearer securities accounts held by their authorized intermediary.

With regard to registered shareholders, this accounting recognition in the registered securities accounts on D-2 is sufficient for them to be able to attend.

With regard to holders of bearer shares, it is the responsibility of the authorized intermediaries that hold the bearer securities accounts to provide proof of their legal status as a shareholder on their clients' behalf to the clearing institution for the meeting appointed by Veolia Environnement, by providing evidence of a certificate of shareholding which they append to the ballot-by-mail voting form or proxy form or to the admission card request drawn up in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

PROCEDURES

Shareholders wishing to attend the General Shareholders' Meeting in person must apply for an admission card:

- registered shareholders should apply directly to the clearing institution for the Meeting appointed by Veolia Environnement (hereinafter “the clearing institution”);
- holders of bearer shares should apply to their financial intermediary.

If a holder of bearer shares wishing to attend the meeting in person has not received their admission card by D-2, they must submit a request to their financial intermediary to issue them with a certificate of shareholding enabling them to provide evidence of their position as a shareholder as of D-2 in order to be admitted.

A notice of the meeting, including a ballot-by-mail voting, proxy or admission card request form, is automatically sent to all registered shareholders. Holders of bearer shares must contact the financial intermediary with whom their shares are registered in order to obtain the ballot-by-mail voting, proxy or admission card request form.

REMOTE VOTING

Shareholders who are unable to attend the General Shareholders' Meeting in person may choose from one of the following three options:

- give a written proxy to another shareholder, to their spouse or partner or any other natural or legal person of their choice;
- give a proxy to the Chairman of the meeting;
- vote by mail.

Votes made by mail or by proxy can only be taken into account if the forms, duly completed and signed (and accompanied by the certificate of shareholding for bearer shares) are received by the clearing institution no later than the third business day prior to the meeting.

In accordance with the provisions of Article R. 225-79 of the French Commercial Code, notification of the appointment and dismissal of a proxy holder may also be made by electronic means.

Only notifications of appointment to or dismissal from positions duly signed, completed and received no later than two days before the date of the meeting may be taken into account.

In accordance with the provisions of Article R. 225-85 of the French Commercial Code, any shareholder who has already voted by mail, or sent a proxy or an admission card request is no longer able to choose another method of participation in the meeting, but may, nonetheless, sell all or some of their shares. However, if the sale takes place before D-2, the Company will cancel or amend accordingly, as appropriate, the remote vote cast, the proxy, the admission card or the certificate of shareholding. To this end, the authorized intermediary holding the account notifies the Company or its proxy holder of the sale and provides it with the necessary information. No sale or any other transaction made after D-2, regardless of the method used, is notified by the authorized intermediary holding the account or taken into consideration by the Company, notwithstanding any agreement to the contrary. It is noted that if a shareholder does not name a proxy holder in a proxy form, the Chairman of the General Shareholders' Meeting shall register a vote in favor of adopting draft resolutions submitted or approved by the Board of Directors, and shall register a vote against the adoption of all other draft resolutions. In order to issue any other vote, the shareholder must choose a proxy holder who agrees to vote as directed by the shareholder.

Under the terms of Article 22, paragraph 4 of the Company's Articles of Association, the Board of Directors may decide that shareholders may attend the General Shareholders' Meeting via videoconference or by telecommunication or electronic means, including via the Internet, under the conditions provided for by the applicable regulations at the time of use. In this case, the shareholders concerned will be deemed to be present for the purposes of calculating quorum and majority at the Meeting in question. This option has not yet been used by the Company as of the date of the filing of this Registration Document.

8.1.8.3 Main powers and quorum required for General Shareholders' Meetings

ORDINARY GENERAL MEETING

The Ordinary General Meeting is called to make all decisions which do not make amendments to the Articles of Association. It is held at least once a year, within six months of the end of each fiscal year, in order to approve the accounts for that fiscal year. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one-fifth of the shares with voting rights. When it is convened for the second time, no quorum is required. The resolutions of the Ordinary General Meeting are passed by a simple majority of the votes of the shareholders present, represented or having voted remotely.

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting is the only meeting authorized to make amendments to the provisions of the Articles of Association. It may not, however, increase the commitments of shareholders, with the exception of reverse stock splits, duly and properly carried out. It may only proceed, when it is convened for the first time, if the shareholders present, represented or having voted remotely hold at least one-quarter, and, when it is convened for the second time, one-fifth of the shares with voting rights. The decisions of the Extraordinary General Meeting are made by a majority of two-thirds of the votes of the shareholders present, represented or having voted remotely.

8.1.8.4 Shareholders' rights

INCLUSION OF POINTS OR DRAFT RESOLUTIONS ON THE AGENDA

Requests for the inclusion of points or draft resolutions on the agenda must reach the Company's registered office (Veolia Environnement, Office of the General Counsel, 36/38, avenue Kléber, 75116 Paris, France) by registered letter with acknowledgment of receipt or by e-mail to AGveoliaenvironnement.ve@veolia.com, no later than twenty-five days prior to the date of the meeting, and may not be sent more than twenty days after publication of the notice of the meeting in the "Bulletin des Annonces Légales et Obligatoires" (BALO)(French Legal Gazette of Mandatory Legal Announcements).

The request for the inclusion of a point on the agenda must be justified. The request for the inclusion of draft resolutions must be accompanied by the text of the draft resolutions, which may include a brief explanatory statement. Such requests from shareholders must include a certificate providing proof of their legal status as shareholders, either in the registered securities accounts or in the bearer securities accounts held by a financial intermediary, as well as the percentage of share capital required by the regulations. Review of the point or draft resolution filed in line with the regulations is subject to the submission, by the authors of the request, of a new certificate evidencing the recording of the securities in the same accounts on D-2.

