VEOLIA ENVIRONNEMENT
Form 20-F
April 16, 2014

As filed with the Securities and Exchange Commission on April 16, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2013
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-15248

VEOLIA ENVIRONNEMENT

(Exact name of Registrant as specified in its charter)

N/A	36/38, avenue Kléber,	Republic of France
(Translation of Registrant s name into English)	75116 Paris, France	(Jurisdiction of incorporation or organization)

(Address of principal executive offices)
Eric Haza, Group Chief Legal Officer, 36/38 avenue Kléber, 75116 Paris France 011 33 1 71 75 00 75
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary shares, nominal value €5 per share represented by American Depositary Shares (as evidenced by American Depositary Receipts), each American Depositary Share representing one ordinary share*	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

548,875,708 ordinary shares, nominal value €5 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).*

Yes No

* This requirement is not currently applicable to the registrant.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

* Listed, not for trading or quotation purposes, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Form 20-F

2013

FORWARD-LOOKING STATEMENTS

We make some forward-looking statements in this document. When we use the words aim(s), expect(s), feel(s), wi may, believe(s), anticipate(s) and similar expressions in this document, we are intending to identify those statement as forward-looking. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this document. In particular, from time to time in this document we state our expectations in terms of revenue to be generated under new contracts recently won or awarded or from new investments made and new assets or operations acquired, though we may have not yet commenced operations under these new contracts nor begun operating these new assets and operations at the time we make these statements. Some of these revenue estimates are based on our management s current assumptions regarding future sales volumes and prices, which are subject to a number of risks and uncertainties that may cause actual sales volumes and prices to differ materially from those anticipated. As a result, actual revenue recorded under these new contracts or from these new investments, assets and operations may differ materially from those set forth in this document. Except to the extent required by applicable securities laws, we undertake no obligation to publish updated forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. We urge you to carefully review and consider the various disclosures we make concerning the factors that may affect our business, including the disclosures made in Item 3. Key Information Risk Factors, Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects, Item 8. Financial Information Significant Changes and Item 11. Quantitative and Qualitative Disclosures about Market Risk.

Unless otherwise indicated, information and statistics presented herein regarding market trends and our market share relative to our competitors are based on our own research and various publicly available sources.

Information on websites referenced herein is not incorporated by reference in this annual report.

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PART I

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IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2.

OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

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ITEM 3.

KEY INFORMATION

SELECTED FINANCIAL DATA

You should read the following selected financial data together with Item 5. Operating and Financial Review and Prospects and our Consolidated Financial Statements contained in Item 18. Financial Statements. Our Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS as adopted by the European Union. See Item 5. Operating and Financial Review and Prospects for a discussion of accounting changes, business combinations and dispositions of business operations that affect the comparability of the information provided below.

The presentation of our results of operations in 2013 has been changed substantially compared to prior years. Most significantly, we have applied for the first time IFRS 10 and 11, with the result that our joint ventures that were previously accounted for under the proportional consolidation method are now accounted for under the equity method. This has had a significant impact on our revenues and adjusted operating cash flow, particularly in our Energy Services division. In accordance with a recommendation of the French Accounting Standards Authority dated April 4, 2013, we present our operating income both before and after our share of income (or loss) from equity affiliates in our core business areas. See Item 5 Overview Changes in Accounting Method for Joint Ventures for further details.

Our results of operations for 2012 and 2011 have been represented compared to previously published figures to reflect the application of IFRS 10 and 11, as well as amendments to IAS 19 relating to employee benefit obligations. We have not represented our results of operations for 2010 and 2009, as we could not practicably do so given the large number of entities involved.

		At and for the year ended December 31,				
	(in US$)(1)	**(in €)**				
(millions, except per share amounts)(3) (4)	**2013(3) (4)**	**2013(3) (4)**	**2012(3) (4)**	**2011(3) (4)**	**2010(6)**	**2009(6)**
INCOME STATEMENT DATA:						
Revenue	30,774.3	22,314.8	23,238.9	22,482.4	27,851.6	26,845.6
Operating income	676.4	490.5	711.3	572.0	1,776.1	1,585.8
Share of net income (loss) of equity-accounted entities	246.4	178.7	(11.9)	(136.5)	-	-
Operating income after share of net income (loss) of equity-accounted entities	922.9	669.2	699.4	435.5	-	-
Net income from continuing operations	(67.3)	(48.8)	7.8	(1,013.1)	702.6	685.3
Net income (expense) from	37.6	27.3	431.8	582.7	146.4	131.5

discontinued operations						
Non controlling interests	(156.9)	(113.8)	(35.6)	(57.7)	290.5	257.8
Net income attributable to equity holders of the parent	(186.6)	(135.3)	404.0	(488.1)	558.5	559.0
Net income attributable to equity holders of the parent per share - Basic	(0.40)	(0.29)	0.79	(0.99)	1.16	1.19
Net income attributable to equity holders of the parent per share - Diluted	(0.40)	(0.29)	0.79	(0.99)	1.16	1.19
Net income from continuing operations to equity holders of the parent per share - Basic	(0.44)	(0.32)	(0.15)	(2.16)	0.84	0.94
Net income from continuing operations to equity holders of the parent per share - Diluted	(0.44)	(0.32)	(0.15)	(2.16)	0.84	0.94
Dividends per share in €	-	0.70[(2)]	0.70	0.70	1.21	1.21
Dividends per share in US$[(5)]	0.97	0.97	0.92	0.91	1.62	1.74
Number of shares (adjusted to reflect changes in capital)	548,875,708	548,875,708	522,086,849	519,652,960	499,126,367	493,630,374
BALANCE SHEET DATA (AT PERIOD END):						
Share capital	3,784.8	2,744.4	2,610.4	2,598.2	2,495.6	2,468.2
Equity attributable to equity holders of the parent	11,315.8	8,205.2	7,106.2	7,007.5	7,875.9	7,397.4
Non controlling interests	2,038.6	1,478.2	1,391.4	1,532.8	2,928.5	2,670.1
Total assets	49,981.5	36,242.1	38,476.7	41,067.3	51,427.3	49,754.7
Total non-current assets	26,345.8	19,103.6	21,313.0	24,887.2	31,055.4	29,558.5
Total non-current liabilities	16,742.3	12,140.0	15,121.3	17,629.0	22,506.5	22,028.9
CASH FLOW DATA:						
Net cash flow from operating activities	2,431.4	1,763.0	1,978.3	1,882.8	3,456.6	3,601.3
Operating cash flow before changes in working capital	2,717.4	1,970.4	2,173.1	2,347.4	3,718.7	3,559.4
Net cash from (used in) investing activities	(457.3)	(331.6)	1,038.4	(836.1)	(1,817.2)	(1,351.9)
Net cash from (used in) financing activities	(3,078.6)	(2,232.3)	(2,786.5)	(811.5)	(1,878.4)	(488.4)
Purchases of Property plant and equipment	(1,692.0)	(1,226.9)	(1,680.7)	(1,567.3)	(2,083.7)	(2,104.8)

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(1)

For your convenience we have converted the euro amounts in our selected financial data into U.S dollars using the December 31, 2013 rate of 1.00US$=0.72511€. This does not mean that we actually converted, or could have converted, those amounts into U.S dollars on this or any other date.

(2)

Amount of dividend per share to be proposed to the Annual Shareholders' Meeting of April 24, 2014.

(3)

Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the income statements of:

Discontinued operations in the course of divestiture (i.e., water activities in Morocco and global urban lighting activities (Citelum);

Discontinued operations divested (i.e., European wind energy activities divested in February 2013; the share of net income (loss) of the associate of Berlin Water to December 2, 2013; regulated activities in the United Kingdom in the Water division, divested in June 2012; solid waste activities in the United States in the Environmental Services division, divested in November 2012; U.S. wind energy activities divested in December 2012; household assistance services (Proxiserve), divested in December 2011 and Environmental Services division activities in Norway, divested in March 2011) are presented in a separate line, Net income (loss) from discontinued operations, for the years ended December 31, 2013, 2012 and 2011. Furthermore, the contribution of the Transdev Group was transferred to continuing operations for fiscal years 2013, 2012 and 2011.

(4)

The IFRS 10 and 11 consolidation standards and the revised IAS 19 Employee Benefits standard provide for mandatory retrospective application with effect from accounting periods commencing on or after January 1, 2013. The consolidated financial statements for the years ended 2012 and 2011 have been retrospectively adjusted for this change.

(5)

Based on relevant year-end exchange rates.

(6)

Financial data for the years ended December 31, 2009 and 2010 have not been retrospectively adjusted for the application of IFRS 5 and 10 and 11 and IAS 19R.

Dividends

Under French law and our by-laws (*statuts*), our statutory net income in each fiscal year, as increased or reduced, as the case may be, by any profits or losses carried forward from prior years, less any contributions to legal reserves, is available for distribution to our shareholders as dividends, subject to other applicable requirements of French law and our by-laws.

At our General Shareholders' Meeting to be held on April 24, 2014, our shareholders will vote on a dividend payment proposed to be €0.70 per share in respect of our 2013 fiscal year, which will be paid beginning on May 28, 2014. The dividend will be payable in cash or in shares, and the period during which shareholders may choose between being paid the dividend in cash or in shares, subject to applicable legal restrictions, will begin on April 30, 2014 and end on May 16, 2014. Subject to the approval of the General Shareholders Meeting, new shares will be issued at a price equal to 95% of the average opening price on Euronext Paris of the shares over the twenty trading days prior to the day of the General Shareholders Meeting approving the dividend, less the amount of the dividend, rounded up to the next highest euro cent. We expect that Bank of New York Mellon as depositary will make this option available to ADR holders. On June 14, 2013, we paid a dividend of €0.70 per share in respect of our 2012 fiscal year. On June 18, 2012, we paid a dividend of €0.70 per share in respect of our 2011 fiscal year. On June 17, 2011, we paid a dividend of €1.21 per share in respect of our 2010 fiscal year. On June 9, 2010, we paid a dividend of €1.21 per share in respect of our 2009 fiscal year. On June 8, 2009, we paid a dividend of €1.21 per share in respect of our 2008 fiscal year.

Dividends paid to holders of our ADSs and non-French resident holders of our shares are subject to a French withholding tax generally at a rate of 30%. However, U.S. holders that are entitled to and comply with the procedures for claiming benefits under the applicable tax treaty may be subject to a 15% rate of withholding tax. See Item 10. Additional Information Taxation for a summary of the material U.S. federal and French tax consequences to holders of shares and ADSs. Holders of shares or ADSs should consult their own tax advisers with respect to the tax consequences of an investment in the shares or ADSs. In addition, dividends paid to holders of ADSs will be subject to a charge by the depositary for any expenses incurred by the depositary of the ADSs in the conversion of euro to dollars.

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Exchange Rate Information

Share capital in our Company is represented by ordinary shares with a nominal value of €5 per share (generally referred to as our shares). Our shares are denominated in euro. Because we intend to pay cash dividends denominated in euro, exchange rate fluctuations will affect the U.S. dollar amounts that shareholders will receive on conversion of dividends from euro to dollars.

The following table shows the euro/U.S. dollar exchange rate from 2009 through April 11, 2014 based on the noon buying-rate, as defined below, expressed in U.S. dollars per euro. The information concerning the U.S. dollar exchange rate is based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate). We provide the exchange rates below solely for your convenience. We do not represent that euros were, could have been, or could be, converted into U.S. dollars at these rates or at any other rate. For information regarding the effect of currency fluctuations on our results of operations, see Item 5. Operating and Financial Review and Prospects.

Month **U.S. dollar/Euro**	**Period End**	**Average rate[1]**	**High**	**Low**
April 2014 (through April 11, 2014)	1.39	1.38	1.39	1.37
March 2014	1.38	1.38	1.39	1.37
February 2014	1.38	1.37	1.38	1.35
January 2014	1.35	1.30	1.37	1.35
December 2013	1.38	1.37	1.38	1.36
November 2013	1.36	1.35	1.36	1.35
October 2013	1.36	1.36	1.38	1.35
Year **U.S. dollar/Euro**				
2013	1.38	1.33	1.38	1.28
2012	1.32	1.29	1.35	1.21
2011	1.30	1.40	1.49	1.29
2010	1.33	1.32	1.45	1.20
2009	1.43	1.39	1.51	1.25

(1)

The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for year average; on each business day of the month (or portion thereof) for monthly average.

Solely for the convenience of the reader, this annual report contains translations of certain euro amounts into U.S. dollars. These translations should not be construed as representations that the converted amounts actually represent such U.S. dollar amounts or could have been or will be converted into U.S. dollars at the rate indicated or at all. On April 15, 2014, the exchange rate as published by Bloomberg at approximately 9:00 a.m. (New York time) was US$1.3802 per one euro.

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RISK FACTORS

You should carefully consider the risk factors described below in addition to the other information presented in this document.

Risks Relating to the Environment in Which We Conduct Our Operations

We May Fail to Maintain or Increase Our Competitiveness and Adapt Our Business Model to Rapid Changes in Environment-Related Businesses.

Our business is highly competitive and requires substantial human and capital resources and cutting-edge technical expertise in numerous areas. Large international companies, local niche companies and companies whose overheads or profitability requirements are lower than ours (in particular public sector operators such as mixed public-private companies in France and *Stadtwerke* in Germany) serve each of the markets in which we compete. Accordingly, we must constantly strive to reduce our cost structure to remain competitive and convince potential customers of the quality and value of our services. Otherwise, we may suffer the loss of existing contracts or a substantial fall in profitability on contract renewals or no longer have access to new contracts. We may also need to develop new technologies and services or decrease our overhead in order to maintain or increase our competitive position, which could result in significant costs.

In addition, our contracts may not be renewed at the end of their term, which, in the case of major contracts, may require us to implement costly reorganization measures. When the contract does not provide for the transfer of the related assets and employees to the succeeding operator and/or appropriate compensation to cover our costs of termination, the impact on our results could be substantial. Public authorities may also increasingly seek to assume direct management of water or waste services (particularly under management contracts), increasing the risk of non-renewal.

Even when we are able to renew our contracts, the new terms may be less favorable than the prior terms. Moreover, certain contracts provide for periodic renegotiation of terms, and we may face pressure to agree to less favorable terms upon renegotiation.

Our Cost Savings and Transformation Plans May Fail to Generate the Expected Cost Savings.

We have set cost reduction targets under two plans, but we may not be able to realize the savings objectives in these plans. In 2003, we began our cost-cutting Efficiency Plan, which we continue to implement. In 2011, we began to implement the new Convergence Plan, which is part of the transformation of our organization, aimed at standardizing processes, improving the control of operations and streamlining our structure. Key features of these plans are described under Item 4. Information on the Company Our Overall Strategy.

These plans could take longer to implement than expected and, with respect to the Convergence Plan, require more costs than planned. In addition, our cost reduction measures are based on current conditions and do not take into account future cost increases that could result from changes in our industry or operations, including new business developments, wage and price increases or other factors. Restructuring and disposals may harm our labor relations and public relations and could lead to disruptions. Our failure to successfully implement these plans, or the possibility that these efforts may not generate the level of cost savings we expect going forward or may result in higher than expected costs, could negatively affect our results of operations and financial condition.

Our divestitures expose us to certain risks.

At the end of 2011, we announced an ambitious transformation plan encompassing the refocusing of our activities and a reduction in our net debt, under which we initially sought to sell €5 billion of assets over 2012 and 2013. This target was raised to €6 billion at the end of 2012. In particular, we announced plans to withdraw progressively from Veolia Transdev (now Transdev), to sell our rate-regulated Water activities in the United Kingdom, to divest our solid waste activities in the United States, and to continue to streamline our geographical coverage. We have realized most of our planned divestitures, except for our planned withdrawal from Transdev because of difficulties encountered by SNCM (see We are subject to risks from legal proceedings). In 2012, we divested our water operations in the United Kingdom and the United States. In 2013, major divestments completed include the disposal of our holdings in Berlin Water, the sale of our water business in Portugal and floating 35% of the shares of Sharqiyah Desalinisation Company. On March 25, 2014, we signed an agreement to acquire EDF s interest in the international activities of Dalkia, our Energy Services affiliate, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction).

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Divestitures have inherent risks, including possible delays in closing transactions, potential difficulties in obtaining regulatory approvals, the risk of lower-than-expected sales proceeds for the divested businesses or the failure to complete the divestiture at all. The conditions under which the activities sold are carved-out expose us to risks relating to the need to set up independent functional services in each activity, when those services were previously provided on a shared basis. We may also lose valuable resources (including the training campus) and significant expertise with respect to financial services, human resources, real estate and general services. In addition, the agreements involved in such sales include vendor warranties covering certain risks identified by the buyer. If such risks materialize, the resulting warranty calls could have negative financial consequences on us.

We Have Conducted and May Continue to Conduct External Growth Transactions Through Acquisitions and/or Mergers, Which Could Have a Less Favorable Impact on Our Activities and Results Than Anticipated, or Which Could Affect Our Financial Condition.

We have conducted and may continue to carry out external growth transactions, in varying legal forms, in particular through acquisitions of businesses or companies or through mergers, and of varying sizes, some of which may be significant at our Group level. These external growth transactions involve numerous risks, including the following: (i) the assumptions underlying the business plans supporting the valuations may prove inaccurate, in particular with respect to synergies and expected commercial demand; (ii) we may fail to successfully integrate the companies acquired and their technologies, products and personnel; (iii) we may fail to retain key employees, customers and suppliers of the companies acquired or merged; (iv) we may be required or wish to terminate pre-existing contractual relationships, which could prove costly and/or be performed at unfavorable terms and conditions; (v) we may increase our indebtedness to finance these acquisitions or mergers; and (vi) we may be forced to carve-out or divest or limit the growth of certain businesses in order to obtain the necessary authorizations, in particular with respect to antitrust authorizations. As a result, the expected benefits of completed or future acquisitions, mergers or other external growth transactions may not materialize within the time periods or to the extent anticipated, or may impact our financial condition.

Currency Exchange and Interest Rate Fluctuations May Negatively Affect Our Financial Results and the Price of Our Shares.

We hold assets, earn income and incur expenses and liabilities in a variety of currencies. Our financial statements are presented in euros. Accordingly, when we prepare our financial statements, we must translate our foreign currency-denominated assets, liabilities, income and expense items into euros at 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 our investments held in foreign currencies.

We are also subject to risks related to fluctuations in interest rates. As of December 31, 2013, our gross financial debt (before hedging) equaled €12,451.1 million, of which 54.0% bore interest at floating rates and 46.0% was fixed rate debt, after taking into account hedging instruments and fair value remeasurement of fixed-rate debt (see Notes 28.2.1 and 28.2.2 to our Consolidated Financial Statements contained in Item 18 in this annual report on Form 20-F). Fluctuations in interest rates may affect our future growth and investment strategy since a rise in interest rates may force us to finance acquisitions or investments or refinance existing debt at a higher cost in the future.

Our Business is Subject to Greenhouse Gas Market and Emission Allowance Risks.

As an operator of combustion installations, we are exposed to the inherent risks of the emission allowance trading system introduced by the European Union. The rise in greenhouse gases in the atmosphere led certain States and the international community to introduce regulatory provisions. Phase 3 of the National Allowance Allocation Plans, which runs from 2013 to 2020, is targeted to reduce greenhouse gas emissions by 20% by 2020 (compared to 1990 levels). Effective as of January 1, 2013, the free allocation of emission allowances in respect to electricity generation (with the exception of certain Central European countries) were eliminated and free allocations for heat generation as of January 1, 2013 were significantly reduced. As a consequence, the emission allowances of Dalkia decreased by 60% in 2013 compared to 2012, forcing it to purchase additional allowances necessary for its production through an auction system, which generated additional costs.

In this context, our risk is two-fold: first, we may produce higher levels of emissions than anticipated, either due to technical or business-related reasons, which would result in our Group being required to purchase additional greenhouse gas allowances and incurring additional expenses as a result. Second, we may not be able to adjust our pricing policy so as to pass on the extra cost in full of purchasing these allowances in the future.

Our Business Operations In Some Countries May Be Subject to Political Risks.