WRITTEN QUESTIONS

In accordance with the provisions of Article R. 225-84 of the French Commercial Code, any shareholder wishing to ask written questions must address them to the Chairman of the Board of Directors, via the Company's registered office (Veolia Environnement, Office of the General Counsel, 36/38, avenue Kléber, 75116 Paris, France) by registered letter with acknowledgment of receipt, no later than four business days prior to the meeting. In order for these questions to be taken into consideration, it is imperative that they are accompanied by a share registration certificate. It is understood that the answers to written questions may be published directly on the Company's website (www.finance.veolia.com) in the "General Shareholders' Meetings" section.

CONSULTATION OF THE DOCUMENTS MADE AVAILABLE

Documents and information relating to General Shareholders' Meetings are made available to shareholders in accordance with prevailing laws and regulations and, in particular, the information referred to in Article R. 225-73-1 of the French Commercial Code is published on the Company's website (www.finance.veolia.com) in the "General Shareholders' Meetings" section, no later than twenty-one days prior to the meeting.

8.1.9 DOUBLE VOTING RIGHTS

The voting rights attached to shares are proportional to the percentage of share capital that such shares represent, and each share carries the right to cast one vote.

However, in accordance with the provisions of Article L. 225-123, paragraph 3 of the French Commercial Code, a **double voting right**⁽¹⁾ is granted from April 3, 2016 to all fully paid-up shares registered in the name of the same shareholder for at least two years since April 2, 2014, as well as to new registered shares which would be granted without consideration to a shareholder in the event of a share capital increase by capitalization of reserves, profits or additional paid-up capital, in respect of shares enjoying this right.

In accordance with the provisions of Article L. 225-124 of the French Commercial Code, double voting rights cease for all shares converted to bearer form or sold. Nonetheless, transfers as a result of succession, the liquidation of joint property between spouses or an *inter vivos* gift to a spouse or relative entitled to inherit, does not result in the loss of this right or interrupt the two- year vesting period. This also applies in the event of a transfer as a result of a merger or spin-off of a shareholder company.

The voting right attached to shares subject to beneficial ownership is exercised by the income beneficiary at Ordinary General Meetings and by the bare title owner at Extraordinary General Meetings.

(1) The Veolia Environnement Combined General Meeting of April 22, 2015 rejected resolution A (not approved by the Board of Directors) intended to exclude the automatic acquisition of double voting rights introduced by the Florange Law for all shares held in registered form for at least two years.

8.1.10 IDENTIFICATION OF SHAREHOLDERS

When shares are fully paid up, they may be in registered or bearer form, at the discretion of the shareholder, subject to provisions of the laws and regulations in force and the Company's Articles of Association. Until the shares are fully paid up, they must be in registered form.

Company shares are registered in an account under the conditions and in accordance with the terms provided for by the law and regulations in force. However, where the owner of the shares does not reside in France or French Overseas Territories, within the meaning of Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner, in accordance with the provisions of Article L. 228-1 of the French Commercial Code.

Furthermore, the Company's Articles of Association provide that the Company may seek to identify all holders of securities that grant an immediate or deferred right to vote at its meetings, in accordance with the procedures set forth in Articles L. 228-2 *et seq.* of the French Commercial Code. Pursuant to these provisions, the Company reviews its share ownership four times per year on average.

Failure by the holders of securities or their intermediaries to comply with the data disclosure obligations set forth in Articles L. 228-2 *et seq.* of the French Commercial Code results, pursuant to the conditions provided for by law, in the temporary loss of voting rights and, under certain circumstances, the suspension of the right to the dividend payments attached to the shares.

8.1.11 CROSSING OF SHAREHOLDING THRESHOLDS

In addition to the thresholds provided by the law and the regulations in force, the Company's Articles of Association provide that all individuals or legal entities, acting alone or in concert with others, that enter into possession of or that no longer hold, either directly or indirectly, a fraction of the share capital, voting rights or securities granting future access to 1% or more of the Company's share capital, or any multiple thereof, must inform the Company, by registered letter with acknowledgment of receipt within a period of fifteen days from crossing this threshold, of his/her/its identity and any parties acting in concert with him/her/it, together with the total number of shares, voting rights, or securities granting future access to the share capital owned alone, either directly or indirectly, or in concert.

Failure to comply with the above provisions will be penalized by the loss of voting rights for the shares that exceed the threshold that should have been declared, for all General Shareholders' Meetings that are held until the expiry of a two-year period following the date on which the aforementioned notification is brought into compliance, if the application of this penalty is requested by one or more shareholders who together hold at least 1% of the Company's shares.

8.1.12 AMENDMENTS TO THE ARTICLES OF ASSOCIATION, CHANGES TO THE SHARE CAPITAL AND RIGHTS ATTACHED TO SHARES

All amendments to the Articles of Association and changes to the share capital or the voting rights attached to the securities that make up the share capital must comply with applicable law, since the Articles of Association do not contain any specific provisions relating thereto.

8.2 Litigation

The most significant legal proceedings involving the Company or its subsidiaries are described hereinafter. In addition, tax audits and disputes are described in Chapter 4, Section 4.1, Note 11.3 to the consolidated financial statements.

The description of the most significant governmental, legal or arbitration proceedings set forth in Chapter 4, Section 4.1, Note 12 to the consolidated financial statements is incorporated by reference within this Chapter 8, Section 8.2. The main updates concerning these disputes, which are set forth in Note 12 and reflect significant changes that have occurred up to the registration date of this document, are also described in this Chapter 8, Section 8.2.

Other than as described below, the company is not aware of any other current or threatened legal, governmental or arbitration proceedings which, during the past twelve months, have had or, the Company believes, may in the future have a material adverse effect on the financial condition or profitability of the Company and/or the Group.

The total amount of reserves recorded with respect to all the Group's disputes (see Chapter 4, Section 4.1, Note 10 to the consolidated financial statements), including reserves for labor and tax litigation, includes a large number of disputes involving individual amounts that are not significant. These reserves include any losses deemed probable, related to disputes of any type that Veolia Environnement may be involved in through its business. The largest reserve for a particular litigation recorded in the financial statements as of December 31, 2015 amounted to approximately €19.7 million.

NORTH AMERICA

United States – WASCO and Aqua Alliance Inc.