Sales outside of France generated more than 49% of our total revenue in 2013. While our operations are concentrated mainly in Europe, the United States, China and Australia we conduct business in markets around the world. We also conduct business in certain emerging countries. In a complex and sometimes unstable international environment, risks relating to conducting business in certain countries can affect our financial position, results of operations, reputation and outlook. In particular, given the nature of our activities and the term of our contracts, our results can partially depend on external operating conditions, including the geopolitical, economic, social or financial situation or the level of development, working conditions and environmental conditions of a given country.

The risks associated with conducting business in some countries can include the non-payment or slower payment of invoices, which is sometimes aggravated by the absence of legal recourse for non-payment, nationalization, increased foreign exchange risk and currency restrictions on fund repatriation. Furthermore, we may not be able to obtain sufficient financing for our operations in these countries. The setting of public utility fees and their structure may depend on political decisions that can impede any increase in fees for several years, such that fees no longer cover service costs or provide appropriate compensation for a private operator. Major amendments to or the uneven application of regulations, social unrest, local authority claims challenging the tax system or the application of contractual terms, foreign exchange control measures and other negative actions or restrictions imposed by governments can also significantly affect operating conditions, particularly in emerging countries. The economic balance of our contracts may deteriorate as a result of changes in local economic, social or environmental conditions, such as an increase in unpaid household debts or a reduction in available environmental resources, like water or biomass.

We may not be able to insure or hedge against these risks. Furthermore, we may find we are unable to defend our rights before a court of law in certain emerging countries should we come into conflict with their governments or other local public entities. Unfavorable events or circumstances in certain countries may lead us to record exceptional provisions and/or impairments, which could have a significant adverse effect on our financial position, results and outlook.

The Destabilization of a Country May Generate Emergency Situations and Exceptional Risks.

In certain cases, a combination of factors could lead to the general political and economic destabilization of a country in which we operate and even make it difficult for us to conduct business because of reduced security and stability. The risk of nationalization or expropriation of private assets may also be higher for companies of foreign origin.

Given the nature of our activities and our geographical reach, our tangible and intangible property, employees, security and information systems could be the target of malicious attacks or terrorist acts. In the areas of public transportation, energy services and waste management, our installations and vehicles around the world may become targets. For example, the distribution of drinking water is an activity of vital importance and a major public health consideration that could be targeted by criminal action.

In addition, very large-scale or repetitive natural disasters can also lead to the exceptional disorganization of certain infrastructure (such as roads and means of communication) on which we depend for the conduct of our business and can cause damage to the infrastructure for which we are responsible. We could thus temporarily be unable to perform services according to the conditions defined by contract.

In addition, our employees work and travel in countries where the risk of criminal acts, kidnapping or terrorism is either temporarily or permanently high. The protection of our employees, activities and resources is subject to extremely stringent regulatory constraints, which expose us to legal liability.

As a result, despite the preventive and safety measures implemented by us and the insurance policies subscribed the occurrence of these exceptional situations could, affect our reputation or results.

Risks Relating to Our Operations

Changes in the Prices of Energy and Other Commodities Or In the Price of Recycled Materials May Reduce Our Profits.

The prices of energy and other commodities can be subject to significant fluctuations and represent major operating expenses of our businesses (particularly diesel fuel for our waste collection activities, gas for our energy services activities and electricity for our water treatment and distribution activities). Although most of our contracts include price adjustment provisions that are intended to pass on any changes in the price of our supplies, often using price indexing formulas, certain events may prevent us from being fully protected against such increases, such as time lags between fuel price increases and the moment when we are authorized to increase prices to cover the additional costs or a mismatch between the price-increase formula and the cost structure (including taxes). A sustained increase in supply costs and/or related taxes could undermine our operations by increasing costs and reducing profitability, to the extent that we are unable to increase our prices sufficiently to cover such additional costs.

In addition, a substantial portion of our sorting-recycling and trading businesses, which account for a substantial portion of our revenues, are particularly sensitive to fluctuations in the price of recycled raw materials (paper and ferrous and non-ferrous metal). A significant and long-term drop in the price of recycled raw materials, combined with the impact of economic conditions on volumes, has affected, and could continue to affect, our operating results.

Our activities also include the production of electricity, particularly in France, Germany, the United Kingdom and Central Europe. A significant portion of these sales concern so-called unavoidable production, co-generated with heat or resulting from the incineration of waste. In the initial years of service of an installation, the electricity produced is generally covered by guaranteed purchase tariffs pursuant to specific domestic regulations. At the end of this guaranteed tariff period, production is sold on the wholesale market and is exposed to fluctuations in the price of electricity. A significant and long-term drop in the market price of electricity in the countries concerned could, therefore, impact our operating results.

Our Business is Affected By Variations in Weather Conditions and Climate Change.

Varying weather conditions and climate change may have an impact on our results of operations. For example, Dalkia generates the majority of its operating results in the first and fourth quarters of the year, corresponding to periods in which heating is used in Europe, while in the water sector, household water consumption tends to be highest between May and September in the northern hemisphere. Accordingly, these two businesses and therefore our results of operations may be affected by significant deviations from seasonal weather patterns.

Our Long-Term Contracts May Limit Our Capacity To Quickly and Effectively React To General Economic Changes.

We conduct the majority of our operations through long-term contracts, which can hinder our ability to react rapidly and appropriately to negative financial events. Over time, the circumstances or conditions under which we initially entered into a contract may change, which may result in adverse economic consequences. Such changes may vary in nature and foreseeability. Certain contractual mechanisms may help in addressing such changes and restoring the initial balance of the contract, but they may also not be fully effective. 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 call for a procedure to revise or amend the contract with the agreement of both parties or of a third party. Accordingly, we may not be free to adapt our compensation in line with changes in our costs and demand, whether this consists of a price paid by the customer or a fee levied on end users based on an agreed-upon scale. These constraints are exacerbated by the long-term nature of contracts. In all cases, particularly in public service management contracts, our actions must remain within the scope of the contract and we are required to maintain uninterrupted service. We cannot suddenly and unilaterally terminate a business that we believe is unprofitable, or change its features, except in the face of proven customer misconduct and then only under certain circumstances.

Certain of Our Operations are Performed Under Contracts Containing Performance Objectives That We Must Fulfill in Order to Be Compensated Or the Non-Fulfillment Of Which Would Result In the Imposition of Penalties.

Through Veolia Water Solutions & Technologies, we perform turnkey contracts for the design and construction of infrastructure in the water sector, compensated at non-adjustable fixed prices. Our compensation is often subject to the fulfillment of certain performance objectives, the non-fulfillment of which results in imposition of penalties.

The risks to which we are exposed under these types of contracts are generally technical (design and choice of tailored versus tried-and-tested technology), operational (site management during performance, acceptance and warranty phases, ability to use a technology, that may be imposed by the customer) and economic (fluctuations in raw material prices, other supply prices or foreign exchange rates).

In accordance with standard practice, to the extent possible we seek to cover these risks contractually. We may, however, encounter difficulties over which we have no control, relating, for example, to the complexity of certain infrastructure, weather or economic variations, construction contingencies, the purchase and ordering of equipment and supplies, or changes in performance schedules. In certain cases, we must rely on existing information or studies provided by the customer that may prove inaccurate or inconsistent, or we may be required to use existing infrastructure with poorly-adapted operating characteristics. These may lead to non-compliance with contract specifications or generate additional costs and construction delays, triggering, in certain cases, reductions in our revenue or contractual penalties, which could negatively affect our financial position, results or outlook. In certain cases, we must take into consideration public or private customer requests for additional work, whether or not such changes were provided for contractually. These changes may result in changes in the services provided, necessary investments or the invoicing method. While contracts generally include clauses providing for the payment of additional compensation should additional work be requested or should events such as those detailed above occur, we are nonetheless exposed to the risk of not obtaining sufficient payment to cover additional costs, as well as the risk of obtaining such amounts only after the passage of time. In addition, the failure of the sub-contractors and suppliers that we use in the performance of our contracts could generate delays and significant additional costs without the ability to recover all costs incurred.

The Rights of Governmental Authorities to Terminate or Modify Our Contracts Unilaterally Could Have a Negative Impact on Our Revenue and Profits.

Contracts with public authorities make up a significant percentage of our revenue. In numerous countries, including France, public authorities may unilaterally amend or terminate contracts under certain circumstances. While we often are entitled to compensation, this may not be true in all cases, and even when compensation is due, we may not be able to obtain full or timely compensation should a contract be unilaterally terminated by the relevant public authority.

We May Make Significant Investments in Projects Without Being Able to Obtain the Required Approvals For the Project.

To engage in business, in most cases we must sign a contract and sometimes obtain, or renew, various permits and authorizations from regulatory authorities. The competition and/or negotiation process that must be followed in order to win such contracts is often long, costly, complex and hard to predict. The same applies to the authorization process for activities that may harm the environment, which are often preceded by increasingly complex studies and public investigations. We may invest significant resources in a project or public tender without obtaining the right to perform the planned activity or sufficient compensation to cover the cost of our investment. This could arise due to failure to obtain necessary permits or authorizations, or approval from antitrust authorities, or because authorizations are granted contingent on our abandoning certain of our development projects. This result increases the overall cost of our activities and could potentially, were the cost of failure to become too high, force us to abandon certain projects. Should such situations become more frequent, the scope and profitability of our business could be affected.

We Incur Significant Costs of Compliance With Various Environmental, Health and Safety Laws and Regulations.

We have incurred and will continue to incur significant costs and other expenditures to comply with our environmental, health and safety obligations as well as in sanitary risk management, in particular with respect to water emissions, drinking water quality, waste processing, soil and ground water contamination, the quality of smoke emissions and gas emissions. We are continuously required to incur expenditures to ensure that the installations that we operate comply with applicable legal, regulatory and administrative requirements, including specific precautionary and preventative measures, or to advise our customers so that they undertake the necessary compliance work themselves. Failure by the client to meet its compliance obligations could be prejudicial to us as operator and adversely affect our reputation and growth capacity.

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Furthermore, regulatory bodies have the power to launch proceedings which could lead to the suspension or cancellation of permits or authorizations held by us or injunctions to suspend or cease certain activities. These measures may be accompanied by fines and civil or criminal sanctions which could have a significant negative impact on our reputation, activities, financial position, results or outlook. If we are unable to recover this expenditure through higher prices, this could adversely affect our operations and profitability.

Each of our businesses, moreover, may become subject to stricter general or specific laws and regulations, and correspondingly incur greater compliance expenditures in the future. Moreover, the scope of application of environmental, health, safety and other laws and regulations is increasing constantly. As environmental laws and regulations are constantly being amended and tightened, these amendments can require significant compliance expenditures or investments that we may not be able to foresee.

Finally, actions by employees, agents and representatives, who do not comply with our Guide to Ethics or the specific ethics codes applicable to various activities, could expose us to civil or criminal penalties and adversely affect our reputation.

Our Operations and Activities May Cause Damage or Lead Us to Incur Liability That We Might be Required to Compensate or Repair.

Increasingly broad laws and regulations expose us to greater risks of liability, in particular environmental liability, including in connection with assets that we no longer own and activities that have been discontinued. In addition, we may be required to pay fines, repair damage or undertake improvement work, even when we have conducted our activities with all due care and in full compliance with operating permits. In addition, due to lack of scientific data or studies, we may not be aware of risks to human health or the environment caused by our operations that may be identified in the future.

We could be the subject of legal action to compensate damage caused to individuals, property or the environment (including the ecosystem). While our policy is to limit our liability contractually, implement prevention and protection measures and take out insurance policies covering our main accident and operational risks, these precautions may be insufficient, leaving us exposed to significant liability.

In addition, our subsidiaries in France or abroad may, under environmental services outsourcing contracts, perform activities at certain environmentally sensitive sites known as high threshold Seveso sites (classified AS under the French Installations Classified for the Protection of the Environment (ICPE) system) or low threshold Seveso sites (or the foreign equivalent), operated by industrial customers (particularly petrochemical or chemical industry sites). With respect to such sites, we 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 us to customer sites. The regulatory regime governing Seveso facilities applies only within the European Union, but we operate several similar sites outside of the European Union that are often subject to the same level of stringent regulation.

Our Business Operations May Subject Our Employees to Health and Safety Risks.

Our business operations require significant human resources. The intensity, nature and location of the work required, including on public roads and on customer sites, makes maintaining our employees safety particularly important.

Despite our specific attention to the health and safety of our employees, which may require us to incur significant costs, we may nonetheless face increased work accidents and illness (both in frequency and severity).

Human Resources Management Issues and Industrial Disputes Could Have a Negative Impact On Our Image and Business.

Our operations, which we carry out on behalf of industrial customers or local governments, include the provision of essential services and always require human labor for their implementation. We operate in diverse locations, sometimes under difficult working conditions. We cannot guarantee that we will not encounter labor disputes (strikes, walkouts, blocking access to sites, or the destruction of property in extreme cases) that could interrupt our operations over a significant period of time. In particular, our transformation, including the implementation of our Convergence Plan, which includes significant reorganization and the refocusing of our activities on certain businesses and geographical regions, could cause industrial relations to deteriorate and negatively affect productivity and, consequently, our results. Any such disputes could have an adverse effect on our financial condition, results or outlook, as well as on our reputation.

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We May be Unable to Maintain and Recruit Employees With the Skills Necessary For Our Evolving Business.

Our activities require a wide range of continually evolving skills in order to keep up with changes in our sector, in particular in our environment-related business. We may be unable to locate professionals with new skills, train staff in new techniques and recruit and train managers in every country where we do business in a timely manner. The implementation of our Convergence Plan, which involves significant reorganization, may exacerbate this risk.

We are subject to risks from legal proceedings.

We are involved in a number of legal proceedings, some of which could materially impact our results of operations, financial condition, or business. See Item 8. Financial Information Consolidated Financial Statements and Other Financial Information Litigation and Note 17.2 to our Consolidated Financial Statements. In particular, SNCM, an affiliate of Transdev that provides ferry service between Corsica and mainland France, is involved in significant legal proceedings. The European Commission has claimed that SNCM must return certain subsidies relating to its privatization (€220 million excluding interest) and relating to certain complementary ferry services (an additional €220 million excluding interest) to the French State, on the grounds that those subsidies were inconsistent with European limitations on State aid. We have determined that the most probable scenario for SNCM is an insolvency proceeding followed by a disposal plan, and thus our Consolidated Financial Statements assume that these amounts will not be paid. A different scenario would lead to our reassessing our financial position. In addition, because of the difficulties encountered by SNCM, we were not able to reach a definitive agreement with the Caisse des dépôts et consignations for the reduction of our interest in Transdev, SNCM s parent company.

The Unavailability of Our Information Systems Due to Disaster or Successful Hacking Could Have a Material Adverse Effect on Our Business, Results of Operations and Financial Condition.

Our operations and the management of our business, including the finance and human resources components, depend on the secure and reliable performance of our information systems. The unavailability of information systems because of a disaster or successful hacking involving one or more of these information systems could have major consequences for the quality or even the continuity of services and the availability, integrity and confidential nature of our data. Despite all of our efforts and the resources put in place to protect and secure our information systems, we may still be the target of a successful cyber-attack. Any compromise of our systems could result in a loss of confidence in our security protocols and subject us to litigation, civil or criminal penalties, and adverse publicity that could adversely affect our financial condition and results of operations.

Our Activities Expose Us to Counterparty Risk, Including Failures By Customers, Suppliers, Joint-Venture Partners, Intermediaries, Financial Agents, and Banks.

Counterparty risk is the risk that we may enter into a contract with an entity that is unable to fulfill its commitments, financial and otherwise (including, debt repayment, breach of warranties, offset under a derivative transaction, etc.). Our financial counterparty risk is mainly associated with cash investments and positive market values on derivatives. In addition, the risks related to market transactions for our subsidiaries are mainly associated with the amounts held in local deposits, amounts treated by local banking institutions (such as settlement, deposits, and signature commitments), and the continuation of confirmed credit facilities obtained from banks.

In addition, we may be required to conduct our activities in France and abroad through partnerships with public authorities or private companies. These partnerships offer a means of sharing the economic and financial risks associated with certain major projects or activities. While the partial loss of control granted in return for reducing capital exposure is managed contractually, changes in the project, or in the economic and political context, or a downturn in the economic position of our partner(s) could lead to conflict between the partners and, in severe cases, end the partnership. Situations involving the poor performance of a partnership could have a significant impact on our activities, financial position, results or outlook.

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Risks Relating to our Shares and ADSs

Because Preemptive Rights May Not Be Available For U.S. Persons, the Ownership Percentages of Our U.S. Shareholders May be Diluted in the Event of a Capital Increase of Our Company.

Under French law, shareholders have preemptive rights (*droits préférentiels de souscription*) to subscribe, on a pro rata basis, for cash issuances of new shares or other securities giving rights to acquire additional shares. U.S. holders of our shares may not be able to exercise preemptive rights for our shares unless a registration statement under the U.S. Securities Act of 1933, as amended (Securities Act), is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not required to file registration statements in connection with issues of new shares or other securities giving rights to acquire shares to our shareholders. As a result, we may from time to time issue new shares or other securities giving rights to acquire additional shares at a time when no registration statement is in effect. If we undertake future unregistered capital increases, holders of our ADSs and U.S. holders of our shares may be subject to dilution, which may not be fully compensated by the proceeds from the sale of rights.

We are Permitted to File Less Information with the U.S. Securities and Exchange Commission (SEC) Than a Company Incorporated in the United States.

As a foreign private issuer, we are exempt from rules under the U.S. Securities Exchange Act of 1934, as amended (Exchange Act), that impose some disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. Additionally, our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our shares. We are also exempt from certain rules governing the independence of the Audit and Compensation committees of our Board of Directors. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies with securities registered under the Exchange Act. Accordingly, there may be less information concerning our Company publicly available from time to time than there is for U.S. companies at those times.

The Ability of Holders of Our ADSs to Influence the Governance of Our Company May Be Limited.

Holders of our ADSs may not have the same ability to influence corporate governance with respect to our Company as would shareholders in some U.S. companies. For example, the ADS depositary may not receive voting materials in time to ensure that holders of our ADSs can instruct the depositary to vote their shares. In addition, the depositary s liability to holders of our ADSs for failing to carry out voting instructions or for the manner of carrying out voting instructions is limited by the deposit agreement. Finally, except under limited circumstances, our shareholders do not have the power to call shareholders meetings.

You May Be Required To Pay a Financial Transactions Tax in Connection with Acquisition of Our Shares

Under French law, a financial transactions tax is applicable to the acquisition of our shares, generally in an amount equal to 0.2% of the consideration paid or the value of the shares acquired. The tax is due regardless of where the transaction takes place, and regardless of the form of acquisition. The acquisition of an ADR is considered to be the acquisition of our shares for purposes of the tax. The financial transactions tax is generally collected by financial intermediaries that execute transactions. In addition, other proposed financial transactions taxes, including a draft

European directive, may become effective in the coming years. Such taxes will increase the transaction costs associated with purchases and sales of our shares (including ADRs) and could reduce the liquidity of the market for our shares.

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ITEM 4.

INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT OF THE COMPANY

We are a leading global provider of environmental management services, which include the supply of water, the treatment and recovery of municipal or industrial effluent, waste collection, processing and recycling, the supply of heating and cooling services and the optimization of industrial processes. Our clients include a wide range of public authorities, industrial and commercial services customers and individuals around the world.

The legal and commercial name of our Company is Veolia Environnement. Our Company is a société anonyme, a form of limited liability corporation, incorporated in 1995 pursuant to the French Commercial Code for a term of 99 years (*i.e.*, until December 18, 2094). Our registered office is located at 36/38, avenue Kléber, 75116 Paris, France, and the phone number of that office is (+33 1) 71 75 00 00. Our agent in the United States is Terri Anne Powers, Director of North American Investor Relations, 200 East Randolph Street, Suite 7900, Chicago, Illinois 60601 USA, and the phone number of that office is (+1) 312-552-2890.

Our operations are conducted through three divisions, each specializing in a single business sector: Veolia Eau (Water), Veolia Energie (Dalkia, Energy Services) and Veolia Propreté (Environmental Services). When referring to the activities of our divisions, we refer to the division names, and when referring to entities within our Group, we refer to their legal names. Through these divisions, we provide drinking water to 94 million people and treat wastewater for 62 million people in the world, process nearly 52.1 million tons of waste, and satisfy the energy requirements of hundreds of thousands of buildings for our industrial, public authority and private individual customers. We also develop services combining several Group businesses, both by using a combination of individual contracts or by combining services within a single multi-service contract. We are also active in the Transportation business conducted through Transdev, which is 50% owned by us and 50% owned by the *Caisse des dépôts et consignations*, a French state-owned financial institution. However, we remained committed to our withdrawal from the Transportation business. In addition, on March 25, 2014, we signed an agreement to acquire EDF s interest in the international activities of Dalkia, our Energy Services affiliate, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction). Starting on the closing date of this transaction, Dalkia France s results of operations and financial condition will no longer be reflected in our consolidated financial statements, while Dalkia International will be fully consolidated rather than being accounted for by the equity method. The closing of the transaction is subject to approval by competition authorities and other customary conditions.

Historical Background

Our 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. We developed our municipal water distribution activities in France by obtaining concessions in Nantes (1854) and Nice (1864), as well as a 50-year concession for Paris (1860) and its suburbs (1869).

In 1980, Compagnie Générale des Eaux reorganized its water activities by bringing together all of its design, engineering and operating activities relating to drinking water and wastewater treatment facilities within its subsidiary Omnium de Traitement et de Valorisation (OTV). During the 1980s, Compagnie Générale des Eaux expanded its business with the acquisitions of Compagnie Générale d Entreprises Automobiles (CGEA, which would become CONNEX and ONYX, and later Veolia Transport and Veolia Propreté) and Compagnie Générale de Chauffe and Esys-Montenay (which would merge to become Dalkia). It also began significant international expansion.

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

In April 1999, in order to better distinguish the separate existence of its two main businesses, communications and environmental services, Vivendi created our Company under the name Vivendi Environnement to conduct all of its environmental management activities, which were then conducted under the names Vivendi Water (Water), ONYX (Environmental Services), Dalkia (Energy Services) and CONNEX (Transportation).

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On July 20, 2000, Vivendi Environnement shares were listed on Euronext Paris. 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 in the form of American Depositary Receipts on the New York Stock Exchange.

From 2002 to 2004, Vivendi Universal progressively decreased its stake in our Company through successive disposals and dilution and held only 5.3% of our shares by December 2004. Since July 6, 2006, Vivendi no longer holds any shares in our Company.

In April 2003, we changed our name to Veolia Environnement.

Between 2002 and 2004, we undertook a major restructuring in order to refocus on our core environmental management services activities. This process was completed in 2004 with the sale of various U.S. subsidiaries in the Water division and our indirect interest in Fomento de Construcciones y Contratas (FCC), a Spanish company whose activities include construction and cement activities. In 2003, we began to implement our Efficiency Plan aimed at achieving significant cost savings.

In November 2005, we rolled out our new brand policy aimed at increasing consistency between the divisions of our Group, the visibility of our Company and strengthening our identity and common culture of service values. The Water and Environmental Services divisions as well as the Transportation business are now united under a single brand, Veolia, which is linked to the name of their activity. The Energy Services division primarily operates under the brand Dalkia.

In May 2010, we signed an agreement to combine our transportation subsidiary, Veolia Transport, with Transdev. The transaction created Veolia Transdev (now Transdev), in which we hold a 50% interest, with the remainder held by the *Caisse des dépôts et consignations*, a French State-owned financial institution. As part of this transaction, Veolia Transport and Transdev were transferred by their shareholders to the newly created joint venture, Veolia Transdev (now Transdev).

In 2011, we were affected by a number of changes in our markets, including pressure on credit markets in Europe as a result of uncertainties relating to the credit quality of certain sovereigns, coupled with lower GDP growth and decreased public spending in mature markets, which put increasing pressure on margins. In this context, on December 6, 2011, we announced a strategic transformation plan founded on refocusing our activities and business portfolio, which included a significant divestiture program to be realized over two years, the concentration of activities on our three main businesses (Water, Environmental Services and Energy Services), and the divestiture of regulated Water activities in the United Kingdom and solid waste activities in the United States. We also announced our plan to withdraw from the transportation business.

The U.K. regulated Water activities were divested on June 28, 2012 and the U.S. solid waste activities were sold on November 20, 2012. On October 22, 2012, we entered into an agreement to negotiate a share capital increase of Transdev through the capitalization of existing shareholders loans. Following this capital increase, *Caisse des dépôts et consignations* would hold 60% of Transdev s share capital, and assume exclusive control of that entity, while we would retain a 40% stake. The agreement also called for the good faith negotiation of a reduction in our interest in Transdev to 20% over two years following the capital increase. Prior to signing this agreement, we and *Caisse des dépôts et consignations* signed an agreement to negotiate the transfer of Transdev s 66% shareholding in SNCM to us. However, we were not able to finalize the activities outlined in the agreements before both expired. As a result, on

July 9, 2013, we, the *Caisse des dépôts et consignations* and Transdev signed a new agreement extending the deadline to complete these operations until October 31, 2013, but the sale of SNCM to us was not completed before that date. As a result, the agreement lapsed. Nevertheless, on December 16, 2013 an agreement was signed to continue the respective loans and to realize a capital increase, with respective ownership of the Caisse des dépôts et consignations and Veolia Environnement remains at 50%.

In 2012, we pursued our transformation plan by announcing a new geographical organization structure (which we began to implement in July 2013), an enhanced cost reduction program (with the Convergence plan added to our Efficiency plan), the continued optimization and divestiture of assets, and an objective of reducing our net financial debt.

In October 2013, we and EDF announced that we were engaging in discussions with respect to our joint subsidiary Dalkia, our Energy Services affiliate. On March 25, 2014, we signed an agreement to acquire EDF s interest in the international activities of Dalkia, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction). Starting on the closing date of this transaction, Dalkia France s results of operations and financial condition will no longer be reflected in our consolidated financial statements, while Dalkia International will be fully consolidated rather than being accounted for by the equity method. The closing of the transaction is subject to approval by competition authorities and other customary conditions.

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BUSINESS OVERVIEW

The following table provides our revenues by division and geographical area (after intra-Group eliminations) for the year ended December 31, 2013. The presentation of our results of operations in 2013 has been changed substantially compared to prior years. Most significantly, we have applied for the first time IFRS 10 and 11, with the result that our joint ventures that were previously accounted for under the proportional consolidation method are now accounted for under the equity method. This has had a significant impact on our revenues and adjusted operating cash flow, particularly in our Energy Services division. In accordance with a recommendation of the French Accounting Standards Authority dated April 4, 2013, we present our operating income both before and after our share of income (or loss) from equity affiliates in our core business areas. See Item 5- Overview Change in Accounting Method for Joint Ventures for further details.

2013 Revenues *(in € million)*	**Water**	**Environmental Services**	**Energy Services**	**Other**	**Total consolidated**
Europe	**7,420.6**	**6,159.0**	**3,479.5**	**213.4**	**17,272.5**
of which France	4,365.7	3,288.3	3,479.5	170.1	11,303.6
of which Germany	1,007.8	961.0	0.0	0.0	1,968.8
of which the United Kingdom	311.7	1,676.7	0.0	0.0	1,988.4
of which other European countries	1,735.4	233.	0.0	43.3	2,011.7
United States	**784.7**	**637.9**	**277.0**	**0.0**	**1,699.6**
Rest of the world	**2,016.6**	**1,278.6**	**0.0**	**47.5**	**3,342.7**
of which the Middle East	250.2	114.0	0.0	0.0	364.2
of which Oceania	166.5	785.6	0.0	0.0	952.1
of which Asia	883.7	189.3	0.0	1.0	1,074.0
of which Rest of World	716.2	189.7	0.0	46.5	952.4
TOTAL	**10,221.9**	**8,075.5**	**3,756.5**	**260.9**	**22,314.8**

Our Overall Strategy

Faced With a Changing Global Environment Presenting New Challenges, We Are Adapting and Transforming Our Organization.

In light of the complex environmental issues facing cities and industrial companies and as the leading international company focused on the environmental services sector, we continue to transform our organization to better respond to environmental challenges, including by offering expert solutions in growth markets and adapting our model to the traditional markets in which we operate.

While the world s population continues to grow and is projected to reach approximately 9 billion in 2050, and economic growth centers shift to emerging countries where cities play a central role, water demand is rising twice as fast, especially in high water stress areas. Access to water is becoming a critical issue for the growth of economies and cities and its management is a strategic challenge for some industries (such as oil, gas and mining). While the availability of energy resources and raw materials is diminishing and their cost is rising, energy efficiency and the circular economy are taking on crucial importance for industry and cities. In addition, the growing complexity of managing environmental issues (e.g., pollution becoming increasingly difficult to treat, management of increasingly rare resources, new regulations, etc.) in both rapidly growing and mature countries presents major opportunities that form part of our selective development policy.

In mature regions, the economic downturn and regulatory changes (European Directive on concessions, Olivet Commune Order in France), together with the desire of some public authorities to take over the direct management of water and waste services, are putting increased pressure on prices and causing a temporary reduction in infrastructure investments. In this context, we prioritize the optimization of our operations, control our costs and development of attractive business models (e.g., remuneration based on the performance of our solutions, innovative financing schemes, etc.) for public authorities and industrial companies seeking new dynamics.

The transformation of our organizational structure and business model should enable us to exploit our competitive advantage on growth markets, where our expertise sets us apart, and to become a partner of sustainable development. Our Group draws on a global network of operators, engineers and technical experts working with cities and industrial companies according to the highest performance standards. Present in 48 countries, with platforms in emerging countries and a simplified, refocused organizational structure, we deploy best practices along with complete and integrated water, waste and energy service offerings aimed at addressing environmental challenges more effectively.

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In 2013, we continued to pursue our transformation plan pursuing the targets confirmed by our Board of Directors on December 11, 2013:

To become the benchmark company in major environmental markets;

To balance our business activities between municipal and industrial customers, with an objective of generating at least 50% of our revenue with industrial customers, compared to 35% today;

To generate more than 50% of our revenue in growth markets, which currently account for only one-third of our business; and

To develop innovative business models.

The continuation of the transformation policy is based on a strategic plan structured around the following key areas:

refocusing our business with the goal of decreasing net financial debt;

simplifying and tightening our organizational structure;

continuing our cost reduction program; and

targeting profitable growth opportunities.

With greater financial flexibility and focused on the provision of high added-value service and technology solutions, we have reorganized ourselves into a more agile, flexible company well placed to meet the environmental challenges faced by our customers and seize profitable growth opportunities.

As Part of Our Transformation, We Are Refocusing Our Business Activities and Deleveraging Our Financial Structure.

The divestment program announced in 2011 has been successfully completed, apart from our withdrawal from the transportation business. During the course of 2012 and 2013, our divestments totaled €4.7 billion and included 15 divestments with an enterprise value of more than €10 million and 8 divestments worth more than €50 million. These large-scale divestments modified our Group's profile and fulfilled a dual purpose:

- accelerating the reduction of net financial debt; and

- restricting permanent operations (with employees and capital employed of over €5 million) to 48 countries.

As of December 31, 2013, our main priority is to restore profitability and generate free cash flow after divestitures, by accelerating cost savings, improving performance and managing investments, at every level of the organization.

We Are Simplifying and Tightening Our Organizational Structure.

At the end of 2013, we became an integrated group with a separate organizational structure in each country in which we operate. Our Group's new organizational structure was deployed through 415 executive managers, appointed worldwide, through the following steps:

the establishment of new responsibilities and managerial lines, including:

a new Executive Committee, 8 regional managers and 31 country managers,

creation of our functional managers, including the Innovation and Markets Department, which is responsible for defining and implementing our strategy, and the Technical and Performance Department, which is responsible for identifying and deploying the best operational standards at every level of the organization;

appointing priority global key account managers;

implementation of a separate organizational framework for each country; and

implementation of our main operating procedures (operational command, budgetary control, reporting and internal control).

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We Are Aiming to Realize Significant Cost Savings.

At the end of 2013, progress on our cost reduction program was in line with our targets. We achieved cost savings which resulted in a positive impact on our operating income of €178.0 million, net of implementation costs (compared with our revised target of €170.0 million). The target has been revised upwards once again, to €750 million by the end of 2015, compared to the original target of €470.0 million, of which 80% is targeted to be recognized in our operating income after the share of net income (loss) of equity accounted entities. We hope to realize these additional savings by reducing administrative, functional and operating costs in the short-term and through the transformation of the organizational structure in the long-term.

We Are Positioning Ourselves to be Able to Seize Profitable Growth Opportunities.

Faced with the structural adjustment of the markets in which we operate and the competitive environment for the services we offer we must select projects on traditional markets carefully, offer innovative business models and focus our activities on growing industrial markets and regions. In order to accelerate our growth strategy, the Innovation and Markets Department, created in 2013, has devised and launched the implementation of a strategic plan that consists of targeting growth markets, offering high added-value services and addressing customers main environmental issues. A network of Key Account Managers and research and innovation programs was also created and is under the supervision of the Innovation and Markets Department.

Our goal is to become a partner in our customers sustainable growth, by offering them cutting-edge solutions to their most complex problems and services based on attractive business models (e.g., remuneration based on the performance of our solutions, innovative financing schemes, etc.).

To achieve this goal, we have devised a new commercial strategy based on the development of global partnerships that place the value provided to our major customers at the forefront, the creation of a network of Key Account Managers that coordinate local commercial initiatives, the standardization of the deployment of best bids to our municipal and industrial customers and the development of innovative business models, in constant liaison with the regions and operators.

As a result of the effectiveness of this strategy, we enjoyed commercial successes on various markets in which we operate, particularly in growth markets, such as securing the following contracts (among others):

twenty-year industrial contract in Australia to treat water from coal gas wells;

ten-year municipal contract in Saudi Arabia to design, build and operate the country s largest ultrafiltration and reverse osmosis drinking water production plant;

five-year municipal contract in the United Kingdom to renovate drinking water production and wastewater treatment facilities in London and the Thames Valley; and

thirty-year contract in Canada for the construction and operation (and funding in partnership with Fengate Capital Management Ltd) of the largest biomass plant in North America;

We strive to thoroughly and methodically identify the sectors offering the greatest potential for our activities while being conscious of the issues faced by our industrial and municipal customers and our operators in all regions and at all levels of the organization.

We have identified seven key growth areas as our areas in which we are particularly competitive:

the circular economy (which we describe below);

innovative solutions for cities;

the treatment of difficult forms of pollution;

dismantling;

the agri-food industry;

the mining industry; and

the oil and gas industry.

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In the circular economy, participants seek to implement solutions to extend the life of resources in response to their increasing scarcity and the volatility of the prices of raw material, which are at record high levels. This trend is driven by regulation that, worldwide, increasingly favors recovery and recycling and changing behavior and consumption modes.

In this context, we are positioned to offer alternative raw material resources and help our customers secure supplies, optimize their operating costs, improve processing yields by recovering certain by-products and ensure that the growth of our industrial and municipal partners follows the principles of sustainable development. Examples of our participation in circular economy projects are the Triade project in France producing recycled plastics with a purity rate of 99%, the construction of a biomass plant in Canada recovering waste from the local forestry industry, and the implementation in Germany of a renewable energy loop from wastewater treatment.

Innovative solutions for cities cover new models of urban optimization in response to aging infrastructures, the need for technical expertise on complex environmental issues, funding requirements, and the need to improve the productivity and efficiency of public services. In this context, we offer cutting-edge technical solutions and adapt our business models (e.g., performance contracts, partnerships for financing infrastructures, etc.) to showcase our technical know-how as the world's largest provider of environmental services (e.g. the models in Washington DC, Rialto, New York and Stadtwerke).

The health, ecological and environmental risks associated with difficult forms of pollution have become more apparent and increasingly stringent regulation is being implemented, while a smaller number of operators are currently able to master treatment of these difficult forms of pollution by offering services such as the management of hazardous waste, soil decontamination and radioactivity, etc.

We have a global network of experts and resources we can mobilize rapidly, and offer a complete range of services for the treatment of hazardous waste in accordance with the highest standards and with the support of cutting-edge research programs, such as the partnership with the Food and Agriculture Organization to manage the problem of outdated pesticides stored in Europe and Africa and assisting the British government in the destruction of chemical precursors associated with Syria's chemical weapons.

The dismantling of various industrial facilities, such as oil rigs in the North Sea and the Gulf of Mexico, nuclear reactors and petrochemical plants in Europe, at cycle end requires complete solutions with the highest operational standards. We offer strategies to reduce the volumes to be treated and turnkey management for the dismantling of certain facilities, including inventory and characterization of the items to be dismantled, demolition, recovery or disposal of waste. Examples of these types of services include the strategic agreement with the CEA (the French Alternative Energies and Atomic Energy Commission) for the dismantling and remediation of nuclear facilities and the creation of a treatment process in the United Kingdom for the dismantling of offshore platforms.

The agri-food industry, which represents 13% of world revenue, must respond to the population explosion, especially in high water stress areas, and the increasingly stringent demands of consumers and industry stakeholders in terms of environmental and social responsibility. We allow agri-food manufacturers to adopt an approach designed to reduce their environmental impact through the management of their water and energy cycles and the recovery of their by-products, and to improve their economic performance by reducing the supply of certain resources. Examples of these types of services include the production of green energy and steam from wastewater in the Netherlands and the design, construction and operation of a bio-refinery to treat waste and recycle wastewater from a distillery and produce energy.

The mining industry, the sector that consumes the second-largest quantity of water (equivalent each year to the domestic consumption of the United States) must expand its fields of exploration in water stressed areas to compensate for the depletion of the most easily-accessible ores. These types of exploration projects constitute 70% of all projects of the six largest mining operators. To guarantee the sustainability of its production, the sector must now limit its environmental footprint by turning waste into a resource, avoiding conflicts with local populations concerning access to water, and avoiding groundwater pollution. We can secure water and energy supplies and improve the processing yields of mining operators through the recovery of by-products. By reducing their environmental footprint and applying a proactive social responsibility and sustainability development approach to their operations, we help enhance the legitimacy of mining operators and the continuity of their operations. Examples of these services include the design of a new potash production process in western Canada and the development of a unique copper recovery solution in Chile.

Finally, the oil and gas industry is exploring new resources to be exploited in a sustainable way. Although the unconventional extraction of oil and gas is booming, unconventional extraction techniques require 10 to 20 times more water than conventional techniques and generate higher operation and production costs. In addition, these industries must address growing concerns about the risks they pose to health, safety and the environment. In this context, we are able to secure the water resources needed for operation and production, help optimize oil and gas fields by recovering by-products, and help limit the reputational risk of our customers in the oil and gas industry. Examples of these services include the overall management of waste on refinery sites in the United States, development in Canada of a solution achieving environmental performance of close to zero liquid discharges into the natural environment and recycling of process water in the United States to enhance oil well production.

To support this strategy, we have devised a new commercial strategy. This strategy is based on the development of global partnerships that place the value provided to our major customers at the forefront, a network of Key Account Managers that coordinate local commercial initiatives, the standardization of the deployment of best bids to our municipal and industrial customers and the development of innovative business models, in constant liaison with the regions and operators.

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DESCRIPTION OF OUR MAIN BUSINESSES

Water

We, through Veolia Eau-Compagnie Générale des Eaux, are the world s leading provider of water and wastewater services to public authorities and industrial companies. In addition, Veolia Eau, through its subsidiary Veolia Water Solutions & Technologies and SADE, is one of the world s leaders in the design of technological solutions and the construction of structures for the performance of such services. Veolia Eau provides drinking water to 94 million people and supplies 62 million people with wastewater services. We can offer local authorities and industrial companies solutions combining productivity, resource savings and a reduced environmental footprint thanks to the 350 different technologies we use.