Several current and former indirect subsidiaries of Veolia Eau in the United States⁽¹⁾ are defendants in lawsuits in the United States in which the plaintiffs seek recovery for personal injuries and other damages allegedly due to exposure to asbestos, silica and other potentially hazardous substances. With respect to the lawsuits against Veolia Eau's former subsidiaries, certain of Veolia Eau's current subsidiaries retain liability and in certain cases manage the defense of the lawsuits. In addition, in certain instances, the acquirers of the former subsidiaries benefit from indemnification obligations provided by Veolia Eau or Veolia Environnement in respect of these lawsuits. These lawsuits typically allege that the plaintiffs' injuries resulted from the use of products manufactured or sold by Veolia Eau's current or former subsidiaries or their predecessors. There are generally numerous other defendants, in addition to Veolia Eau's current or former subsidiaries, which are accused of having contributed to the injuries alleged. Reserves have been booked for the possible liability of current subsidiaries in these cases, based on the nexus between the injuries claimed and the products manufactured or sold by these subsidiaries or their predecessors, the extent of the injuries allegedly sustained by the plaintiffs, the involvement of other defendants and the settlement history in similar cases. These reserves are booked at the time such liability becomes probable and can be reasonably assessed, and do not include reserves for possible liability in lawsuits that have not been initiated.

As of the date of registration of this document, a number of such claims have been resolved either through settlement or dismissal. To date, none of the claims has resulted in a finding of liability.

During the ten-year period ended December 31, 2015, the average annual costs that the Company has incurred with respect to these claims, including amounts paid to plaintiffs, legal fees and expenses, have been approximately \$946,000, after reimbursements by insurance companies.

United States – HPD *vs.* TETRA Technologies

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

CENTRAL AND WESTERN EUROPE

Romania

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

Lithuania

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

On February 29, 2016, the Vilnius administrative court rejected Litesko's case, which will appeal the decision.

On February 26, 2016, UVE appealed the ruling of January 27, 2016 relating to Vilniaus Vandenys' claim for the payment of UVE's debts.

⁽¹⁾ *Subsidiaries of the Aqua Alliance group or of WASCO (formerly Water Applications & Systems Corporation and United States Filter Corporation), the parent company of the former U.S. Filter group, most of whose businesses were sold to various buyers in 2003 and 2004.*

Aquiris

Since 2001, Aquiris, a 99% subsidiary of the Company, has held a concession pursuant to which it is responsible for constructing and operating the Brussels-North wastewater treatment plant (the size of which is defined in the contract specifications as equivalent to 1,100,000 residents). As a result of extensive obstruction of the plant's security chambers following the arrival of what it deemed to be abnormal and extraordinary quantities of rubble and other solid waste through the public sewer lines, Aquiris decided to completely suspend operation of the plant from December 8 to December 19, 2009 due to significant safety risks to persons and to the plant. This suspension allowed for partial normalization of the activities of the plant.

At the end of December 2009, several disputes regarding liability for the disruption and the possible environmental consequences of the suspension in wastewater treatment services were initiated against Aquiris. In the course of these disputes, two expert reports were produced. The first report on the "causes" of the disruption was delivered on January 13, 2011. According to Aquiris, this report erroneously concludes that there was no legitimate reason to suspend operations at the station. During a September 17, 2012 hearing, the final version of the second report on the alleged environmental damage caused by the disruption was delivered. This report estimates the indemnifiable damages amount to €800,000. Aquiris contests both its civil liability as well as the existence of any environmental damage. At the beginning of May 2014, the Flemish Region, which claims it has been wronged, requested the determination of a schedule for the exchange of submissions. The case is scheduled to be heard on May 6, 2016.

In addition, during the course of 2010, Aquiris filed legal proceedings before the civil court of Brussels against SBGE, the concession authority, claiming that the Brussels-North treatment plant is faced with sizing issues that are attributable to the concession authority. Aquiris claims compensation for its losses and has requested confirmation that the significant upgrading costs that will be required should be borne by the concession authority. Aquiris and SBGE asked a panel of experts to render a technical opinion concerning these matters. The panel of experts delivered their "remedies" report on December 8, 2011. The experts concluded that contractual performance parameters were not satisfied because the characteristics of the wastewater received by Aquiris did not conform to specification (40% of water received did not meet specification). They also state they observe that certain structures were too small for the installation and made a series of technical recommendations, which included a variable allocation of costs between the parties depending on the measure recommended. Following this report, Aquiris and SBGE commenced negotiations on the final acceptance of the plant and a possible adaptation of the concession contract. These negotiations have not yielded an agreement to date. During this period, in order to comply with the European standards for wastewater treatment for a population of 1,290,000 inhabitants, Aquiris was forced to reduce the station's marginal hydraulic treatment capacity during periods of heavy rain. Furthermore, Aquiris is still facing additional operating costs. Aquiris and SBGE conducted guaranteed performance tests at the end of 2012. These tests were positive and recorded in minutes covering SBGE's performance. However SBGE refused the conclusive admission of such tests due to the station's marginally reduced hydraulic treatment capacity during heavy rain.

SBGE counterclaimed on June 12, 2012, and on May 31, 2013 for (i) compensation from Aquiris for the damages it allegedly suffered, primarily to its reputation, as a result of the disruption of the Brussels-North treatment plant from December 8 to December 19, 2009 and (ii) restoration of the overall capacity of the plant within 18 months from the date of judgment, subject to a daily fine of €10,000 per day for each day of delay. The case was pleaded between March 3 and May 12, 2014.

On October 24, 2014, the civil court of Brussels (i) determined that Aquiris' request is partially justified in that the effluent, as insufficiently defined in the scope statement, is one of the causes for the failure to meet the contract performance obligations, (ii) has asked for a new expert report in order to specify the scope of responsibilities of SBGE in the damages caused to Aquiris but (iii) rejected the compensation request from the latter in relation to the sand and debris and (iv) rejected the first counterclaim request by SBGE, the second being handled after the completion of the new expert mission.