As of December 31, 2013, Veolia Eau had 83,154 employees around the world and is present principally in France for historical reasons, but also in the United Kingdom, Germany, Italy, Belgium, the Czech Republic, Bulgaria, Slovakia, Hungary and Romania, to name only those countries hosting our main activities. The Asia-Pacific region (mainly China, Korea, Japan and Australia) also remains an important development objective, with the signing of a number of major contracts with municipal and industrial customers over the past several years. Veolia Eau also has a presence in the United States, such as its contracts for the operation and maintenance of water and wastewater treatment plants, like the one with the city of Milwaukee, and performance contracts like the ones signed with New York City, Washington and Pittsburgh, for example. We also have numerous contracts with industrial customers in a range of sectors, such as mining, oil, and gas and are present in the Middle East and Africa, primarily in Niger and Gabon. Thanks to a network of research centers in France and abroad coordinated by our Group, Veolia Eau has mastered numerous major technologies and tools within the water sector. Veolia Eau is therefore able to offer highly-skilled services in the area of water quality for production of drinking water, optimization of plants and networks, the recovery of raw materials or effluents, the reuse of treated effluents and the preservation of the environment.

Combined with our strong local presence and considerable experience providing services to municipal and industrial customers, our technical expertise is a significant advantage in the extremely competitive water services market.

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of the Water division, after elimination of intra-Group transactions.

Water *(in €million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012[2][3]**	**Change 2013/2012**
Revenue	10,221.9	10,696.2	-4.4%
Operating income after share of net income (loss) of equity-accounted entities[1]	316.5	419.3	-24.5%

(1)

Including the share of income (loss) of joint ventures and associates in this division.

(2)

In accordance with IFRS 5, non-current assets held for sale and discontinued operations, the results of operations of U.K. regulated activities (sold in June 2012), Moroccan activities in the Water division and the share of new income of our joint venture Berlin Water until December 2 are presented in a separate line, Net income from discontinued operations.

(3)

The standards on consolidation IFRS 10 and 11 and the revised IAS 19, Employee benefits, stipulate retrospective application to the periods beginning from January 1, 2013. Consequently, the financial statements presented for the comparative years have been restated.

Overview Of The Water Division

Through a geographical structure featuring a strong local presence, Veolia Eau designs, builds and manages water services and wastewater treatment and recovery services for local authorities and industrial customers on five continents. Contracts are generally long-term and range from ten to twenty years in length and potentially up to fifty years with certain local authorities and from three to ten years with industrial customers. These contracts take various forms, tailored to the needs and goals of the customer (public-private partnerships, BOT (Build, Operate & Transfer) contracts, or concessions in France, etc.). They are generally contracts that involve the operation, design or construction of installations, with the customer usually remaining the owner of the assets and retaining authority over the pricing policy and investment under municipal contracts. Changes in legislation and needs have enabled Veolia Eau to integrate more elaborate mechanisms into its contracts allowing it to share in the added value (productivity gains, improvement in the level of services, efficiency criteria, etc.). Public authorities often rely on Veolia Eau to manage customer relations, and we are constantly improving the efficiency of our services and specific information systems. In certain countries where public authorities have sought to either implement new water and wastewater treatment systems or to improve the functioning of existing ones, Veolia Eau offers feasibility studies and technical assistance, which may include master plans, coordination and acceptance, network modeling and financial analysis.

1

Source Pinsent Masons Water Yearbook 2012-2013

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Service Contracts With Public Authorities and Industrial Customers

The main focus of our water business is water and wastewater management services for public authorities and industrial customers, which we refer to as Operations activities. We provide integrated services that cover the entire water cycle. Our activities include the management and operation of large-scale, customized drinking water plants, wastewater decontamination and recycling plants, drinking water distribution networks and wastewater collection networks. We also manage customer relationships, providing billing services and call centers, etc. Veolia Eau and its subsidiaries have provided outsourced water services to public authorities in France and in the rest of the world for more than 150 years under long-term contracts tailored to local environments. Our continued expertise in the treatment and recovery of industrial water allows us to offer industrial customers performance-based operating contracts satisfying the expectations of customers wishing to optimize production costs while reducing their environmental footprint.

Technological Solutions for the Treatment of Water

Through our Technologies and Networks activities, we develop technological solutions and design/build the infrastructure necessary to provide water services on behalf of public authorities and industrial and service sector customers. In addition, Veolia Water Solutions & Technologies designs, assembles, manufactures, installs and operates modular standardized and semi-standardized equipment, which is both reliable and high-performing, designed to treat water for municipal and industrial uses. A local technical assistance network is available at all times for the upkeep, maintenance and customer service of these installations. We treat groundwater, surface water, brackish or seawater, wastewater and refined sludge. Through a combination of physical, chemical and biological treatments, we have developed a comprehensive range of specific solutions for the purification of water or the reduction or elimination of impurities in effluents. Our recycling/reuse systems provide customers with the ability to circulate part or all of their treated water back into plant processes, thereby reducing water consumption, operating costs and environmental damage. Through SADE, we also design, build, renew and recover urban and industrial drinking water and wastewater networks and related infrastructure, in France and around the world.

Key Factors

The key factors that may have an impact on the activities of Veolia Eau are of a technical, contractual and economic nature.

The economic key factors potentially impacting the Operations business are trends in volumes billed (particularly changes in weather conditions that can impact domestic water consumption), the ability to obtain price increases, on time and in line with our objectives and the ability to implement cost cutting programs. Key factors, from a technical point of view, include the ability to satisfy service commitments negotiated with customers or regulators and, from a commercial point of view, the ability to renew existing contracts under satisfactory terms and conditions in a highly competitive environment. Our ability to control costs and obtain favorable terms and conditions in our contracts are key success factors, particularly in the Operations business in France.

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The following table presents annual revenue generated by certain contracts that must be renewed or renegotiated during the 2013 to 2020 period:

City	2013 Revenue (in € million)	Contract expiry date
Toulouse – Water treatment	51.0	2020
Toulouse – Drinking water	41.0	2020
Montpellier	21.0	2014
Toulon	20.0	2019

The Technologies and Networks business is potentially affected, at an economic level, by the rate of projects launched by public authorities and certain major industrial companies, as trends in demand levels have a direct impact on the order book. Continued technological leadership in tender bids and the ability to manage constraints and master technical solutions in the performance of contracts, are determining factors. Finally, at a contractual level, rigor in the negotiation and performance of contracts are also key factors in this sector (particularly the ability to meet deadlines and stay within cost budgets).

Description of Activities in 2013

Revenues from our Water division revenue decreased 4.4% in 2013 compared to 2012, due to a decrease in construction activity, contractual erosion in France and a slowdown in Technologies and Networks activities, partially offset by higher tariffs due to indexation in France and in Central and Eastern Europe.

In France, we provide approximately 24 million residents with drinking water and 17 million with wastewater services. The delegated management public service contracts that were renewed in 2013 represent estimated cumulative revenue of €1.12 billion in a highly competitive environment. Successes during the period include the securing of 35 new public service delegation contracts, including 17 with local authorities that transitioned from a local authority management model to public service delegation management. In addition to the major contracts renewed described below, we also renewed the drinking water contract for Marseille Provence Métropole urban community and the Greater Lyon metropolitan authority. The contracts are currently subject to approval by the Prefecture.

Our Water division also lost some drinking water contracts in 2013, such as those in Valence, Nevers and Beaufort. We also lost three drinking water treatment contracts in the Douai area. In addition, two local authorities (Rennes and Nice Cote D Azur) decided in 2013 that they will return to a local authority management model starting in 2015. Although we have taken into account the implications for our Water division of these decisions, we expect that there will be possibilities for us to provide these local authorities with our know-how through consultational services.

In Europe, revenue climbed (5.0% at constant consolidation scope and exchange rates and 3.8% at current consolidation scope and exchange rates), with solid performances in Romania and the Czech Republic tied to price increases and favorable volume and price trends in Germany. Revenue declined in the United Kingdom due to the completion of construction contracts in 2012.

Revenue declined by 1.4% in the Asia-Pacific region at constant consolidation scope and exchange rates (13.3% at current consolidation scope and exchange rates) due to a downturn in construction business in Korea and Japan.

The 5.3% increase reported in the United States at constant consolidation scope and exchange rates (2.0% at current consolidation scope and exchange rates) benefited from the robust performance of industrial contracts.

Technologies and Networks revenue fell sharply by 9.8% (down 7.5% at constant consolidation scope and exchange rates) primarily due to the completion of numerous contracts in France and internationally in the Design and Build sector, the lower contribution of the Hong Kong sludge incineration plant construction contract and unfavorable weather conditions in France and Belgium. Bookings were however up 32% compared to December 2012 at approximately €3.3 billion, primarily with industrial clients in the oil and gas sectors, although we also experienced a turnaround on the municipal market toward year end. A key example of this is the signature at the end of 2013 of a contract with Shell in Canada (Carmon Creek) to design and supply a water treatment facility to recycle the water used for steam generation at Shell s Carmon Creek heavy oil project in Alberta, Canada (with a recycling rate of nearly 100%).

The main new and renewed contracts for 2013 are detailed in the table below.

Major Contracts in 2013

Public authority or company and location thereof	**Month of signature of contract**	**New contract or renewal**	**Contract term**	**Estimated cumulative revenue** *(in euros)* [1]	**Services provided**
OPERATIONS					
France					
SIDECM (joint municipality water supply association for the Corniche des Maures area)	July	Renewal	12 years	150 million	Public service delegation contract for drinking water
USESA (water services union for the south of the Aisne department)	February	Renewal	15 years	79 million	Public service delegation contract for drinking water
Boulonnais Conurbation	April	Renenwal	12 years	111 million	Public service delegation contract for drinking water
Nantes metropolitan authority	December	New	73 months	35 million[2]	Contract for the modernization and enlargement of the drinking water production unit.
Asia					
Tianjin Bohua Petrochemical Company Limited	February	New	22 years	52 million	Industrial contract for construction, financing and operation of a demineralized water and cooling water production and sanitation water treatment unit.
Tianjun Bohai Chemical Industry Company Ltd. Tianjin Soda Plant	November	New	21 years	50 million	Industrial contract for the operation and maintenance of a cooling system.
Delhi Jal Board India	March	New	15 years	231 million[3]	Upgrading work on a drinking water production unit and the distribution system, operation contract
	October	New	1 year	18 million	

Formosa Petrochemical Corporation Taiwan					Contract for the modernization of a petrochemical wastewater treatment unit.
Australia					
QGC Pty Limited	April	New	20 years[(4)]	518 million	Industrial contract for the treatment of salt water from natural gas production.
North America					
BASF Corporation	December	New	3 years[(5)]	17 million	Industrial contract for industrial cleaning services.
Citgo Petroleum Corp.	July	Renewal	5 years	16 million	Industrial contract for oily sludge recovery
City of New Orleans	October	Renewal	1 year	9 million	Treatment facilities operation contract
State of New Jersey	May	Renewal	20 years	136 million	Heating and cooling system operation contract
Shell Canada Energy	December	New	3.5 years		Industrial contract for the supply of industrial water treatment equipment with a recycling rate of nearly 100%
South America					
CMPC Brazil	August	New	2 years	54 million	Industrial contract for the design and construction of a unit for the treatment of wastewater for a paper producer
SEDAPAL, Servicio de Agua Potable y Alcantarillado, Lima, Peru	April	New	600 days	47 million	Optimization contract for the drinking water and sanitation water system
Europe					
Thames Water	May	New	5 years[(6)]	530 million	Design and construction of water pipes, sewers and water treatment facilities
Africa, Middle East					
Marafiq Saudi Arabia	June	New	18 to 25 months	238 million	Contract for the design and construction of a sea water desalination unit
Shamal Az Zourt Al Oula for the building, execution, operation and maintenance of the first phase of Az-Zour Power Plant KSC	December	New	3 years	328 million	Contract for the design and construction of a sea water desalination unit

(1)

Revenues estimated under the contracts won in 2013 have been converted into euros at the closing exchange rate as of December 31, 2013 and represent the portion due to Veolia Eau under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.

(2)

Total estimated revenue from the project: €65 million, of which our share will be €35 million.

(3)

Contract won on behalf of an equity accounted joint venture 51% owned by us.

(4)

20 year contract with a 5-year extension option at the customer's discretion.

(5)

3 year extension option at the customer s discretion.

(6)

5 year contract with a 5-year extension option at the City s discretion.

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Main Acquisitions and Divestitures in 2013

The main acquisitions and divestitures during the year included:

the disposal of 24.95% of Berlin Water;

the disposal of the Water activities in Portugal; and

the sale of 19.25% of our shares in Sharqiyah Desalination Company following the listing of 35% of its shares.

Following the creation, acquisition or consolidation of 18 companies in 2013 and the liquidation, divestiture or transfer of 46 companies, the Water division (excluding Proactiva) comprised 706 companies as of December 31, 2013, compared with 734 in 2012.

Environmental Services

Through our subsidiary Veolia Propreté, we are the worldwide reference in this sector,[2] where we are involved in waste collection, recycling, processing, treatment, and handling of waste in all forms and at all stages of the waste cycle. Veolia Propreté manages liquid and solid waste, non-hazardous and hazardous waste (with the exception of nuclear waste) from collection to recovery, on behalf of both industrial and public-sector customers, such as local authorities.

As of December 31, 2013, Veolia Propreté employed 61,095 people around the world. We have partnerships with over 570,000 industrial and public-sector customers and serve nearly 51 million residents on behalf of local authorities. As of December 31, 2013, we managed approximately 719 waste processing units (excluding landfill sites in the post-closure phase and soil decontamination plants).

The term of our contracts usually depends on the nature of services provided, applicable local regulations and the level of industrial investment required. Collection contracts usually range from one to five years, while waste processing contracts can range from one year (for services provided on sites belonging to Veolia Propreté) to thirty years (for services involving the financing, construction, installation and operation of new waste processing infrastructure).

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of the Environmental Services division, after elimination of intra-Group transactions.

Environmental Services *(in € million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**(2) (3)	**Change 2013/2012**

Revenue	8,075.5	8,512.0	-5.1%
Operating income after share of net income (loss) of equity-accounted entities(1)	189.3	315.5	-40%

(1)

Including share of income (loss) of joint ventures and associates in this division.

(2)

In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the revenues and expenses from U.S. solid waste activities (divested in November 2012) are presented in a separate line, Net income from discontinued operations.

(3)

The standards on consolidation IFRS 10 and 11 and the revised IAS 19, Employee benefits, require retrospective application to the periods beginning on January 1, 2013.

Overview of the Environmental Services Division

Veolia Propreté furnishes environmental and logistical services, which include waste collection, waste processing, cleaning of public spaces, maintenance of production equipment, treatment of polluted soil, and management of waste discharge at industrial sites.

Downstream, we conduct basic or more complex waste processing operations in order to eliminate pollutants and transform waste into a resource. Thus, Veolia Propreté:

sorts and processes waste in order to create new raw materials, otherwise referred to as recycling or material recovery;

transforms organic material into compost to be returned to the soil, otherwise referred to as composting or agricultural recycling;

processes waste in the least damaging way possible, through landfill sites or incineration;

produces electricity or heat using waste in landfill sites or incineration, otherwise referred to as waste-to-energy recovery.

[2] Source: Eurostat and internal studies.

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The services referred to above fall into three major business sectors: environmental services and logistics for public authorities and industrial companies, sorting and recycling of materials and waste recovery, and processing through composting, incineration and landfilling.

Key Factors

The key factors that may influence our activities are of a technical, contractual and economic nature and mainly concern the following success factors:

A presence at all points of the waste value chain, from pre-collection to processing and recovery, in an appropriate range of geographical areas at different stages of maturity, enabling the identification and control of innovative, tailored solutions for proposal to customers and setting us apart from the competition in this market;

The management of risks relating to the protection of the environment and the safety of individuals and installations;

The quality of employee management in sectors which are often labor-intensive (limiting absenteeism and industrial action, developing skills and training);

The ability to innovate using new technologies (processing, rolling stock) and processes (sorting-recycling), founded on an effective technology, regulatory and competition watch system;

Operating efficiency (purchases, sales, logistics, maintenance management) enabling the optimization of unit costs and the utilization rate of equipment, while ensuring the high level of quality required for products and services delivered;

Investment management in certain capital-intensive activities (selectivity, risk analysis, installation size);

The quality of contractual management for long-term contracts (major clauses, price review formulae, guarantees and deposits, etc.); and

Management of economic and financial risks: volume fluctuations, volatility of raw material prices (fuel, materials sold such as paper and metals), customer risk, foreign exchange and interest rate risk.

Environmental Services and Logistics for Public Authorities and Industrial Companies

Maintenance of Public Spaces and Urban Cleaning

Each day, we provide urban cleaning services in many cities throughout the world, including London, Paris, Singapore and Dresden. Veolia Propreté also provides mechanized street cleaning and building facade treatment services.

Cleaning and Maintenance of Industrial Sites

We provide cleaning services at the sites of our industrial and service sector customers, including cleaning of offices and maintenance of production lines.

In the industrial sector, cleaning services are extended to food-processing plants, and heavy industry and high-tech sites, where we offer specialized cleaning services (high pressure or extreme high pressure cleaning). We also offer cryogenic cleaning, and reservoir cleaning services using robots at refineries and petrochemical sites. Finally, we have developed emergency services to treat site contamination in the event of an accident or other incident.

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Liquid Waste Management

Through our specialized subsidiary SARP, we provide liquid waste management services that consist primarily of pumping and transporting sewer network liquids and oil residues to treatment centers.

We have developed liquid waste management procedures that emphasize environmental protection, such as on-site collection and the recycling and reuse of water during the processing of liquid waste. Used oil, which is hazardous for the environment, is collected before processing and re-refining by a an Environmental Services subsidiary specializing in the management of hazardous waste.

Soil Decontamination

Land redevelopment and the expansion of residential and business areas may lead to the use of sites where the soil has been polluted through prior use. We provide specific techniques for treating difficult sites, which include treating polluted soil and rehabilitating temporarily inactive industrial areas, cleaning accidental spills and bringing active industrial sites into compliance with applicable environmental regulations.

Collection

In 2013, nearly 51 million people around the world benefited from our waste collection services. We collect household waste through door-to-door pickup or through pickup at designated drop-off sites, and collect commercial and non-hazardous industrial waste. We maintain the cleanliness of green areas and carry away green waste and also collect hazardous waste on behalf of our service sector and industrial customers, including hospital waste, laboratory waste and oil residue (ships, gas stations, etc.) and diffused hazardous waste.

We also provide related services to our public sector and industrial customers, such as preliminary studies of future waste collection needs and waste tracking after collection.

Transfer and Regrouping of Materials

Waste of the same type is transported either to transfer stations in order to be carried in large capacity trucks, or to grouping centers where it is separated by type and then sorted before being sent to the appropriate processing center.

Hazardous waste is usually transported to specialized physical-chemical treatment centers, recycling units, special industrial waste incineration units or landfill sites designed to receive inert hazardous waste.

Sorting and Recycling of Materials

We process waste with a view to reintroducing such waste into the industrial production cycle. Our recycling activities generally involve the selective collection of paper, cardboard, glass, plastic, wood and metal that customers either separate into different containers or mix with other recyclable materials.

We recover solid waste received at our 271 sorting and recycling centers. These specialized centers separate the different components of complex waste, such as electric and electronic products and fluorescent lamps. We work upstream in partnership with industrial customers and with our research center to develop new recycling activities.

Recycled material is sold or distributed to intermediaries or directly to industrial customers.

Waste Recovery and Treatment Through Composting, Incineration and Landfilling

We have a wide range of treatment centers, comprising sorting and recycling centers, composting units, hazardous waste treatment centers, incineration units and landfill sites.

Composting and Recovery of Organic Material From Fermentable Waste

Veolia Propreté and Veolia Eau work together to recover sludge from wastewater treatment plants. At our 122 Veolia Propreté composting units, we process urban and industrial sludge, part of which is then reintroduced into the agricultural cycle through land spreading, with a related tracking service.

Incineration and Waste-To-Energy Recovery

We operate 61 waste-to-energy recovery and incineration plants, of which 58 process non-hazardous solid waste (mainly urban waste).

Energy is generated from the heat created by incinerating waste at these plants. We use this energy to supply urban heating networks or sell it to electricity providers.

Landfilling and Waste-To-Energy Recovery

In 2013, Veolia Propreté had 97 non-hazardous waste landfill sites (excluding landfill sites for inert waste). We have developed expertise in processing waste through methods that reduce emissions of liquid and gas pollutants. In addition, 60 landfill sites have recovery systems to transform biogas emissions into alternative energies (including landfill sites in the post-closure phase).