The college of experts was put in place on February 9, 2015. It had 12 months to submit its report. On June 12, 2015, the college of experts noted that it would be appropriate to commence a conciliation proceeding since the issue primarily involves the contract's interpretation, on which it cannot rule. In its ruling of October 22, 2015, the court appointed the conciliator and extended the expert mission until June 30, 2016.

On May 29, 2012, Aquiris brought an action against SBGE before the Brussels commercial court seeking payment of outstanding amounts on several annuities. Pending the judgment on the action brought by Aquiris before the civil court of Brussels against SBGE (see above), the hearing for this case has been postponed several times. It was finally held on June 26, 2015. The case is currently being deliberated.

Lastly, on June 17, 2009, SA Ondernemingen Jan de Nul ("Jan de Nul"), to which Aquiris entrusted the design and construction of the Brussels-North wastewater treatment plant, filed a complaint against Aquiris for indemnification of the increase in metal prices that Jan de Nul was unable to recover from the Brussels Capital-Region, the grantor authority. On December 8, 2011, the trial court ordered Aquiris to pay Jan de Nul €5 million plus legal costs and interest accrued after the date of filing (June 17, 2009). On March 9, 2012, Aquiris appealed the trial court's decision. The case was heard on March 2 and 23, 2015. In September 2015, the court of appeals rejected Aquiris' claim and ordered it to pay €5 million, plus interest. Aquiris decided not to appeal the decision to the Supreme Court.

Siram / Polare

On April 3, 2012, the Italian Energy Services company, Siram, had its premises searched as part of a preliminary investigation of the research body, Polytechnic Laboratory of Research SCaRL ("Polare"), among others. Siram had in the past solicited research services from Polare which gave rise to research tax credits. The criminal proceedings are still ongoing and currently in the investigation stage. During the summer of 2012, Siram applied for a partial tax clearance procedure in respect of such research tax credits for an amount of €5.6 million.

Within the framework of the tax audit, initiated in 2013, for the 2009 taxation year, the Italian authorities have reconsidered the amount of corporate taxes (IRES and IRAP), the recovery of VAT on Polare invoices and the research tax credits generated in 2009. Moreover, Siram compromised with the authorities in relation to VAT and revenue taxes for a total €5.8 million that it will pay over three years starting from 2015. Moreover, Siram contested the €6.9 million recovery on research tax credits to the administrative judge. On July 1, 2015, a €7.2 million collection notice for 2009 research tax credits (including penalties and interest) was sent to Siram. On July 15, 2015, the administrative tax court suspended the collection notice and a new hearing was scheduled for December 2, 2015 to examine the merits of the case. On February 3, 2016, a hearing was held before the administrative tax judge, who took the case under consideration.

Following a second tax audit launched in 2015, which related to the 2010-2012 period and to the same taxes, Siram settled with the authorities for a total amount of €6.3 million.

Concomitantly, in August 2012, the Venice civil court issued against Siram an injunction of payment of €2.8 million to Polare for allegedly unpaid receivables and interim provisional enforcement. On August 29, 2012, Siram was granted a suspension of this provisional enforcement and counterclaimed for the repayment of substantially all of the advance payments made to Polare, which equal approximately €20 million (payments for services that were not provided).

Because of Polare's bankruptcy (*fallimento*), which was pronounced in July 2013, the proceedings relating to the objection to the payment injunction and those relating to Siram's counterclaim were separated and the latter has restarted ex novo in front of the Venice Bankruptcy Court; this Court set the hearing for the objection for July 15, 2015 while the one with respect to Siram's counterclaim was set for March 25, 2015 so that the parties could set forth their arguments. The hearing of March 25, 2015 was postponed to September 30, 2015, whereas the hearing for July 15, 2015 was held. During this hearing, the judge set a timetable for an exchange of pleadings (October 14 and November 3, 2015) before the ruling. In its ruling of January 15, 2016, the Venice court upheld Siram's objection and revoked the payment injunction. On February 17, 2016, Siram's counterclaim was taken under consideration.

In addition, within the framework of an ongoing preliminary investigation, the director of Polare and the former treasurer of the Italian party, Lega Nord, who were placed in pre-trial detention in April 2013, alleged that certain amounts paid by Siram to Polare benefitted individuals close to the Lombard League. Siram firmly challenged these allegations. Siram was informed of the conclusion of this investigation on June 4, 2015. The public prosecutor indicted natural persons representing the company for fraud, tax fraud (the fraudulent use of research tax credits) and false 2009 income tax declarations as well as Siram, as a legal entity, solely for fraud. On December 3, 2015, the public prosecutor submitted to the judge of the preliminary hearing a request that the natural persons and Siram be brought to trial. The judge of the preliminary hearing will decide either to dismiss or to open the proceeding following an open debate that will take place on March 4, 11 and 18 and April 8, 2016.

VSAT

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

OTHER SECTORS

Société Nationale Maritime Corse Méditerranée (SNCM)

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

Regional aids for road transport of passengers

See Chapter 4, Section 4.1, Note 12 to the consolidated financial statements.

Connex Railroad

On October 17, 2012, several insurance companies that contributed to the compensation fund for victims of the September 2008 rail accident in Chatsworth, California, launched proceedings before the courts of Los Angeles County, California, against Connex Railroad LLC ("Connex") and Veolia Transportation, Inc., representing the rights of Connex North America, Inc. ("Transdev North America"), seeking repayment of an amount of \$132.5 million. The Company considers this claim unfounded and the defendant subsidiaries are seeking its dismissal.

On January 23, 2015 and June 23, 2015, the largest contributors to the victim compensation fund, which are also the most important claimants in the procedure, have withdrawn from their action against Connex and Transdev North America so that the repayment amount of \$132.5 million claimed in 2012 has been reduced to \$22 million.

On September 18, 2015, the Superior Court of California rejected the insurance companies' lawsuit for lack of evidence. The written ruling has not yet been delivered and, as a result, the proceeding is still pending.

The guarantee of the insurance companies AXA Corporate Solutions (AXA) and AIG within the framework on the Veolia group's insurance program, from which Connex and Transdev North America benefit, is now being disputed by these insurance companies.

On July 30, 2015, AXA summoned the Company, in the presence of AIG, before the Paris commercial court in order to dispute the coverage of defense fees incurred in the United States by Connex and Transdev North America as well as, where applicable, the coverage of any potential conviction of these companies in the context of the aforementioned proceeding. Suit has nevertheless not been filed in this proceeding against Connex and Transdev, from which AXA has claimed €100,000. No claim has been made against the Company.

On January 12, 2016, Connex and Transdev North America brought legal action against AXA before the Superior Court of California in order to request a referral before a jury and that AXA be ordered to pay compensatory and punitive damages and interest. Connex and Transdev North America have criticized AXA for having forced them to defend themselves alone in the aforementioned proceeding, in violation of its obligation to defend insured parties and its good faith obligation.

On January 27, 2016, the Company submitted its pleadings before the Paris commercial court to dispute the validity of the summons of July 30, 2015 and request its cancellation.

On February 18, 2016, AXA informed the Company and AIG of a new summons to appear before the Paris commercial court and named Connex, Transdev North America and Transdev Group as codefendants. No claim has been made against the Company. AXA has requested that Transdev Group, Transdev North America and Connex be made to pay €100,000 in compensation for fees generated by their guarantee claims.

8.3 Change in control and major contracts **AFR** ⁽¹⁾

In many countries, including France, local authorities can terminate contracts entered into with Group companies (see Chapter 5, Section 5.1.2.5 above). The acquisition of Veolia Environnement could also affect the validity of contracts entered into by Group companies that include a change in control clause.

Under the agreements signed with Caisse des Dépôts et Consignations on May 4, 2010, Veolia Environnement granted Caisse des Dépôts et Consignations the right to purchase all of the Transdev Group shares held by the Company in the event of a change in control of the Company (see Chapter 4, Section 4.1, Notes 3.5 and 13 to the consolidated financial statements above).

Finally, the stock option plans implemented by the Company which are currently in force (see Chapter 7, Section 7.4.3 above) provide that options become immediately and unconditionally exercisable in the event of a public offer for the Company's shares.

8.4 Main financial flows between Veolia Environnement and the main subsidiaries of the geographic structure Business Units

The main financial flows between Veolia Environnement and the main subsidiaries of the geographic structure Business Units are disclosed in the notes to the Veolia Environnement financial statements set forth in Chapter 4, Section 4.1 above.

Veolia Environnement primarily finances its Business Units through loans and current accounts (net position of €8.2 billion as of December 31, 2015) and through equity. As a result, it received €243.4 million in interest and €545.3 million in dividends in 2015. The Company has set up a cash pooling system in the main countries in which it operates and uses hedging, mainly at Group level, in accordance with defined management rules (see Chapter 4, section 4.1, Note 8 to the consolidated financial statements above).

The main operating flows between Veolia Environnement and the Business Units comprise amounts rebilled by Veolia Environnement to the Business Units totaling €464.8 million, primarily in respect of the provision of services and brand royalties and temporary out-placement of personnel. In addition, in connection with contractual commitments relating to the financial management of repair and maintenance work at facilities made available by delegating authorities, the Company received indemnities of €81 million in full and final settlement from Water France Business Unit subsidiaries and paid €104.5 million to Water France Business Unit subsidiaries in 2015.

As part of its operating activities, Veolia Environnement granted financial and operating guarantees totaling €2,965.3 million as of December 31, 2015.

The table below details certain balance sheet line items (non-current assets, debt, net cash), net cash flows from operating activities and dividends paid in 2015 and attributable to the Company as of December 31, 2015, broken down between Veolia Environnement and its Business Units.

Information as of December 31, 2015:

<i>(in € million)</i>	France	Europe excluding France	Rest of the World	Global Businesses	Other	Veolia Environnement	Consolidated total
Non-current assets	3,420.4	8,683.5	6,947.4	1,464.9	5.9	1,009.6	21,531.7
Non-Group debt ⁽¹⁾	189.1	324.8	722.4	100.8	0.0	10,689.7	12,026.8
Net cash per the balance sheet ⁽²⁾	(16.8)	241.6	231.1	115.5	0.0	3,286.2	3,857.6
Net cash flows from operating activities	456.0	1,101.3	598.0	170.1	0.0	44.2	2,369.6
Dividends paid during the period and attributable to Veolia Environnement	149.9	0.0	18.8		380.6		

⁽¹⁾ Non-current borrowings + current borrowings +/- fair value remeasurement of cash instruments.

⁽²⁾ Cash and cash equivalents less bank overdrafts and other cash position item.

⁽¹⁾ Article L. 225-100-3 of the French Commercial Code.

8.5 Documents available to the public

The Company's press releases, annual registration documents, including historical financial information relating to the Company filed with the AMF and any related updates, are available on the Company's website at www.finance.veolia.com. Copies of these documents may also be obtained from the Company's registered office at 36/38, avenue Kléber, 75116 Paris, France.

All information disclosed to the public by the Company during the preceding twelve months in France or other EU member states, pursuant to any securities regulations applicable to the Company, is available on the Company's website at the address indicated above, as well as on the AMF's website at www.amf-france.org.

All regulated information published by the Company, pursuant to Article 221-1 et seq. of the AMF's General Regulations, is available at the following address: www.finance.veolia.com in the "Regulated Information" section.

Finally, the Company's Articles of Association, as well as the minutes of General Shareholders' Meetings, the Statutory Auditors' reports and all other corporate documents, may be consulted at the Company's registered office.

8.6 Persons responsible for auditing the financial statements

8.6.1 STATUTORY AUDITORS

KPMG SA

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Auditors' Association).

Represented by Mr. Jean-Paul Vellutini and Ms. Karine Dupré.

2, avenue Gambetta Tour Eqho, 92066 Paris la Défense Cedex.

Company first appointed by the Combined General Meeting of May 10, 2007 and reappointed by the Combined General Meeting of May 14, 2013 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

Ernst & Young and others

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Versailles Regional Auditors' Association).

Represented by Messrs. Xavier Senent and Gilles Puissochet.