Processing of Hazardous Waste

In 2013, we had 24 incineration units for hazardous industrial waste, 63 processing units using physical-chemical and stabilization methods, 18 class 1 landfill sites and 36 specialized recycling centers.

The principal methods used for processing industrial hazardous waste are incineration (for organic liquid waste, salt-water and sludge), solvent recycling, waste stabilization followed by processing at specially-designed landfill sites, and physical-chemical processing of inorganic liquid waste.

Through our specialized subsidiaries, SARP Industries and VES Technical Solutions (in the United States), we have a worldwide network of experts, which has helped us become a world leader in the processing, recycling and recovery of hazardous waste.

Description of Activities in 2013

Revenue from the Environmental Services division declined by 5.1% (1.5% at constant consolidation scope and exchange rates) compared to 2012, mainly due to a 1.5% fall in recyced raw material prices and volumes (with some improvement in the second half of the year) and a 1.1% drop in waste volumes and activity levels, mainly in municipal collection.

Our revenue in France decreased by 2.7%, mainly as a result of the combined effects of adverse changes in the volume and prices of materials (such as paper and metal) and a decrease in activity levels, mainly in the municipal and commercial waste collection sectors. However, even in such a competitive environment we had important commercial successes in 2013 with the Greater Nancy metropolitan authority, Paris City Hall, Syctom (the Paris metropolitan agency for household waste treatment) and the *Syndicat départmental d elimination des déchets de l Aube* (the waste elimination association for the Aube department). Internationally, revenue decreased by 6.7% (but by only 0.7% at constant consolidation scope and exchange rates).

Revenue in Germany fell 7.8% under the combined effect of lower recycled raw material prices and volumes and adverse economic trends in the industrial sector.

Revenue in the United Kingdom increased 3.1% at constant consolidation scope and exchange rates (while decreasing 1.8% at current consolidation scope and exchange rates) due to the increase in PFI contract revenue offset by the weakening of the pound sterling against the euro.

In North America, where revenues were up 1.5% at constant consolidation scope and exchange rates but down 8.2% at current consolidation scope and exchange rates, revenue benefitted from growth in the hazardous waste and industrial sector (petrochemicals and refining) activity, but was negatively affected by the weaker U.S. dollar.

Revenue rose by 1.1% in Australia at constant consolidation scope and exchange rates (while decreasing 6.7% at current consolidation scope and exchange rates) due to the rising price of commercial waste collection services offset by the weaker Australian dollar.

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Major Contracts in 2013

The main new and renewed contracts for 2013 are detailed in the table below:

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)* (1)	Services provided
France					
Greater Nancy metropolitan authority	March	Renewal	7 years	98 million	Household waste management contract (sorting and collection)
Paris City Hall	November	Renewal	5 years	72 million	Contract for door-to-door collection of household waste and equivalent, as well as provision of collection facilities
Paris SYCTOM (metropolitan agency for household waste treatment)	September	Renewal	3 years	62 million	Acceptance and disposal of non-hazardous waste from SYCTOM in NHW storage facilities
SDEDA (waste elimination association for the Aube department)	November	Renewal	4 years	28 million	Treatment, sorting and recovery of waste from the SDEDA
Arcelor-Mittal Méditerranée	March	New	3 years(2)	24 million	Industrial cleaning services contract
Europe (excl. France)					
Essex County Council United Kingdom	March	Renewal	8 years(3)	141 million	Integrated waste management contract
Brent Borough Council United Kingdom	November	Renewal	9 years(4)	151 million	Integrated waste management contract
	July	New	3 years(5)	11 million	

BP Gelsenkirchen GmbH					Industrial cleaning services contract
Asia					
National Environment Agency Singapore	March	Renewal with extension of scope	8 years	127 million	Household waste collection contract
Australia					
Arrow Energy	October	New	3 years		Industrial contract waste management and restoration of wells
Woodside petroleum	June	Extension of scope	3 years(6)	17 million	Industrial contract waste management and storage tank cleaning
Westfield	October	Extension of scope	5 years	52 million	Integrated waste management contract
North America					
BP Products North America Inc. United States	January	Renewal	1 year	11 million	Industrial cleaning contract
Chevron United States	December	Renewal	5 years	44 million	Industrial cleaning contract
Tesoro Refining & Marketing Company LLC	May	Renewal	5 years	25 million	Industrial cleaning contract

(1)

Revenues estimated under the contracts won in 2013 have been converted into euros at the closing exchange rate as of December 31, 2013 and represent the portion due to Veolia Propreté under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.

(2)

3 year contract, with a 2 year extension option at the customer s discretion.

(3)

8 year contract, with a 5 year extension option at the customer s discretion.

(4)

9 year contract, with a 7 year extension option at the customer s discretion.

(5)

5 year contract, with a 5 year annual extension option at the customer s discretion.

(6)

3 year contract, with a 2 year extension option at the customer s discretion.

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Main Acquisitions and Divestitures in 2013

Among the main changes in the composition of the Environmental Services division for the year, the most notable was the deconsolidation of almost all of our waste management activities in Italy, following the certification of the *concordato preventivo di gruppo* (CPG), or Group Restructuring Agreement. See Item 8, Financial Information Litigation for more details.

Following the creation, acquisition or consolidation of 6 companies and the liquidation, divestiture or merger of 25 companies in 2013, the Environmental Services division (excluding Proactiva) comprised 565 companies as of December 31, 2013, compared with 574 at the end of 2012.

Energy Services

We conduct our energy service activities through Dalkia, a global provider of energy services to companies and public authorities. Primarily in our role as a decentralized producer of thermal and electrical energy, we develop offerings for heating and cooling networks, industrial utilities and energy services. We seize opportunities offered by the development of the energy market and the need to contain energy consumption. We are present at all stages of the energy chain from decentralized production to optimizing distribution and containing demand, to improve the performance of energy systems. We join forces with our customers, helping them optimize their energy purchases and improving the efficiency of their installations both in terms of cost and atmospheric emissions.

Dalkia employs 43,135 people, as of December 31, 2013, and is 66.0% owned by us and 34.0% owned by EDF. In France, Dalkia conducts its business through Dalkia France, a 99.9% subsidiary of Dalkia, while abroad Dalkia conducts its business through Dalkia International, which is 75.8% owned by Dalkia and 24.2% owned by EDF. However, on March 25, 2014 we signed an agreement to acquire EDF s interest in the international activities of Dalkia, and to transfer to EDF our interest in Dalkia s French activities (we will also make a cash payment to EDF in connection with this transaction). The closing of the transaction is subject to approval by competition authorities and other customary conditions.

The following table shows the consolidated revenue (revenue from ordinary activities under IFRS) and operating income of the Energy Services division, after elimination of intra-Group transactions. Our Energy Services Division has been significantly impacted by the first time application of IFRS 10 and 11. Revenue from the Energy Services includes all of the income of Dalkia France and income from American businesses wholly-owned by us. Dalkia International is now accounted for under the equity method. Starting on the closing date of the transaction with EDF described above, Dalkia France s results of operations and financial condition will no longer be reflected in our consolidated financial statements, while Dalkia International will be fully consolidated rather than being accounted for by the equity method.

Energy Services *(in €million)*	**Year ended December 31, 2013**[(1)]	**Year ended December 31, 2012**[(1)(2)]	**Change 2013/2012**
Revenue	3,756.5	3,852.0	-2.5%
Operating income after share of net income (loss) of equity-accounted entities[(3)]	190.5	110.0	73.2%

(1)

In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the Income Statement of discontinued operations in the course of divesture (urban public lighting businesses worldwide (Citelum) is presented in a separate line, Net income from discontinued operations.

(2)

The standards of IRFS 10 and 11 and revised standard IAS 19, Employee benefits, require retrospective application to periods beginning on January 1, 2013. As a result, figures for 2012 have been restated.

(3)

Including the share in net profit or loss of joint ventures or affiliated companies.

The discussion below reflects the entire activity of the Energy Services Division, regardless of the method of accounting in our Consolidated Financial Statements, except where otherwise indicated.

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Overview of the Energy Services Division

Dalkia is currently facing three major challenges: global warming and the need to reduce greenhouse emissions, the increase in the price of fossil fuels and their eventual scarcity, and growing urban expansion and related industrial development.

Dalkia s core business focuses on optimizing the use of all sources of energy at customer sites, industrial production sites, service-sector sites and in all types of buildings. Dalkia has progressively developed a range of activities based on energy and environmental efficiency: heating and cooling networks, industrial utilities and energy services.

Dalkia provides energy services to public and private customers with which it forms long-term partnerships. Management contracts for the operation of urban heating or cooling networks are typically long-term, lasting up to thirty years, while contracts for the operation of thermal and multi-technical installations for public or private customers may have terms of up to sixteen years. Contracts to provide service to industrial utilities generally have shorter terms (six to seven years on average).

Dalkia proposes energy solutions that cover the entire conversion cycle: from the purchase of energy sources entering a site, such as fuel, gas, biomass, and biogas, to the construction or modernization of installations, including the sale of the electricity produced on the market. In this way, we have acquired expertise in the purchase and sale of energy on deregulated markets and are also active in the greenhouse gas allowance markets.

Whenever possible, Dalkia offers customers solutions using renewable or alternative energy sources such as geothermal energy, biomass (organic material), heat recovered from household waste incineration, process heat (heat produced by industrial processes) and thermal energy produced by co-generation projects. Energy sources are combined, wherever possible, to take advantage of the complementary nature of each source. Dalkia has considerably accelerated development and offers innovative services to our customers.

Heating And Cooling Networks

The development of urban networks has been a key growth driver for Dalkia in recent years and will continue to be the main driving force over the next five years.

Dalkia is Europe s leading operator of large urban heating and cooling networks. Dalkia currently manages 770 urban and local heating and cooling networks worldwide, particularly in France, the United Kingdom, Eastern and Central Europe and Lithuania. Our Group also operate networks in the United States where we have a strong market position. Our networks, operated by Dalkia, provide heating, domestic hot water and air conditioning to a wide range of public and private facilities, including schools, health centers, office buildings and residences. In addition, the production plants often generate electricity sold to operators or on the market.

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Industrial Utilities

The industrial market offers us substantial growth opportunities worldwide, in synergy with our other divisions. Dalkia is a leading provider of industrial utilities in Europe. Its strategy is based on our ability to roll-out an extensive and comprehensive range of services encompassing:

optimizing industrial utilities: steam, electricity and compressed air;

optimizing the use of process energy (aligning use with needs and identifying fatal energy sources and recoverable co-products);

optimizing industrial building energy consumption; and

reducing greenhouse gas emissions.

Dalkia provides services at 4,263 industrial sites.

Energy Services

Energy services consist of operating heating, domestic hot water and air conditioning systems to provide comfortable living and working environments, as well as improving the operation of existing systems to optimize their efficiency. Dalkia provides public, industrial and service sector customers with integrated energy services including plant design, construction and improvement, energy supply, and plant management and maintenance.

Dalkia provides customers with a wide range of technical services and is introducing an extensive range of services to satisfy customer expectations for reduced energy consumption and CO_2 emissions. This will bring about profound changes in the energy services market over the coming years, through the development of offerings encompassing performance commitments. Dalkia manages 163,000 energy installations worldwide.

Key Factors

Energy Services division activities may be influenced by the following key factors, which are primarily of a technical, contractual or economic nature:

the implementation of public policies supporting transition to more efficient and renewable sources of energy, the reduction of pollutant emissions, as well as regulation and contract mechanisms, such as energy performance contracts and public-private partnerships, that might affect the added-value of our Energy Services;

developments in the energy market, such as changes in selling prices of electricity and heating, accessibility and the cost of price fuels, as well as quotas of greenhouse gas emissions;

yearly changes in urbanization dynamics and climatic variations, which can affect sales of heating and cooling services; and

the general state of the economy and the influence it might have on the activity levels in the industrial sites of Dalkia s customers.

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Description of Activities in 2013

Dalkia s performance in 2013 varied sharply in each geographic region in which it operates. Overall, Dalkia s 17 largest entities recorded a slight decrease of €13 million in their contract portfolio, mostly as a result of loss of businesses, particularly in France, despite the fact that new business volumes remained high, particularly outside of France.

Estimated cumulative future revenue to Dalkia generated by new contracts amounted to €278 million in 2013, compared to €290 million in 2012, of which 43% came from Energy Services for Buildings, 32% from Heating and Cooling Systems and 23% from Industrial Utilities. About 70% of the new contracts (based on estimated cumulative future revenue) were generated outside France given that 2013 was a particularly difficult year in France, due to fierce competition from both established operators and new competitors entering the market after rebranding their businesses to strengthen their presence in the market.

Estimated cumulative future revenue to Dalkia from the total portfolio decreased by €160 million on an annualized basis as a result of the erosion of the contract portfolio, combined with a decrease in the number of new contracts. Contract losses were substantial in France, amounting to a loss of €273 million of estimated cumulative future revenue, of which €109 million related to the non-renewal of co-generation contracts. The volume of new business in 2013 also declined, to €85 million of estimated cumulative future revenue compared with €145 million in 2012, along with the renewal rate for expiring contracts, which dropped to 69% compared with 75% in 2012.

Internationally, we secured contracts in China, the Middle East, Poland, Canada and the Netherlands.

In Harbin, China, 4 million m^2 of new buildings were connected to the network, increasing the connected surface area to 14,000,000 m^2 at the end of the heating season. In Jiamusi, China, an additional surface area of approximately 500,000 m^2 was connected.

In the Middle East, Dalkia won a three-year contract to provide multi-technical services for the Abu Dhabi International Airport.

In Poland, Dalkia signed new connections to its heating networks, such as the new Poznan City Center building complex, expected to generate estimated additional annual revenue of €16.8 million.

In Canada, Dalkia will manage the design, management, maintenance and wood residue supply and preparation of one of the country's largest biomass plants at Fort Saint James, British Columbia. The plant will have an electricity capacity of 40 MW and will consume 307,000 tons of biomass each year. The contract is expected to generate around €400 million of estimated cumulative revenue over 30 years.

In the Netherlands, Dalkia took over a portfolio of 64 networks, the country's third-largest heating network portfolio. The networks will serve more than 62,000 individual customers and 1,240 businesses and non-residential buildings, including TCN Mediapar and the University of Twente. The assets will be transferred to an entity 80% owned by the Dutch pension fund service provider PGGM and 20% owned by Dalkia. Dalkia will also be responsible for the operational management of this entity.

Faced with a highly competitive environment, Dalkia is seeking to forge new partnerships. In China, Dalkia signed a strategic alliance with Schneider Electric to develop energy efficiency projects. Schneider Electric will provide technical solutions and Dalkia will manage the facilities and implement technical improvements. In Poland, Dalkia Polska signed a partnership with Siemens to develop joint energy efficiency projects in the public sector.

In France, Dalkia launched the first integrated energy efficiency management center, known as the Dalkia Energy Savings Center (DESC). A specially-designed center equipped with a data processing system, the DESC houses in a single location all of Dalkia's expertise in managing the energy performance of buildings. Following the opening of the first DESC, at Paris-La Défense (where our operational headquarters are also located), we expect to deploy six more DESCs in France by the end of 2014. Other DESCs will also be deployed in Belgium and the Middle East.

Dalkia also opened a number of large-scale facilities, such as a gasifier in Ziar, Slovakia and biomass plants in Angers, Orleans, Rennes and Tours, France and Cameron Bridge, Scotland, UK.

Dalkia also continued its productivity efforts by reducing its maintenance costs in the Czech Republic, cutting its workforce and fixed costs in Poland, and optimizing its labor costs and purchase savings in Italy and Spain.

Finally, Dalkia s financial results, which were in line with targets, benefited from a recovery in the Italian markets it services, controlled investments and improved working capital requirements.

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Major Contracts in 2013

The main new and renewed contracts for 2013 are detailed in the table below.

Public authority or company and location thereof	Month of signature of contract	New contract or renewal	Contract term	Estimated cumulative revenue *(in euros)*[(1)]	Services provided
France					
Les Ulis (91)	May	Renewal	23 years	229.5 million	Modernization and operation of heating networks. Construction of a 10 MWx biomass-fired heating plant
Bio Springer Maisons Alfort (94)	June	Renewal	12 years	109 million	Industrial utilities sale of stream through co-generation
Tremblay (93)	November	New	30 years	54.1 million	Heating networks public service delegation
Lille University Regional Hospital (CHRU) (59)	January	Renewal	12 years	110.4 million	Heating networks renegotiation of the primary contract with the CHRU, incorporating co-generation
Lens (62)	June	Renewal	20 years	74 million	Heating networks public service delegation
Louviers (27)	June	New	24 years	37.1 million	Heating networks network creation public service delegation
Munksjö (paper producer) in Arches (88) and Lalinde (24)	October	Renewal	12 years	190.2 million	Industrial utilities sale of steam through co-generation (1 contract per site)
Dynacité (social housing) Bourg en Bresse (01)	June	Renewal	10 years	99.9 million	Energy services for buildings energy performance contract
Nevers (Banlay district) (58)	July	New	20 years	26.9 million	Heating networks design, construction and operation of a heating network with renewable energy

Bluestar Silicones Saint-Fons (69)	July	New	10 years	25.3 million	Industrial utilities design and construction of a 20 MW heating plant and supply of steam
Nimes (30)	June	Renewal	25 years	134.2 million	Heating networks public delegation of operation of a heating network with renewable energy
High-schools in the Midi-Pyrénées region	December	New	10 years	98.5 million	Energy services for buildings energy performance contract
Bayonne (64)	December	New	23 years	31.1 million	Heating networks public service delegation
Brest (29)	March	New	6 years	11.5 million	Heating networks densification of the Brent Métropole Océane (Urban Community of Brest) network
International					
Bratislava (Slovakia)	February	Renewal	27 years	1.08 billion	Heating networks – heating and hot water supply for the Petržalka residential district. Installation of 18 gas-fired co-generation engines
PSA – Sloveo – Trnava (Slovakia)	January	Renewal	4 years and 9 months	50 million	Energy services for buildings – multi-technical and multi-service contract for the PSA Peugeot Citroën plant
Mariánské Lázně (Czech Republic)	June	Renewal	25 years	172.3 million	Heating networks – heating supply. Installation of biomass-fired beating plant and a steam turbine
Altia (wines and spirits) Koskenkorva (Finland)	January	New	9 years and 10 months	44.3 million	Industrial utilities design, construction and operation of a 10 MW steam-fired plant, which will burn agricultural biomass
Port Ambiente (Portugal)	September	Renewal	10 years	170 million	Industrial utilities operation of household waste treatment and recovery facilities
Saadiyat Island, Abu Dhabi (United Arab Emirates)	October	New	26 years and 2 months	104.7 million	Cooling networks increase in the power of a cooling plant to supply the new

					shopping mall Saadiyat Mall
Abu Dhabi International Airport (United Arab Emirates)	April	New	3 years	33.9 million	Energy services for buildings multi-technical services for the international airports of Abu Dhabi and Al Ain, and the executive airport of Al Bateen
Fort Saint James (Canada)	October	New	30 years	375.6 million	Design and operation of one of the largest biomass plans in Canada, with an electricity capacity of 40 MW

(1)

Revenues expected under the contracts won in 2013 have been converted into euros at the closing exchange rate as of December 31, 2013 and represent the portion due to Dalkia, including Veolia Energy North America Holding, under such contracts. Accordingly, these amounts may differ from the amounts announced in earlier Group press releases.

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Main Acquisitions and Divestitures in 2013.

Our Energy Services division continued to refocus on priority activities and regions in 2013.

Dalkia disposed of all of its businesses in Brazil, selling the holding company Dalkia Limitada and six subsidiaries to the AXXON Group private equity fund in August 2013. Dalkia also disposed of all of its businesses in Chile in November 2013, selling the biomass co-generation plant to its customer Masisa. Masisa s management also took over Dalkia Chile and its two subsidiaries Esener and Conade. In Mexico, the Tamaulipas hospital PPP was sold to our partner Marhnos Turismo in December 2013. The sale of Dalkia SA de CV and two subsidiaries was finalized in early 2014.