1-2, Place des Saisons, Paris-La Défense 1, 92400 Courbevoie, France.

Company first appointed on December 23, 1999 and reappointed by the Combined General Meeting of May 17, 2011 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016.

8.6.2 DEPUTY STATUTORY AUDITORS

KPMG Audit ID

2, avenue Gambetta Tour Eqho, 92066 Paris la Défense Cedex.

Company first appointed by the Combined General Meeting of May 14, 2013 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2018.

AUDITEX

2, avenue Gambetta Tour Eqho 92066 Paris La Défense Cedex.

Company first appointed on May 12, 2005 and reappointed by the Combined General Meeting of May 17, 2011 for a six-year term that will expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016.

8.7 Persons assuming responsibility for the registration document and the annual financial report **AFR**

8.7.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Mr. Antoine Frérot, Chairman and Chief Executive Officer of Veolia Environnement.

8.7.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

I hereby certify that to the best of my knowledge and having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is true and fair and does not contain any omission likely to affect its import.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and all consolidated companies, and that the management report contained in this document provides a fair review of the development and performance of the business, results and financial position of the Company and all consolidated companies, together with an accurate description of the principal risks and uncertainties they face.

I obtained an audit letter from the Statutory Auditors in which they indicated that they have verified the information regarding the financial position and financial statements contained herein, and have read the entire Registration Document. This letter does not contain any observations.

The Statutory Auditors issued reports on the financial information for the 2015 fiscal year presented in this Registration Document. The Statutory Auditors' report on the consolidated financial statements presented on page 205 of this Registration Document contains the following observation: *"Without qualifying our opinion, we draw your attention to Note 1.2 to the consolidated financial statements, Change in accounting method and presentation, which sets out the change in accounting method pertaining to the application as of January 1, 2015 of IFRIC 21 and changes to the presentation of the consolidated income statement"*.

The Statutory Auditors issued reports on the historical financial information included by reference in this Registration Document. The Statutory Auditors' reports on the financial information for the 2014 fiscal year contain no observations. The Statutory Auditors' report on the consolidated financial statements for the 2013 fiscal year presented on page 392 of the 2013 Registration Document contains the following observation: *"Without qualifying our opinion, we draw your attention to Note 1.1.4 to the consolidated financial statements, Changes in accounting method, which sets out the changes in accounting methods pertaining to the application as of January 1, 2013, of IFRS 10, 11 and 12, IAS 28 Revised and IAS 19 Revised"*.

Paris, March 16, 2016

Chairman and Chief Executive Officer

Mr. Antoine Frérot

8.8 Cross-reference table

8.8.1 REGISTRATION DOCUMENT CROSS-REFERENCE TABLE

To facilitate the reading of this Registration Document, the following table cross-references the main headings as required by Annex I of Commission Regulation (EC) no. 809/2004 of April 29, 2004 with the corresponding pages.

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters / Sections of the Registration Document	Pages
1 – Persons responsible		
1.1 Persons responsible for the information	8.7	387
1.2 Statement by those responsible for the information	8.7	387
2 – Statutory Auditors		
2.1 Name and address of the issuer's auditors	8.6	386
2.2 Information on the resignation or removal of the auditors	N/A	
3 – Selected financial information		
3.1 Historical financial information	Key figures	2
3.2 Interim financial information	N/A	
4 - Risk factors	5	245
5 – Information about the issuer		
5.1 Company history and development	1.1	8
5.1.1 Legal and commercial name	8.1.1	376
5.1.2 Place of registration and registration number	8.1.4	376
5.1.3 Date of incorporation and company term	8.1.3	376
5.1.4 Registered office and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	8.1.1 and 8.1.2	376
5.1.5 Important events in the developments of the issuer's business	3.1	67
5.2 Investments		
5.2.1 Principal investments completed	3.3.2 and 4.1 Note 3.2	86 and 115
5.2.2 Principal investments in progress	3.3.2	86
5.2.3 Principal planned future investments	3.3.2	86
6 – Business overview		
6.1 Principal activities	1.3.1 and 1.4	15 and 30
6.2 Principal markets	1.3.2	21
6.3 Exceptional events	N/A	
6.4 Dependence on patents, licenses, contracts and manufacturing processes	1.5.2	44
6.5 Basis for any statements made by the issuer regarding its competitive position	1.3 and 1.4	15 and 30
7 – Organizational structure		
7.1 Brief description of the Group	1.4.1 and 8.4	30 and 385
7.2 List of issuer's significant subsidiaries	4.1 Note 1 and 4.2 Note 7.13	109 and 239
8 – Property, plant and equipment		
8.1 Principal property, plant and equipment	1.5.3	44
8.2 Environmental issues that may affect the issuer's use of property, plant and equipment	1.6	45
9 – Operating and financial review		
9.1 Financial condition	3.2 to 3.6 and 4.1	70 to 93 and 100
9.2 Operating results	3.2.2, 3.2.3 to 3.2.4, 3.8.4.1 and 5.1	71, 76 to 79, 94, 100 and 246
10 – Capital resources		
10.1 Information on the issuer's capital	4.1 Note 9	184

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters / Sections of the Registration Document	Pages
10.2 Sources and amounts of cash flows	4.1 and 4.1 Note 8.1.3	100 and 164
10.3 Borrowing requirements and funding structure	4.1 Note 8.1.1 and 5.2.2.1.3	158 and 256
10.4 Restrictions on the use of capital resources	4.1 Note 8 and 5.2.2.2.3	158 and 259
10.5 Anticipated sources of funds	3.3 and 4.1 Note 8	85 and 158
11 – Research and development, patents and licenses	1.5.1 and 1.5.2	41 and 44
12 – Information on trends		
12.1 Significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last fiscal year	3.6	93
12.2 Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	1.2, 3.7, 3.9 and 4.1 Note 14	9, 93, 98 and 200
13 – Income forecasts or estimates	N/A	
14 – Administrative, management and supervisory bodies and senior management		
14.1 Information concerning members of the Board of Directors and Executive Management	7.1 and 7.3	320 and 351
14.2 Conflicts of interest	7.1.3	336
15 – Remuneration and benefits		
15.1 Remuneration and benefits in kind	7.4.1 and 7.4.4	353 and 365
15.2 Retirement or other similar benefits	7.4.2	360
16 – Board practices		
16.1 Terms of office of members of the Board of Directors	7.1.1 and 7.2.1	320 and 337
16.2 Service agreements involving members of the Board of Directors	4.1 Note 13	199
16.3 Information on the Audit and Compensation Committees	7.2.2.1 and 7.2.2.3	346 and 349
16.4 Statement regarding corporate governance	7.2.1.1	337
17 – Employees		
17.1 Number of employees	Key figures and 6.2.1	2 and 273
17.2 Shareholdings and stock options	7.4.3	362
17.3 Arrangements providing for employee involvement in the share capital	6.2.3.4	283
18 – Major shareholders		
18.1 Identification of major shareholders	2.2	63
18.2 Existence of different voting rights	2.2.1 and 8.1.9	63 and 379
18.3 Control of the issuer	2.2	63
18.4 Arrangements which could lead to a change in control of the issuer	8.3	385
19 – Related-party transactions	4.1 Note 13, 4.2 Note 7.8 and 7.6	199, 236 and 370
20 – Financial information concerning the assets and liabilities, financial position and income of the issuer		
20.1 Historical financial information	Key figures, 4.1 and 4.2	2, 100 and 209
20.2 <i>Pro forma</i> financial information	3.8.1	94
20.3 Financial statements	4.1 and 4.2	100 and 209
20.4 Audit of historical annual financial information	4.1 and 4.2	100 and 209
20.5 Date of most recent financial information	4	99
20.6 Interim and other financial information	N/A	
20.7 Dividend policy	2.3 and 8.1.7	65 and 377
20.8 Legal and arbitration proceedings	4.1 Note 12 and 8.2	195 and 380
20.9 Significant change in the financial or trading position	1.3. and 4.1 Note 3.2	15 and 115

Heading in Annex I of Commission Regulation (EC) no. 809/2004	Chapters / Sections of the Registration Document	Pages
21 – Additional information		
21.1 Share capital		
21.1.1 Amount of subscribed share capital and authorized share capital not issued	2.1.1 and 2.1.4	54 and 58
21.1.2 Shares not representing capital	2.1.5	60
21.1.3 Shares in the issuer held by the issuer itself	2.1.3	55
21.1.4 Convertible securities, exchangeable securities or securities with subscription warrants	3.9 and 7.4.3	98 and 362
21.1.5 Acquisition rights and obligations in respect of subscribed share capital not fully paid-up or any share capital increase	N/A	
21.1.6 Options over share capital of Group members	N/A	
21.1.7 Share capital history	2.1.6	60
21.2 Memorandum and Articles of Association		
21.2.1 Corporate purpose	8.1.5	376
21.2.2 Administrative, management or supervisory bodies	7.2	337
21.2.3 Rights, preferences and restrictions attaching to shares	8.1.7 and 8.1.9	377 and 379
21.2.4 Changes to shareholder rights	8.1.12	380
21.2.5 Conditions governing the manner in which general shareholders' meetings are called and conditions of admission	8.1.8	377
21.2.6 Provisions that could delay, defer or prevent a change in control of the issuer	N/A	
21.2.7 Disclosure of the crossing of ownership thresholds	8.1.11	380
21.2.8 Conditions governing changes in capital more stringent than required by law	N/A	
22 – Material contracts	8.3	385
23 – Third party information and statements by experts and declarations of any interest	N/A	
24 – Documents available to the public	8.5	386
25 – Information on investments	1.4 and 4.1 Note 15	30 and 201

8.8.2 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

To facilitate the reading of this Registration Document, the following table identifies the information comprising the annual financial report that must be published by listed companies pursuant to Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulations of the French Financial Markets Authority (*Autorité des Marchés financiers*).

Information required	Chapters / Sections of the Registration Document	Pages
1 – Consolidated financial statements	4.1	100
2 – Company financial statements	4.2	209
3 – Management report	See Cross- reference table below	
4 – Statement by the person responsible for the annual financial report	8.7	387
5 – Statutory Auditors' report on the consolidated financial statements and the Company financial statements	4.1 and 4.2	100 and 209
6 – Disclosure regarding the Statutory Auditors' fees	3.5	92
7 – Report of the Chairman of the Board of Directors on corporate governance and internal control (Article L. 225-37 of the French Commercial Code)	5.5	269
8 – Statutory Auditors' report on the Report of the Chairman of the Board of Directors on internal control (Article L. 225-37 of the French Commercial Code)	5.6	270

8.8.3 BOARD OF DIRECTORS' MANAGEMENT REPORT

CROSS-REFERENCE TABLE

This Registration Document includes all required disclosures in the Board of Directors' Management Report and particularly those set out in Articles L. 225-100 et seq. and L.232-1 II of the French Commercial Code. These disclosures are identified in the following table.