Dalkia also continued its withdrawal from the Baltic countries, selling Dalkia Latvia and its five subsidiaries to the management team of Dalkia Latvia in December 2013.

In Germany, Dalkia sold the operational activities of Dalkia GmbH to Enercity Contracting, a subsidiary of Stadtwerke Hannover, in June 2013. The stake held by Dalkia GmbH in Hamburg Énergie Wärme GmbH was sold to our partner, the municipal company of Hamburg, in November 2013. Dalkia no longer has any operations in Germany.

Dalkia also sold KJ Technical Services Sdn Bhd, in Malaysia, in April 2013, Finpol Rohr Sp, in Poland in June 2013, and its stake in Dafoo Facilities Management Cy, in Macao, in September 2013.

In France, Dalkia France's 24% minority stake in the Régaz-Bordeaux SEM, a semi-public limited company, was sold to the OFI InfraVia fund in December 2013.

Finally, in 2013 Dalkia refinanced its CER projects with the disposal of companies owning co-generation plants, namely, Biowatts Roseraie Énergie (BRE) in Angers, Orléans Biomasse Énergie and Rennes Biomasse Énergie.

In total, over the course of 2013, the Energy Services division integrated or purchased 34 companies, and sold, liquidated or merged 54 companies. As a result, it held 532 integrated companies, including 285 non-French companies, as of December 31, 2013, compared with a total of 552 integrated companies as of December 31, 2012.

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Other Activities

Transportation

On March 3, 2011, we and *Caisse des dépôts et consignations* combined our respective Transportation subsidiaries, creating Transdev. The resulting entity is held 50/50 by us and *Caisse des dépôts et consignations*. Operational activities were merged in August and September 2011 and the new organizational structure was introduced in December 2011.

On December 6, 2011, we announced our decision to progressively withdraw from the Transportation business. In October 2012 we signed an agreement with the *Caisse des dépôts et consignations* that, if implemented, would have resulted in a reduction of our stake in Transdev, initially to 40%, and subsequently to 20%. We had previously agreed to acquire SNCM from Transdev. Because of difficulties encountered by SNCM, these agreements lapsed on October 31, 2013. However, we still intend to pursue our withdrawal from the Transportation business.

The core business of Transdev is passenger road, maritime and rail transportation services on behalf of national, regional and local authorities.

The following table shows the consolidated revenue and operating income of Transdev (2013), after elimination of intra-Group transactions. Figures in the table represent 100% of Transdev s revenues and operating income. Transdev is accounted for in our Consolidated Financial Statements under the equity method, based on our 50% interest. Because it is not part of our core business, our share of its net income is not recorded in our operating income after share of net income (loss) of equity accounted entities, but instead is recorded at a lower level in our consolidated income statement. See Item 5, "Operating and Financial Review and Prospects – Overview – Transdev and SNCM."

Transportation *(in € million)*	**Year ended December 31, 2013**	**Year ended December 31, 2012**[(2)(3)]	**Change 2013/2012**
Revenue[(1)]	6,606.1	6,797.2	(2.8)%
Operating income after share of net income (loss) of equity-accounted entities[(1)(2)]	38.6	-291.1	n/a

(1)

Revenue and operating income in this table exclude amounts recorded in the Consolidated Financial Statements as discontinued operations (pursuant to IFRS 5 Non-current assets held for sale and discontinued operations).

(2)

Including the represented share of income (loss) of joint ventures and associates.

(3)

The standards on consolidation IFRS 10 and revised standard IAS 19, Employee benefits, require retroactive application to periods beginning on January 1, 2013. Consequently, figures for 2012 have been restated for comparative purposes.

Overview of the Transportation Business

Transdev mainly operates passenger transportation networks and scheduled services in accordance with public service specifications (which stipulate schedules, routes and fare structures) set by the relevant public authorities (which generally retain ownership of the infrastructure, particularly in urban areas). Contracts are awarded through public tenders.

Transdev generally manages outsourced transportation activities, under conditions and structures that differ from one country to another due to varying legal and regulatory requirements. The relationship between the public authority and the transportation company is governed by fixed-term contracts (with durations ranging from two to 30 years in the case of concession contracts) that determine the risks to be borne by each party and the remuneration of the transportation company. Moreover, in the case of certain contracts, and particularly for specialized school transportation services, Transdev is paid a flat fee for its transportation services and consequently does not bear the risks associated with lower receipts or decreased passenger use (such contracts are referred to as public procurement contracts in France). Transdev s activities fall into four main categories:

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mass road transportation (including, urban transport, urban beltway, inter-city and regional and other specific transportation services);

mass rail transportation;

individual shared transportation (including taxis, limousines, airport shuttle services, regional and international tourist transportation); and

transportation management (including, passenger information services, clearing-houses and call centers).

Mass Road Transportation

Transdev operates a number of bus and rail networks and develops mobility and on-demand transport solutions. Transdev covers the entire mobility chain from design to operating services, from personnel management, such as providing drivers and ticket inspectors, to marketing efforts and maintenance. Through its subsidiary, Transamo, Transdev assists local authorities with the planning and steering of their public transportation projects, as well as the audit and optimization of transportation network operation and maintenance. Transdev operates ferry and river shuttle services in tandem with its bus services in various urban areas in France, the Netherlands, Australia and Sweden.

Passenger Rail Transportation

Transdev has been a rail operator for many years. It is currently present in seven countries and enjoys solid references in Europe and worldwide.

In Germany, Transdev is the leading private operator of regional rail services and operates lines in nine regions (including Marschbahn, S-Bahn Bremen, Dieselnetz Augsburg and Mittelrhein Bahn). Transdev also operates an open access long distance lines (InterConnex: Leipzig Berlin Rostock).

In Sweden, the rail link between Stockholm and Malmö is the first long distance line operated by the private sector, with high added value services.

In the Netherlands, transportation services provided in Limbourg Province encompass bus and rail networks, with joint design and management.

In France, Transdev manages several regional rail networks through contracts with regional public authorities (PACA, Rhône, Mulhouse, etc.).

Across the Atlantic, Transdev operates suburban rails networks in Miami (Florida) and North of San Diego (California).

In Auckland, Transdev operates the suburban network of New Zealand s largest city.

In South Korea, Transdev, through its joint-venture with RATP DEV, operates line nine of the Seoul metro.

Commercial Transportation (B To C)

Transportation-On-Demand

Under the SuperShuttle trade name, Transdev provides shared transportation services at 36 airports in the United States. In Europe, Transdev provides shuttle services at 5 airports (Roissy Charles de Gaulle, Orly, Beauvais, Arlanda and Schiphol). Transdev provides taxi services in the United States, in particular in Baltimore (Maryland), Denver (Colorado), Kansas City (Missouri), Jacksonville (Florida) and Pittsburgh (Pennsylvania), as well as in London (United Kingdom) through its subsidiary, Greentomato. Taxi services are also provided in the Netherlands through Connexxion Taxi services.

Tourism

Transdev also has a strong presence in the tourism sector and particularly in Greater Paris though its subsidiary, Visual. Through its subsidiaries, Eurolines and Internorte, Transdev also transports passengers by coach on scheduled international routes serving over 600 cities throughout Europe.

Digital Transportation Management

Over recent years, digital information services for passengers has become an essential part of the management of mobility and necessary for developing service use. Transdev has rolled-out internet and cell phone solutions, including Cityway (public transportation website and cell phone applications), and in the Netherlands, Germany and the United States. Transdev has also invested in innovative ticketing solutions, including Pass-Trams and VTD Pass, which are multi-channel remote selling solutions, which was developed with the Near Field Communication cell phone technology which was used in the BPass project that we rolled-out in Nice. Transdev s activities are not limited to the customer relationship policies of transportation networks managed by us, but include new business models relating directly to managing travel information. Transdev continues to invest in its digital services to enhance the performance of its transportation networks.

Description of Activities in 2013

In 2013 Transdev (at 100%) reported revenue of €6,606.1 million. In France, in the urban transportation sector, Transdev renewed its public service delegation contracts with Toulon, Grenoble, Roanne, Albertville and Bar-le-Duc. In 2013, Transdev renewed the operating contracts for urban and semi-urban bus services in the city of Toulon.

In the Netherlands, Transdev renewed the operation of a bus network in Noord Brabant and the Ijsselmond regional network.

In Sweden, Transdev was awarded a contract to renew the Oresund rail network.

In Australia, Transdev secured a new seven-year contract for the operation of part of the Melbourne bus network. In addition, the contract for the operation and maintenance of the Sydney tramway was extended for an additional two years.

Development of Synergies: Multi-Services Contracts With Industrial and Service Sector Customers

Outsourcing and Multi-Service Market

Our industrial clients have significantly modified their expectations in terms of industrial outsourcing. These new expectations are reflected by an increasing number of requests for outsourcing of technical processes and multi-services, often accompanied by a demand for environmental optimization. This market has a large service scope and offerings must be international, or at the very least continent-wide, as customers are adopting multi-site/multi-country approaches. From an operational standpoint, customer relationships are changing: the service provider becomes the customer s sole contact and a dialogue develops to seek solutions which satisfy the interests of both parties. By outsourcing the management of technical and multi-services to a specialist, our customers can refocus on its core business and benefit from better performances of the services they delegate. The combination of these two factors helps improve the performance and competitiveness of industrial sites.

By placing our business synergies, the expertise of our divisions, our international reach and our solid industrial references at the service of our industrial customers, we have established ourselves as a reference in industrial markets for multi-business integrated offerings.

Competition

The main competitors in this market come from several countries. Certain competitors are historically facilities-management companies, such as the American group, Johnson Control International (JCI), whilst others are from the occupant services sector, such as Sodexo and Mitie. These companies pursue and communicate on a strong facilities management development strategy and have launched acquisition plans to strengthen their position in technical services.

Environmental services companies have also moved towards the integrated services market. In 2011, the Vinci Group created Vinci Facilities, offering a comprehensive range of buildings services, occupant services and facilities management services under a single trade name. In 2012, GDF Suez Group also moved in and launched the Cofely FM trade name.

Our Organizational Structure For the Provision of Multi-Services

We provide integrated solutions for industrial customers through our subsidiary Veolia Environnement Industries (VEI), which was created in 1996 as a cross-functional structure enabling us to better satisfy our customers expectations wishing to outsource a range of services across several industrial sites to a single service provider.

Veolia Environnement Industries offering combine our services and skills in a single contract in order to enhance the overall competitiveness of our customers industrial sites. This competitiveness is achieved by emphasizing operational synergies between the various services our divisions offer (water, energy, discharge treatment and waste management) and providing technical and technological solutions to improve environmental performance.

In addition to economic performance, Veolia Environnement Industries also guarantees our customers 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 one customer or one industrial sector.

Multi-Services Business Activity

Our activities in the multi-service market primarily consist of approximately fifteen major contracts, which together generate average annual revenue of approximately €502 million and which are expected to generate cumulative revenue over their remaining term of around €2.4 billion. The average term of these contracts is approximately 9 years. Multi-service activities also have a strong international dimension, particularly when industrial customers invest in the construction of new factories abroad (so called greenfield sites). This is particularly the case for Arcelor in Brazil, PSA Peugeot Citroën in Trnava (Slovakia), Artlant in Sines (Portugal) and Renault in Tangier (Morocco).

Our expertise puts us in a unique position in the industrial outsourcing market and includes:

Solvent recycling combined with the sale of energy: we use these techniques at the Novartis sites in Basel, Switzerland;

Design, construction and operation of the first automobile plant with zero carbon emissions and zero water discharge: we mobilized the expertise and know-how of our divisions to meet the environmental restrictions of the new Renault plant in Tangier; and

Pharmaceuticals: we can assist pharmaceuticals customers throughout Europe in applying the same standards, as demonstrated by the Bristol Myers Squibb (BMS) and Novartis contracts.

Activities in 2013

Defense Environnement Services (DES) is a joint venture between Veolia Environnement Industries and DCNS (a naval defense company based in France that is one of Europe s leading shipbuilders), that was created in March 2009, in which VEI holds a 51% stake. DES manages support and other services of naval and port infrastructures. In 2013, DES signed a support and services contract with DCNS for the “Triumphant” nuclear submarine, for a term of 27 months, which is expected to generate €3.9 million in revenues.

As part of our partnership with PSA Peugeot Citroën, in January 2013, these negotiations led to the signature of an agreement in principal for the extension until December 31, 2017. As part of this contract extension, a study has already been launched into optimizing energy consumption and reducing the environmental footprint of the site. Cumulative revenue for the last five years amounted to €42.6 million.

Novartis and Veolia Environnement Industries extended their industrial utilities management contract for the production sites in Basel (Switzerland) for a minimum term of five years. We oversee and optimize the supply and management of water and energy fluids and operate the largest European solvent distillation facility. Revenue for the next five years is estimated at €750 million.

As part of its environmental and economic performance initiative, Novartis sought to extend this integrated management model to fifteen of its largest sites. We won the European Integrated Facility Management (IFM) call for tenders for the sites located in France, Italy, Spain and Ireland. We will now manage all production support services. The contract was signed for a term of five years beginning on January 1, 2014, and represents expected cumulative revenue of €175 million.

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Market Overview

The Market for Environmental Management Services

The environmental management services we provide include drinking-water treatment and distribution, wastewater treatment and waste management as well as energy services. This market also includes designing, building, and, where applicable, funding the necessary installations to supply such services. These services are provided to industrial and service-sector companies, public authorities and private individuals.

The contractual terms governing their implementation varies depending on the nature of the project, the customer and the local regulations. We generally carry out our activities through public-private as well as private-private partnerships for the construction or operation of facilities. These partnerships seek to provide comprehensive solutions to critical environmental and economic issues in both mature and emerging countries, like waste treatment and reduction, recycling of resources, energy saving and green energy production, the treatment and reuse of water and the reduction of pollutant emissions. Examples include the partnership between our Water division and Marafiq, Saudi Arabia s largest national power and water utility, for the design, construction and operation of Saudi Arabia s largest ultrafiltration and reverse osmosis desalination plant, the pneumatic waste collection contract between Grand Paris Seine Ouest and our Environmental Services division and the contract managed by our Water division in Nagpur, India, with the help of external funding from sources such as European funds or EBRD, among others, where necessary.

Sensitivity to environmental challenges is now widespread among both public and private decision-makers. In light of the challenges facing the planet, Veolia builds tailored solutions to address the demands, needs and issues of its customers, their stakeholders and local regulations.

Increasingly strict environmental performance requirements are being set for the management of public services and utilities reflecting the growing awareness of these issues of populations and public contractors. The latter (particularly cities, urban areas and, increasingly, large urban and suburban areas) are carrying out more and more studies on the environmental attractiveness of their areas and are seeking to implement solutions designed to resolve major environmental issues. Our Group, the number one global player in the environmental services sector, contributes to a range of environmental and social innovation and incubation studies and programs. Through our partnerships, some of which are entirely dedicated to energy savings and the recovery of resources, we use our unique know-how as an engineer and operator to address our customers needs. Finally, although public sector management contracts are still mostly allocated service by service, owing to regulatory requirements on competition and the administrative and budgetary organizations of public sector customers, we have technology that sets us apart and allows us to offer a full range of environmental management services.

Private customers seek increasingly to incorporate concrete environmental protection in their activities to win the approval of their stakeholders and enhance their own competitiveness. They may also seek to adopt a unified management policy for all environmental services outside their core business. A single service provider can be an attractive option when it possesses a range of expertise and is able to assume the integrated management of outsourced environmental services. We accompany industrial companies abroad in the implementation of their projects, in both emerging and mature markets, helping them to design and build their own plants or adapt existing sites; we can help them include innovative technologies that reduce the environmental impact of their activities. The result is often improved competitivity in the form of resource savings, by-product recovery and reduced environmental impact. Such clients expect service providers to adapt their services over time to the customer s changing, and sometimes very specific, needs.

Per the *Low Carbon and Environmental Goods and Services* (LCEGS)" report published in July 2013 by the UK Department for Business Innovation and Skills, the outsourced services and integrated environmental management market in which we operate is estimated to represent approximately €4,266 billion in annual sales of equipment and services worldwide, broken down as follows:

- Low carbon impact activities: €2,029 billion;
- Renewable energy: €1,336 billion;
- Environmental services: €901 billion.

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This report also shows that this market is expected to grow more than 4% annually. We expect demand for outsourced and increasingly integrated environmental management services is expected to expand and grow for the following reasons:

The global environmental services market is expected to grow of 3.4% per year through 2015 based on the data in the report.

The needs of customers to be competitive and to decrease expenses are expected to grow.

As environmental technology develops and more innovative technical solutions become available, customers are expected to seek advice to identify, design, control, build and implement these solutions.

Given increasingly strict environmental standards and requirements, public and private players do not always have the necessary technical or operational resources that specialist professionals can mobilize to deal with environmental problems effectively and at minimum cost.

Private and public players also seek the legal security offered by an operator that accepts responsibility for the management of these activities. Expertise in environmental regulations is a determining factor in the choice of operators and an asset that we believe sets us apart from the competition.

Customers need to be able to entrust service providers with the coordinated management of services for a range of sites spread across one or several continents.

In addition, public demand for sustainable development forces decision-makers to keep commitments made at the international level and set exemplary standards. In a world that combines accelerated urbanization with demographic growth, sustainable management and major investment in environmental projects are both essential to providing our growing urban populations with customized environmental services and replacing obsolete environmental infrastructure.

Moreover, financial restrictions can also encourage public authorities and companies to seek the most cost effective solution, leading them to consider outsourcing a portion of their activities under complex, comprehensive long-term contracts. They may seek to simplify the contractual process by entrusting the performance of highly varied services to a single partner, who is able to commit to a given level of performance and, where appropriate, finance all or part of the investment. This presents numerous opportunities for companies that can propose a wide range of integrated environmental management services.

We believe that market developments offer us significant opportunities, because we are able to provide high quality, innovative, and integrated environmental management services in markets around the world, in accordance with customer needs.

Customers

We provide environmental management services to a wide range of public authorities, industrial and service sector customers in five continents.

Public Authorities

As economic growth drivers shift from mature to emerging countries, cities play a central role and related environmental issues become increasingly complex. This complexity has led to the exhaustion of the concessions market in historically mature regions, while making these markets increasingly risky in certain emerging regions. However, the traditional concession model has not been abandoned by local authorities in either mature or emerging countries due to the need of local authorities for optimal operations and new services that are best provided by entities with expertise in environmental management. At the same time, local authorities not currently delegating certain operations to private operators through the traditional concession model are faced with growing urbanization, which increases the need for essential services in emerging countries.

New business models for local authorities not served by private operators

Local authorities that perform their own environmental management or that have not organized any management at all accounted for more than 80% of the global market at the end of 2013. These authorities are increasingly faced with issues such as increased need for efficiency, competitiveness and attractiveness, the need to adapt to climate change and increasingly complex environmental issues, the demands of their constituents, the varying willingness to entrust all or part of their services to a private operator and funding constraints to do so.

For some local authorities in both emerging and mature countries, public services are a key factor in economic and social development that bring in massive investment in infrastructures together with financial support from private and public partners. An example of this is Rialto, California, which must improve its services to enhance the appeal of the city in light of recent economic decline and aging infrastructures. In order to assist Rialto in achieving its improvement efforts, we have proposed the Asset Co-Op Co business model, which is based on our ability to attract private partners to meet investment requirements while guaranteeing operational performance. This allows Rialto s local authority to access funding to finance the upgrade of its infrastructures and accelerate its economic growth, while stabilizing its rates and maintaining ownership and control over its infrastructures.

However, other local authorities do not delegate services traditionally labeled as public to private operators as a matter of policy. Nonetheless, these local authorities are faced with the need to optimize the provision of services relating to water, waste and energy, choose between new investments and improve the integrated management of their water and energy networks and customer relations. We have developed the Peer-Performance Solutions (PPS) to assist these types of localities. PPS allows these public bodies, such as the City of New York, with which we have engaged in a PPS contract, to continue managing these public services directly, while benefiting from our advice and assistance in the implementation of their solutions and the monitoring of the efficiency of their networks.