	Chapters/ Sections of the Registration Document	Pages
1 - Activity		
Position and activity of the Company and, as applicable, its subsidiaries and controlled companies during the previous fiscal year and of all the companies within the scope of consolidation.	1.3, 1.4 and 3.1	15, 30 and 67
Results of the Company's activity, subsidiaries, and controlled companies.	3.2 and 4.1	70 and 100
Analysis of trends in business, results and the financial position of the Company and, specifically, its debt position in terms of business volume.	1,3.3 and 4.1	15, 85 and 100
Analysis of non-financial key performance measures relating to the specific activities of the Company and particularly information concerning environmental or employee issues	3, 4.1 and 6	67, 100 and 271
Description of the main risks and uncertainties facing the Company as well as indications regarding the use of financial instruments, when this is relevant to changes in assets and liabilities, the financial position and the Company's profit and loss.	5.1 and 5.2	246 and 254
Price, credit, liquidity and cash flow risk, risk of fluctuations in share prices, risks arising in the event of interest rate fluctuations and lower exchange rates: information on the reasons for trading on the market in question.	4.1 Note 8.3, 5.1.1.3 and 5.1.2.3	164, 247 and 251
Research and development activities.	1.5.1	41
Foreseeable developments in the position of the Company/Group and future outlook.	3.7	93
Major events occurring between the closing date of the fiscal year and publication of the report and between the closing date of the fiscal year and the date of preparation of the consolidated financial statements.	3.6 and 4.1 note 14	93 and 200
2 – Accounting and financial information		
Changes to the presentation of the annual financial statements or in the valuation methods adopted.	3.8, 4.1 Note 1 and 4.2 Note 2	94, 109 and 216
Amount of expenses not deductible for tax purposes.	4.2	209
Overall amount of sumptuary expenditure and the corresponding tax (Article 223 quarter of the French General Tax Code).	4.2	209
General expenses added-back to taxable income, by overall amount and expense category.	4.2	209
Information on supplier settlement periods	4.2	209
Net income for the fiscal year and proposed appropriation thereof.	4.2	209
Reminder of dividend distributions during the last three fiscal years.	2.3	65
3 – Information on subsidiaries and equity investments		
Equity investments in companies whose registered office is in France, representing more than 1/20, 1/10, 1/5, 1/3, 1/2, or 2/3 of the share capital or voting rights of those companies.	4.2	209
Controlling interests in companies whose registered office is in France	3.1.2 and 4.1 Note 3.2	67 and 114
4 – Information on share capital, reciprocal shareholdings and treasury shares		
Name of controlled companies holding shares in the Company and the percentage of share capital held	2.2.1 and 4.1, Note 15	63 and 201
Identity of individuals or corporate entities owning more than 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3, 18/20 or 19/20 of the share capital or voting rights at General Shareholders' Meetings and changes therein during the fiscal year.	2.2	63
5 – Employee share ownership on the last day of the fiscal year		
Percentage of the Company's share capital held by employees.	6.2.3.4	283
Employee share ownership on the last day of the fiscal year.	2.2 and 6.2.3.4	63 and 283
Disclosure of the percentage of share capital represented by shares held by employees of the Company and employees of related companies.	6.2.3.4	283
Shareholder agreements that may result in a reduction in the transfer of shares and the exercise of voting rights.	8.3	385

	Chapters/ Sections of the Registration Document	Pages
6 – Stocks options and free share grants		
Stocks options and free share grants.	7.4.3.1	362
7 – Information on corporate officers		
List of offices and positions held in all companies by each corporate officer.	7.1.1	320
Chosen method of exercising executive management	7.3.1	351
Position of corporate officers: appointment, renewal and notification of cooptation.	7.1	320
Transactions in Company shares by executives and closely-related persons.	7.5.2	370
Free shares and/or stock options granted to/held by corporate officers.	7.4.3.1	362
Corporate officer compensation:	7.4	353
<ul style="list-style-type: none"> total compensation and benefits of any kind awarded to corporate officers; description of the fixed, variable and exceptional components of compensation and benefits, as well as the criteria pursuant to which they were calculated or the circumstances under which they were determined; detail of commitments of any kind given by the Company to its corporate officers and, particularly, any component of compensation, indemnities or benefits payable or likely to be payable on taking, leaving or changing such positions or subsequent to that event; further details on the mechanisms for determining such commitments and their amounts, if included in the agreements. 		
Total directors' fees received by members of the Board of Directors in respect of the past fiscal year.	7.4.1.2	357
8 – Environmental, social and societal information		
Environmental information.	see cross-reference table below	
Social information.	see cross-reference table below	
Societal information.	see cross-reference table below	
9 – Other information		
Agreements entered into between a corporate officer or a shareholder holding more than 10% of voting rights and a subsidiary (excluding everyday agreements)	4.1 Note 13	199
Factors likely to have an impact in the event of a public offer.	8.3	385
Information on facilities classified as high risk:		
<ul style="list-style-type: none"> risk prevention policy for technological accidents implemented by the Company; ability of the Company to cover its third-party liability for property and persons resulting from the operation of such facilities; means implemented by the Company to ensure the management of victim compensation in the event of a technological accident for which the Company is liable 	5.1.2.5, 5.2.2.2.5 and 5.2.3	352, 257 and 261
10 – Statutory auditors		
Terms of office of statutory auditors.	8.6	386
11 – Documents to be appended to the management report and/or to be communicated to shareholders		
Table of results for the last five years.	4.2	209
<ul style="list-style-type: none"> Report of the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code. Statutory Auditors' Report on the Report of the Chairman of the Board of Directors Statutory Auditors' Report on the annual financial statements, including the latter's certification of the accuracy and fair presentation of disclosures in the management report on the compensation of corporate officers; Additional reports on transactions carried out by the Company relating to stock options and free share grants. Marketable securities held in portfolio at the end of the fiscal year. Summary table: current delegations of authority and powers granted to the Board of Directors or to the Management Board by the General Shareholders' Meeting in respect of share capital increases; use of such delegations during the past fiscal year. 	5.5 5.6 4.2 N/A 4.2 2.1.4	269 270 209 209 58
Report on share purchase transactions pre-approved by the General Shareholders' Meeting under a share repurchase program.	2.1.3 and 2.1.6	55 and 60

8.8.4 CORPORATE SOCIAL RESPONSIBILITY, ENVIRONMENTAL AND SUSTAINABLE DEVELOPMENT CROSS-REFERENCE TABLE (ARTICLES L.225-102 AND R.225-105 OF THE FRENCH COMMERCIAL CODE)

This Registration Document includes all corporate social responsibility, environmental and sustainable development and circular economy disclosures required by Articles L.225-102-1 and R.225-105 of the French Commercial Code) These disclosures are identified in the following table.

	Chapters/Sections of the Registration Document	Pages
1 – Social information		
a) Employment:		
• the total workforce and the breakdown of employees by gender, age and geographic area;		
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403 210 032 R.C.S. Paris
36-38, avenue Kléber - 75116 Paris Cedex, France
Tel.: +33 (0)1 71 75 00 00
www.veolia.com