We constantly seek to monitor the particular needs of various local authorities with the goal of designing and deploying new offerings and innovative models aimed at addressing the issues faced by these authorities, their populations and businesses.

The traditional concession model

The slowdown in the worldwide economy, including in mature countries, has strained our participation in the historical concession model due to downward pressure on prices, a temporary reduction in investments in infrastructure and decreasing volumes of water and waste. At the same time, the duration of concession contracts in France and Europe is becoming increasingly shorter due to changes in legislation relating the concessions system. Finally, the legitimacy of the involvement of the private sector in the management of public services is increasingly called into question, resulting in a return to public management of public services by various local authorities.

Faced with pressure on the traditional concession market, we are prioritizing the optimization of operations and the development of high added-value services focused on operational expertise. We are also adjusting our partnerships to address the demands of public bodies generally, and of local authorities in particular. Some of our initiatives include developing quality and innovative solutions focused on efficiency, resource and energy savings, recovering by-products and optimizing overall costs by taking operational concerns into account from the design stage. As a result, we are considered a true partner by local authorities who profit by our value-added services. An example of this is our contracts in Romania, which enabled the transformation and restoration of the efficiency, quality and operational performance of two public services utilities in Bucharest and Ploesti.

Industrial and Service Sector Companies

Industrial companies are faced with challenges to their growth, such as increasingly stringent regulations on topics like greenhouse gas emissions, diminishing resources in areas where their production sites are located, the public s approval of their activities, and the need to control production costs, including the cost of raw materials used in their processes. As a result, these companies are looking for partners that can provide them with solutions for sustainable, profitable growth. This is particularly true of the oil and gas, mining and agri-food industries. For example, unconventional techniques for the extraction of oil and gas, which are increasingly popular, require 10 to 20 times more water than conventional techniques. Similarly, even though the mining industry is second largest consumer of water among industry sections (with consumption equivalent each year to domestic water consumption in the United States), 70% of the mining projects led by the big six are located in water-stressed areas. This has led to increased difficulty in accessing new resources and to pressure from political and regulatory bodies.

We offer our industrial customers operating in sectors such as the transverse markets of the circular economy a wide range of construction and/or operating services to help them improve their competiveness and environmental footprint. These include dismantling services (such as dismantling of nuclear reactors), treatment of complex forms of pollution, improvements to installations to optimize consumption, re-use process water, limit and recover by-products, or provide utilities necessary for their industrial processes (such as steam, industrial heating and cooling, process water, demineralized water, or compressed air). We can also offer our industrial clients ways to treat effluents, recycle and recover waste, and maintain durable, efficient waste elimination channels. For example, we have entered into an agreement with a mining company in Australia to treat saltwater from natural gas production, agreements with oil companies in North America to recover oil sludge and an agreement with a Dutch agri-food operator to produce biogas from its organic waste.

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Competition in Environmental Management Services

Most markets for environmental management services are very competitive and are characterized by technological challenges due to changes in regulation, as well as the presence of experienced competitors. Competition in each of the markets in which we participate is based primarily on the quality of the products and services provided, as well as the suppliers reliability, customer service, financial position, technology, price, the financial structure of the contract, reputation and experience in providing services. Additional considerations include the ability to adapt to changing legal and regulatory environments, as well as the ability to manage employees accustomed to working for public authorities or non-outsourced departments of industrial or service sector companies. In each of the markets in which we operate, our competitive advantages are our technological and technical expertise, our financial position, our geographical reach, our experience in providing and performing all environmental management services, our management of outsourced employees, and our ability to comply with regulatory requirements.

In the environmental services sector, Suez Environnement provides a range of services encompassing water and waste management. Suez created an industrial innovation and performance department in 2013 to place the water and waste management activities under a single leadership. Suez s business model is based on the development of its historical water business, which continues to perform well, the development and strengthening its waste management business, which has been affected by weaker industrial activities while waiting for a recovery, and on international growth.

Certain of our competitors have core businesses based in neighboring industrial sectors and their involvement in environmental services represents an attempt to extend the scope of their business.

The Market for Water

Our Water division confirmed its position as leader in the water and wastewater treatment sectors[3] where its main competitor across all markets remains Suez Environnement. In national, regional and international markets, we remain exposed to strong local competition from private, public and mixed private-public operators, but these local competitors have begun to develop internationally.

Municipal Water Markets

Our main competitors in France are Lyonnaise des Eaux (Suez Environnement), Saur (recapitalized in early July 2013 after Séché Environment withdrew from Saur) and to a lesser extent, a number of smaller companies, such as Cholton, Aqualter, and Nantaise des Eaux. In Spain, our main competitors are Suez Environnement, which competes through its subsidiaries Aguas de Barcelona, Aguas de Valencia and Agbar, which uses the new trade name Aqualogy. Our competitors in the Spanish construction and public works sectors are Aqualia-FCC, ACS, Sacyr and Acciona, which are all attempting to develop internationally in order to offset the weak demand in their national market. In the rest of Europe, Suez Environnement remains a competitor, along with the German companies Gelsenwasser and Remondis and FCC-Aqualia, which has confirmed its interest in Central and Eastern Europe.

In the United States, municipal operating contracts remain dominated by the Big Five : Veolia Water, American Water, CH2M Hill OMI, United Water and Severn Trent Services. Regional companies are nonetheless gaining ground in the United States. Purely American companies, such as American Water and Aqua America, continued to consolidate their geographic positions through small targeted acquisitions.

The North Africa and Middle East markets are still affected by considerable political instability. In these markets, as in the Latin America countries of Chile, Peru and Brazil, Veolia Eau is in competition with local companies, such as Sabesp in Brazil, and Spanish companies, such as Acciona, Aqualia, and ACS. We also face Japanese trading companies such as Mitsui, Marubeni, Mitsubishi, and Sumitomo. Korean trading companies like LG/Inima and K-Water are also seeking to establish a long-term position in these countries.

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Source: Global Water Intelligence (GWI), November 2012 and Pinsent Masons Water Yearbook 2011-2012.

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China is a strategic growth region for Suez Environnement, as it is for Asian companies. Competition is increasing from local companies, such as Beijing Capital and Shanghai Industrial, which are also expanding internationally (as evidenced by Beijing Enterprises Water s entry into Portugal) as well as from Japanese and Singaporean companies, such as Hyflux, SembCorp and Moya Dayen. Australia is a strategic growth area for Spanish companies like Acciona, ACS, Cadagua, and Sacyr, and Asian companies like Hyflux, Mitsubishi and Marubeni and Suez (Australia being its third pillar), in particular through its subsidiary Degrémont, which focuses on water desalination and the mining sector.

Our seven priority growth areas

We are the only industrial company equipped to offer water treatment solutions at all stages of the production chain of both conventional and unconventional (upstream, downstream) hydrocarbons (O&G). All of our customers for these services are oil industry majors such as BP, Shell, Total, Chevron, ConocoPhilipps, PXP, Petrobras, Exxon and Ineos, among others. Our main global competitors in this sector are GE, Siemens and Degrémont Industry (Suez), along with a number of more specialized operators such as Cameron, Cetco, Exterran, Filterboxx, Aquatech and AquaPure.

Competition continues to be relatively fragmented in the unconventional O&G market (shale gas, etc.), with the main focus being on North America, which currently offers the only available opportunities, although substantial reserves have been identified in Europe, Asia, Australia and South America. Participants in this competitive market include engineering companies, service providers (Heckmann) and equipment suppliers (Ecosphere), as well as energy companies. Competition in the United States is comprised of oil service operators (Schlumberger, Halliburton, Fractech, Baker Hughes), engineering companies (Worley Parsons, Kellog Brown Root, Mustang) and other subcontractors (Bechtel, Technip, Aker Solutions). However, there are no strong competitors specializing in both water and the mining industry. Aside from Degrémont Industry and GE, which has created a BU dedicated to this sector, we face competition from local and regional companies such as Osmoflo, Praxa and Avenge, among others.

On the equipment and engineering market, we compete with more dominant operators such as Hatch, Golder and AMEC. At the regional level, our competitors include Odebrecht in Brazil, Keyplan in South Africa, and Worley Parsons, which is now expanding beyond Australia. Other giants such as Bechtel, Mitsubishi, Samsung and Doosan are also taking an interest in this sector.

In the Food & Beverages sector, only we and Suez Environnement are able to provide a comprehensive offering. Other more specialized and/or regional operators include GE, Siemens, Vinci, Remondis, Sodexo, Envirochemie, Chriwa, Mitie, ISS, Johnson Controls, Idex, Paques, Waterleau, Aqua, Saur, and Nalco.

There are many companies operating on the dismantling market due to various industrial infrastructures reaching the end of their cycle. These companies include Stork, Cape, Hertel and Bilfinger, which specialize in dismantling oil rigs; AMEC, AF Group, Aker Stord and Able UK, which specialize in dismantling petrochemical plants; Areva, Onet, Bouygues, Vinci, Westinghouse, AMEC, Nukem, Iberdrola, Ansaldo and Tractebel, which specialize in dismantling nuclear reactors and Tarmac-SITA, which specializes in dismantling mobile equipment, such as ships, trains and airplanes.

In the transverse market of the circular economy, which encompasses both the municipal and industrial sectors, participants in both France and Europe include major recycling companies such as us, Sita, Coved and Derichebourg, and regional operators like Baudelet Environnement and Galloo.

Like us, Suez Environnement is developing new municipal business models that are performance-based and require less investment capital, such as the models implemented in Bayonne (New Jersey, United States), which separates concession from operations, and Bangalore, in partnership with local operators.

Finally, we have no real competition in the cutting-edge technology sectors.

The Market for Waste Management Services

Our main competitors in the waste management sector are Waste Management, Suez Environnment and regional providers or companies who cover only part of the services offered by our Environmental Services division, Veolia Propreté. In Europe, where Veolia Propreté conducts the majority of its business, our principal competitors are Suez Environnement s subsidiary SITA, Remondis, FCC, Van Gansewinkel Group, Shanks and Urbaser. Remondis is one of our major competitors in Germany and is also focused on Central and Eastern Europe. In the Asia-Pacific region, our main competitors are Suez Environnement and various local companies. In Australia, Transpacific is the main national competitor in a concentrated market. The Chinese market remains fragmented and is primarily composed of local and regional players.

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Our main competitors in the industrial services sector in Europe and Africa are ORTEC, BUCHEN (Remondis). In Australia and the United States, our main competitors are domestic companies, such as Clean Harbors and Hydrochem in the latter.

The Market for Energy Services

The energy services market combines a diversified range of services and has many different types of market players. Through our Energy Services division, we face strong competition from primarily sector-specific players.

Only the group formed by the GDF-Suez merger, mainly Cofely, has the ability to offer a diversified and comprehensive range of services with a strong international presence that is comparable to our own presence and services. Cofely represents a major competitor, mastering a range of expertise similar to ours. This competition remained intense in 2013, particularly in France, with aggressive competition for market share. Among sector-specific players, Dalkia faces the active presence of large local competitors such as Vattenfall, Fortum, Alpiq and EON, particularly in the energy infrastructure sector.

In the service sector, competition takes many forms, and comes from specialized companies in the areas of cleaning and food services, for example. Certain of these competitors seek to expand their offering to include energy services. Technical maintenance companies focusing on areas such as electrical installations may also form partnerships with major construction and public works groups, like Vinci and Bouygues. Alternatively, groups specializing in facility management, such as SODEXO and JLL, may also compete with us in the service sector. In the intelligent building sector, equipment manufacturers, such as Schneider Electric, Johnson Control, and Siemens are playing an increasing role, as are engineering consultants, like Cap Gemini, that offer intelligent energy management software. Finally, we face a growing in-sourcing trend, as well as historical competition from municipally-run or other publicly-run companies.

Contracts

Our contracts take a wide variety of forms, depending on the applicable legal system, the size, financing and performance needs of our customers, and the legal nature of the client in terms of public vs. private. We strive to take into account our customers expectations during the contract negotiation process by implementing a partnership-based relationship attentive to our customers issues. We also take a shared approach aimed at improvement and productivity and set out clearly-defined commitments to performance and created-value sharing, all in accordance with regulatory transparency requirements from the initial bidding stage, throughout the implementation of the contract and upon its renewal, where applicable.

Contractual relationships with public authorities for the provision of general interest services to the public or public services, for which the local authority is responsible, take a variety of forms depending on the level of involvement of the public authority. Most often, these public services fall under the responsibility of the competent local authorities that are directly involved in their management, according to various models. Generally, however, these so-called general interest services or public services are considered to be the responsibility of the competent public authority, which does not merely implement regulations and controls but also plays an active role in their management, through one of the following approaches:

the public authority can decide to directly operate public services (through direct or internal management) with its own resources or resources transferred to an in-house company over which it exercises control similar to that exercised over its own departments;

the public authority can decide to provide the service itself, but use private operators as subcontractors to manage the service on its behalf, or to provide limited services; or

the public authority may prefer to transfer responsibility for providing the public services to a company, to which it delegates or transfers (under the terms of a contract which includes technical performance commitments) the right and the obligation to operate the service, provide the human resources, equipment and financing necessary and, where appropriate, finance and build the infrastructure. Third parties selected by the public authority may be either private operators, mixed public-private companies or other public entities.

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In a less stringent regulatory environment, or when public authorities entrust the organization and provision of public services to private operators equipped with the assets necessary to provide the services, the locality s inhabitants become the private operator s, such as ourselves, customer base.

The different ways in which public authorities choose to manage the provision of public services lead to different contractual mechanisms between the public authority and the company, to which we easily adapt. The contracts we use generally fall into one of three categories, depending on whether we are entrusted with full responsibility for providing the public service and whether we have a financial and commercial relationship with end users:

Contracts for the design, construction and/or operation of installations, possibly including partial or total financing and an end-of-operations asset transfer clause (*Build, Operate, Transfer* (BOT), including financing, or *Design, Build, Operate (DBO)* including design but not financing;

Contracts for assistance, consulting and subcontracting of all or a part of the services. These types of contracts usually include performance-based remuneration mechanisms; or

Concession contracts.

The historical traditions of the various countries generally tend to favor one of the above-mentioned contract types for each of our activities exercised. Current practices in various countries are, however, converging and we are adapting and modifying the contractual models we offer to address new issues faced by public authorities, providing them with innovative financial solutions and unique remuneration mechanisms based on savings. Contract terms vary according to the nature of the mission and are generally medium- or long-term. Long-term contracts often include a periodic review of financial terms and conditions.

Industrial and service sector customers can also use a variety of contract types, including at the very least a service remunerated by a price, but which can potentially extend to the design, financing, construction and full operation of an installation. Contracts are always tailored to precisely meet the needs of each customer. Customers often seek to outsource a range of potentially complex services that are not part of their core business. Our performance obligations are often heightened in such situations. Similarly, these customers may seek new innovative solutions to complex or highly technical requirements, such as decontaminating manufacturing by-products, reducing greenhouse gas emissions, or reusing industrial water. In most cases, our remuneration for these types of services are partly based on performance targets.

We are also very attentive to the economic balance of our contractual portfolio, in particular when we must finance the investments required under a contract. Given the complexity of management agreements and their long-term nature, we possess skills in contract analysis and control and the content of our major bids is decided by either our Executive Committee (in the case of the most important bids) or the relevant commitments committee at the appropriate organizational structure. The legal and financial departments of our Group are involved in the negotiation and preparation of tender bids and contracts for projects submitted by our Innovation and Markets Department and by various business units. Audits are carried out on our main contracts. Each year, our Internal Audit Department carries out an annual review of the contractual and financial risks inherent in our most significant contracts.

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INTELLECTUAL PROPERTY

We own a number of brands, including the Veolia brand. We have adopted a single brand strategy aimed at uniting the Water and Environmental Services divisions under the Veolia banner. The Veolia Energy Services division is mainly known under the name Dalkia.

Innovation is essential to our growth and profitability and flows from the expertise and know-how of our businesses. The patent portfolio and developed expertise sets us apart from the competition and participates in our reputation as a worldwide reference for environmental services. We capitalize on this expertise primarily through the creation of technical, digital and IT tools that we seek to protect using tailored methods.

In our opinion, our business is not dependent on the existence or validity of any one or even a group of these patents, nor on any contract covering one or more intellectual property right(s). Furthermore, we are not dependent on any customer, major license or industrial, commercial or financial supply contract.

SEASONALITY

Certain of our businesses are subject to seasonal variations. Dalkia generates the bulk of its operating results in the first and fourth quarters of the year, corresponding to periods in which heating is used in Europe. In the water sector, household water consumption and the related wastewater treatment services tend to be higher between May and September in the northern hemisphere, where Veolia Eau conducts most of its activities. Thanks to the diverse nature of our operations and our worldwide presence, our consolidated results are, in general, not significantly affected by seasonal variations.

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RAW MATERIALS

Given the nature of our Water, Environmental Services and Energy divisions and our Transportation business, changes in the price of raw materials and recycled materials can have an effect on our different activities. Our main raw materials costs come from fuel and natural gas prices while our revenues are affected by the following recycled materials: paper, cardboard, iron and non-ferrous metals.

Fuel prices, on commodities such as gas and coal, can be subject to significant fluctuations. Energy prices have fluctuated widely in the past few years. In 2013, the price of a barrel of North Sea Brent crude fluctuated around an average of US$110 (down 2% compared to 2012), and ranging from US$98 to US$120 in 2013. Due to the rise in the euro/US dollar exchange rate, the average euro-price of a barrel of Brent crude decreased significantly in 2013 by 5% compared to the average price in 2012. This decrease in the price of Brent crude oil not only had an impact on fuel prices, but also on gas prices, particularly in France, where changes in STS gas prices track petroleum prices with a three month lag. Thus, average 2013 French gas prices decreased approximately €1.30/MWh compared with 2012, for a decrease of 3%.

The general consensus among energy analysts is, however, that energy prices will continue to increase in the long-term, due to the increasing rarity of known oil reserves, a marked increase in extraction costs and the need to adopt new energy sources in response to growing environmental requirements. However, the timeline of this underlying trend is difficult to forecast, due to the limited visibility of market participants regarding economic growth. In the medium-term, the possibility of falling raw material prices cannot be excluded. In any event, as in recent years, energy prices are expected to remain volatile into 2014 and beyond.

Our contracts generally include price review and/or indexation clauses, which allow us to pass on to customers part of any increases in raw materials or fuel prices through the price of services, even if this sometimes involves a time delay.

In the Environmental Services division, collection services involving non-hazardous solid and liquid waste are the most sensitive to fluctuations in fuel prices. However, indexing clauses in contracts generally allow us to pass on a significant portion of these cost increases through the prices charged to customers. Approximately two-thirds of activities are covered contractually. For customers not bound by contract, increases in fuel costs are either fully or partially passed on through an increase in fees or negotiation.

In the Environmental Services division, the increase in fuel prices in 2013 compared to 2012 had a negative impact on fuel expenses of approximately €9 million in 2013, including the cost of swap hedging arrangements.

A significant portion of Environmental Services division revenue is generated by its sorting-recycling and trading businesses, which are particularly sensitive to fluctuations in the price of recycled materials, like paper, cardboard, and ferrous and non-ferrous metal. In 2013, annual averages for two representative price benchmarks, called Revipap 1.05 for recycled paper and E40 for scrap metal, reported declines of 4% and 9%, respectively, compared to 2012 averages. The results of the Environmental Services division were therefore impacted in 2013 by the decrease in the price of recycled materials compared to 2012.

In the Energy Services division, given the long-term nature of the contracts and supply agreements, the impact of changes in energy prices may vary depending on the areas in which Dalkia operates. The overall impact of these changes in energy prices on our revenue was €50 million.

Although electricity production volumes sold on the wholesale market are sensitive to fluctuations in market prices, particularly in Central Europe and the United Kingdom, given that we enter into forward contracts to hedge these activities, price fluctuations during the year impact our accounts with a time delay.

In our other activities, depending on their businesses, certain subsidiaries may be required to contract forward purchases or sales of commodities, like gas and electricity, as part of supply management and cost optimization measures. We also entered into long-term contracts for the purchase of gas, coal, electricity and biomass in order to secure our supply chain. The majority of these commitments are reciprocal, and the third parties concerned are required to deliver the quantities indicated in these contracts just as we are obliged to accept them. Finally, with respect to its building activities, particularly in the Water division, we may also purchase financial instruments to hedge against increases in the price of nickel and copper primarily. See Notes 28.2.3 and 34 to our Consolidated Financial Statements included in Item 18 of this annual report on Form 20-F.

ENVIRONMENTAL AND EMPLOYEE REGULATIONS,

POLICIES AND COMPLIANCE

Environmental Regulation Overview

Our businesses are subject to extensive, evolving and increasingly stringent environmental regulations, in particular in the European Union, but also in North America and emerging countries.

Environmental regulation in European Union countries is primarily tied to European directives and regulations. The majority of our activities require operating permits or authorizations that include rules governing the operation of the installations. These operating permits are delivered by public authorities pursuant to authorization procedures, which include the performance of specific studies presenting, in particular, the environmental footprint of the installations. In France, the majority of our installations fall under the control of the ICPE regime (Installations Classified for the Protection of the Environment). Our activities are subject to a wide range of international, European and French regulations, the most important of which are presented below.

With regard to reducing pollution, Directive 2010/75/EU on industrial emissions of November 24, 2010, (known as the IED Directive) sought to overhaul the 1996 Integrated Pollution Prevention and Control Directive and six sector-based directives. The applicable scope of this directive covers new activities, therefore administrative permits must be issued based on the use of Best Available Techniques (BAT) and new limits apply to air, water and soil emissions, waste management and energy efficiency. It also introduces the obligation to monitor emissions likely to contaminate soil and groundwater and imposes new emission limits. The directive also provides for the preparation of a baseline report on the state of the site before starting operation of the installation and before a permit for an installation is updated for the first time. It also redefines site restoration obligations on the cessation of activities.

In addition, Regulation (EC) No. 1907/2006 of the European Parliament and Council of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation on chemicals, which came into effect on June 1, 2007, establishes a new European methodology for the management of chemicals that is aimed at enhancing the knowledge of substances currently circulating within the European market. This regulation seeks to reduce the health and environmental risks associated with the manufacture and use of chemical substances. It introduces, across Europe, a range of procedures aimed at improving knowledge of the health and environmental risks associated with chemicals sold on the market. It also regulates the management of these risks throughout the lifecycle of the chemicals, in order to ensure better health, safety and environmental protection. As a user of such substances, we are therefore required to strengthen our cooperation with suppliers and customers in order to exchange information with them on a regular basis. It also involves improving risk management at all stages of the life cycle of chemicals and strengthening the prevention of chemical risks concerning Group employees.

Our relevant subsidiaries are in compliance with the schedule set by the REACH regulation for chemicals requiring registration. After the systematic pre-registration of all substances potentially concerned and compliance with the first registration deadline, upcoming deadlines are being monitored, along with changes to the regulation and updates to its appendices.

Other chemical substances we use may be covered by other regulations, such as biocides which were regulated by the Directive of February 16, 1998, which was replaced by the biocides regulation of May 22, 2012, which became effective on September 1, 2013 and which strengthens the control of biocide products and standardizes authorization procedures.

The Classification, Labeling, Packaging (CLP) regulation of December 16, 2008, which has the same end purpose as the REACH regulation, came into effect on January 20, 2009. This regulation harmonizes existing provisions and criteria concerning the classification, packaging and labeling of dangerous substances with the United Nation s Globally Harmonized System (GHS) of Classification and Labeling of Chemicals. The CLP Regulation has been amended by Commission Regulation No. 487/2013 dated May 8, 2013 to adapt its technical provisions with the GHS.

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In addition, the increase in greenhouse gases in the atmosphere has led certain countries, as well as the international community, to implement regulatory measures in order to limit this trend. At the international level, the Kyoto Protocol came into force in February 2005 and gave the European Union the objective of reducing greenhouse gas emissions in the European Union by 8% over the period 2008-2012, compared with 1990 emission levels. Directive 2003/87/EC of October 13, 2003, as amended by Council Directive 96/61/EC created an emission allowance trading system (EU ETS) that operates in parallel with the Kyoto Protocol system, which came into operation in 2005, and led to the creation of National Allowance Allocation Plans (NAAP) for an initial period (2005-2007) followed by a second period (2008-2012), corresponding to the Kyoto Protocol commitment period. European Directive 2009/29/EC of April 26, 2009 amended the EU ETS Directive and extended the allowance trading system to cover a third period (2013-2020), which provides for a progressive reduction in allowances granted and includes new grant procedures. The European Regulation No. 1031/2010 of November 12, 2010 established a scheme for auctioning greenhouse gas emission allowances for the period 2013-2020. This regulation was amended by EC Regulation 176/2014 dated February 25, 2014, which postponed 900 million tons of volumes to be auctioned between 2014-2016 and 2019-202. This measure, referred to as backloading, has been under negotiation between the European Commission and the European Parliament and Council since mid-2011. The goal is to rebalance the greenhouse gas emission allowance trading system and increase the price of emission rights. The European Commission decision of December 15, 2010 defined rules for the free grant of allowances for the period 2013-2020. Allocation calculation guidance was published in the first and second quarters of 2011. Operators filed the necessary data with the national authorities and performed preliminary calculations. The definitive amounts of allowances to be granted was published at the end of 2013, and at the beginning of 2014 in some countries. The first conformity check for the third period will take place on April 30, 2014.

In May 2006, pursuant to the decisions made in light of the conclusions of the Convention on Biological Diversity, the European Commission implemented an action plan comprised of objectives aimed at halting the decline in biodiversity and measures enabling the achievement of objectives by the end of 2010. This action plan is based on an assessment of lost biodiversity in Europe and elsewhere in the world and measures already taken by the European Union to resolve this problem. In October 2009, the Conference of the Parties (COP) revised the strategic action plan of the Convention, setting new objectives for the period 2010-2020 which include primarily analyzing the services rendered by ecosystems to human well-being. At a global level, the United Nations Convention on Biodiversity held in October 2010 in Nagoya (COP10), adopted the Nagoya protocol. This protocol provides, in particular, for the adoption of a strategic plan covering the period 2011-2020, an agreement to create the IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services) and the mobilization of the necessary financial resources to implement the related strategy.

Directive 2012/18/EU of July 4, 2012 on controlling the dangers associated with major accidents involving dangerous substances, known as Seveso III, repealed the prior Seveso II directive and will go into effect on June 1, 2015. This new directive primarily establishes new preventive rules and integrates the changes introduced by the CLP directive.

Directive 2012/27/EU, dated October 25, 2012, sets a common framework for improving energy efficiency in the European Union by 20% by 2020. This directive requires large companies to undergo energy audits and implement energy saving measures in the energy supply chain.

In France, European regulations are enacted into law through local legislation and regulations codified in the French Environmental Code and the Public Health Code. An environment charter was promulgated by Constitutional Law No. 2005-205 of March 1, 2005. This law forms part of the French constitutional law, acknowledging the fundamental duties relating to environmental protection.

In France, the planning law aimed at implementing the Grenelle de l environnement decisions, known as the Grenelle 1 Law of August 3, 2009 was supplemented by a law dated July 12, 2010, that includes national environmental commitments, known as the Grenelle 2 Law. These laws seek to implement six major projects, which have significant implications for each of our divisions. The construction, transportation, health and waste, water and biodiversity and energy sectors are all concerned, as is environmental governance and information transparency. A significant number of Grenelle 2 law application decrees are scheduled to complete the implementation of these measures. Accordingly, a decree issued on July 11, 2011 concerns greenhouse gas emissions reports and a territorial climate-energy plan; it requires companies with more than 500 employees to prepare a greenhouse gas emissions report before December 31, 2012. This obligation also applies to the State and territorial authorities with a population of over 50,000. In application of this law, a decree dated April 24, 2012 clarified the non-financial reporting obligations of both listed and non-listed companies, with regard to disclosures social and environmental issues and corporate commitments to sustainable development.

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On July 16, 2013, a French law (the DDADUE law) was published to bring domestic French law in line with European law on sustainable development. This law transposes six European directives into French law by requiring that certain businesses complete energy audits.

The majority of installations operated by our Group fall under the control of the ICPE regime (Facilities Classified for Environmental Protection).

The IED Directive was transposed into French law by the Order of January 5, 2012 creating a specific section in the French Environmental Code for the relevant installations covered by the ICPE classification. The conditions governing the installation and operations of these installations are set to ensure they are operated using Best Available Techniques (BAT) and with reference to the conclusions of these BATs. In addition, the Order clarifies the circumstances under which information provided by the operator for the review of the installation s authorization conditions will be presented to a public enquiry. Decree No. 2013-374 dated May 2, 2013 amended the regulatory portion of the French Environmental Code for the enactment of the IED Directive into French law. The most recent development concerning Classified Installations, since the creation of the registration regime in 2009, is the new financial guarantees regime extending the installations concerned by the requirement to constitute financial guarantees for the protection of sites in the event of cessation of activity and, where applicable, the implementation of pollution management measures (Decree of May 3, 2012 and application orders).

In addition, order No. 2012-34 of January 11, 2012 became effective on July 1, 2013 and simplified, reformed and harmonized certain provisions of administrative and judicial policies of the French Environmental Code. It also introduced major changes in environmental policy by standardizing administrative policy tools and harmonizing criminal sanctions.

With regards to nuclear energy, two decisions by the French Nuclear Safety Authority (ASN Decision No. 2013-DC-052 of June 18, 2013 and Decision No. 2013-DC-0360 of July 16, 2013) reinforced the legal regime applicable to basic nuclear installations with respect to environmental protection and transparency. This legal regime was previously amended by a Decision dated February 7, 2012.

After the first Environmental Conference on September 2012 on ecological transition, a second Environmental Conference was held in September 2013. During this second conference, participants took stock of the actions implemented to date and defined five new pillars:

The circular economy, aimed at promoting recycling and waste recovery;

Employment and ecological transition;

Water policy;

Marine biodiversity; and

Education in the environment and sustainable development.

Water Regulations

Water and wastewater treatment activities are highly sensitive to regulation. In Europe and the United States, governments have enacted significant environmental laws at the European, national, and local levels in response to public expectations regarding environmental protection and safeguarding water resources. The quality of drinking water and the treatment of wastewater are increasingly subject to regulation in emerging countries, which are progressively adopting WHO standards in their internal regulations.

At the international level, the WHO directives on health and water are published to help countries draft internal regulations governing the quality of water. 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.

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At the European level, the guiding strategy underlying regulation is the supply of drinking water that complies with regulations and the good chemical and ecological quality as well as the good quantitative state of groundwater and surface water by 2015: the abstraction of available resources must not exceed resource renewal capacity and a wastewater treatment system that protects the receiving environment.

The quality of drinking water is strictly regulated by Directive 98/83/EC of November 3, 1998, on the quality of water intended for human consumption, which was enacted by EU member states and into French law by various provisions incorporated into the French Public Health Code. In addition to quality control measures, this directive introduces the concept of evaluating risks on an on-going basis.

The objective of the good chemical state of water by 2015 is the result of several European texts and particularly the water framework directive 2000/60/EC of October 23, 2000 (the Water Framework Directive), which concerns more generally the quality of water, whether above or below ground and established a framework for community action in the field of water policy. The aim of Directive 2006/118/EC of December 12, 2006 (daughter directive of the framework directive) on the protection of groundwater is to ensure the good chemical and ecological quality of such water by 2015, through oversight and restrictions on chemical substances in water by this same date. Directive 2008/105/EC of December 16, 2008 (another daughter directive of the framework directive) lays down environmental quality standards for 33 priority substances and 13 priority dangerous substances presenting a major risk for the environment or public health in the water sector. This directive was amended by Directive No. 2013-39 dated August 12, 2013, which adds 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, which concerns urban waste-water treatment and the objectives of which were confirmed and extended by the Water Framework Directive. The treatment of wastewater is also directly impacted by Directive 2008/56/EC of June 17, 2008, known as the Marine Strategy Framework Directive, which seeks to protect and conserve the marine environment and thereby conserve the ecosystem. It also seeks to establish marine protected areas in order to contribute to achieving the healthy ecological condition of the European Union marine environment by 2020. European Directive 2006/7/EC of February 15, 2006 concerning swimming water imposes new restrictions on the oversight and management of swimming water and information provided to the general public.

Public authorities also impose strict regulations on industrial wastewater likely to be discharged into collection systems, as well as processed wastewater and sludge originating from urban water treatment installations. In this respect, the Waste Framework Directive No. 2008/98/EC of November 19, 2008, which relates to waste, classifies land treatment using sludge produced by wastewater treatment plants as a recovery operation.

Council Directive No. 2013/51/EURATOM of October 22, 2013 laid down the requirements for the protection of the general health of the public with regards to radioactive substances in water intended for human consumption.

Additionally, Directive No. 2007/60/EC of the European Parliament and Council of October 23, 2007 on the assessment and management of flood risks in Europe became effective on November 26, 2007 and requires Member States to identify and establish maps of high-risk river basins and coastal areas and to prepare management plans.

France has numerous laws and regulations governing the production of drinking water, the treatment of wastewater and water pollution, as well as numerous administrative agencies involved in the enforcement of those laws and regulations. In addition, certain discharges, disposals, and other actions with a potentially negative impact on the quality of surface or ground water sources require authorization or notification. 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 release of certain substances in water. The French law No. 2006-1772 of December 30, 2006 on water and aquatic environments implements EU requirements for high quality water and significantly modifies French legislation on water, as well as implementing EU water quality objectives for 2015. Accordingly, wastewater treatment plants of over 10,000 population equivalent (PE) and those of between 10,000 PE and 100,000 PE must implement dangerous substance search and reduction measures several times a year. In addition, water development and management plans (SDAGE) take specific account of this water quality objective and the Order of January 25, 2010 sets out a water quality oversight program.

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The Grenelle 1 Law, enabled the implementation of a blue infrastructure to preserve the ecological continuity of surface water masses and goes beyond qualitative and quantitative preservation of resources. These objectives are taken into account in territorial planning, via town and water planning documents. With regard to health aspects, measures must be taken to protect drinking water catchment areas of strategic supply importance and water emissions of certain toxic substances should have been reduced by 2013. In the wastewater treatment sector, treatment plants must be brought up to standard by the end of 2012 at the latest and autonomous wastewater treatment is subject to strict regulation to protect the quality of the receiving environment, sanitary conditions and public health.

The Grenelle 2 Law application texts implement the objectives set out in the green and blue infrastructure and provide for the acquisition and restoration of 20,000 hectares of wetland by the water bodies. In addition, this 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. A financial incentive system was introduced to underwrite these obligations. With regard to wastewater treatment, the law clarifies and strengthens the content of the supervisory role of territorial bodies for non-collective wastewater treatment and requires municipalities to draw up a collective wastewater treatment policy before the end of 2013. Priority is given to organic farming in order to protect certain drinking water catchment areas of particular importance to current or future supply. In addition, the Decree of October 10, 2011 implements action plans to protect water against nitrate pollution from agricultural activity, and the Order of December 19, 2011, amended in October 2013 sets key measures for the national action plan. Violation of these laws is punishable by both civil and criminal law and a company may even be found criminally liable.

In the United States, the main federal laws concerning the provision of water and wastewater treatment services are the Water Pollution Control Act of 1972, the Safe Drinking Water Act of 1974 and related regulations promulgated by the Environmental Protection Agency (EPA). These laws and regulations establish standards for drinking water and liquid discharges. Each U.S. state has the right to establish criteria and standards stricter than those set up by the EPA and a number of states have done so.

Environmental Services Regulations

In numerous countries, waste processing facilities are subject to laws and regulations that require service providers to obtain permits from public authorities to operate most of their facilities. The permit process requires us 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. For example, for sludge produced at wastewater treatment stations to be used in agriculture it must comply with strict regulations relating to its content of organic materials and trace metals (heavy metals such as cadmium, mercury or lead). 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.

At the European Union level, a Directive 2008/98/EC (the Waste Framework Directive) was adopted on November 19, 2008, setting up a hierarchy of different waste management measures and favoring (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 attained by Member States by 2020, (iv) other forms of recovery and (v) safe disposal. It 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. Regulation (EU) No. 1257/2013 is intended to improve the monitoring of ship recycling in accordance with hazardous waste standards.

With respect to the cross-border transportation of waste, regulation 1013-2006 of June 14, 2006 on the transportation of waste entered into force in July 2007. This text defines the conditions for the supervision and audit of waste transfers and simplifies and defines current procedures for the supervision of waste transfers for non-hazardous, recyclable waste. Furthermore, through Directive No. 2003/87/EC of October 13, 2003, the European Union implemented an allowance system for greenhouse gas emissions, targeting carbon dioxide only. Waste incinerators are excluded from this system.

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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, several 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 waste processing centers, among other things. Hazardous waste is subject to strict monitoring at all stages of the processing cycle. It is tracked using a waste monitoring slip (*bordereau de suivi des déchets* - BSD). Since July 1, 2012, producers/holders of non-hazardous waste, unless exempted, have traceability requirements and must keep a chronological register in the same way as for hazardous waste. Waste-to-energy centers are subject to numerous restrictions, including in particular limits on pollutant emission levels.

The Grenelle 2 Law provides, in particular, for a 7% reduction in household waste in 5 years, by encouraging actual waste tonnage to be taken into account in amounts charged to users. In addition, it is planned to reduce the use of landfill sites and incineration while developing recovery sectors through sorting-at-source and the selective collection of organic waste. The law strengthens and widens the Extended Producer Responsibility (EPR) scheme and specific recovery and associated processing sectors. Finally, the Grenelle 2 Law 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 enacted into French law by the Order No. 2010-1579 of December 17, 2010, which clarified certain definitions, introduced a hierarchy of waste processing methods and clarified the responsibilities of producers and holders of waste. This order contained various provisions that brought French law in line with European Union laws on waste.

Decree No. 2011.828 of July 11, 2011 brings into effect several measures adopted pursuant to the Grenelle 2 Law to improve prevention and waste management. It also completes the enactment of the framework directive and clarifies certain application conditions of European Regulation No. 1013-2006 of June 14, 2006 on the cross-border transportation of waste. With respect to end-of-waste status, Decree No. 2012-602 dated April 30, 2012 on the procedure for obtaining end-of-waste status sets out a procedure in accordance with European and domestic criteria: it is authorized by the Minister in charge of the environment for waste categories and by the prefect for specific waste recovered in a given installation. For installations authorized from July 1, 2012, the scope of the financial guarantee requirement for the restoration and remediation of sites was extended to encompass the majority of installations classified as waste transit, grouping, sorting or treatment installations. For existing installations as of July 1, 2012, financial guarantees must be progressively constituted from July 1, 2014, or July 1, 2019, depending on the relevant installations.

The major statutes governing our waste management activities in the United States 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 we operate 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.

Energy Services Regulations

Our energy-related activities in Europe (primarily the supply of energy services involving thermal and independent energy) are subject to European directives and domestic regulations transposing European regulations that seek to control environmental impact and risks. At the European level, Directive 2001/80/EC of October 23, 2001 regulates the construction of large combustion plants. It requires the implementation of national emission ceilings for certain atmospheric pollutants such as sulfur dioxide, nitrogen oxide, dust and volatile organic compounds. This directive will be superseded by Directive 2010/75/EU of November 24, 2010 (IED Directive) on industrial emissions, which requires systematic use of the Best Available Techniques, by January 1, 2016 at the latest.

Pursuant to European Directive 2003/87/EC of October 13, 2003, which establishes an allowance trading scheme for greenhouse gas emissions in the European Union, as amended by Directive 2009/29/EC of April 26, 2009, 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 in 2005 in all EU Member States. In addition, 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. It also proposes energy audits for large companies and efficiency measures at the energy supply level. Following the repeal of Regulation (EC) no. 2037/2000, a new European regulation no. 1005/2009 of September 16, 2009 requires 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. Inter alia, it sets 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) no. 842/2006 of May 17, 2006 requires stringent confinement and traceability measures for fluorinated greenhouse gases, whether HFC refrigerating liquids or SF6 electrical insulators. Two European regulations clarify leakage control measures for refrigeration equipment containing hydro-fluorocarbons (Regulation (EC) no. 1516/2007 of December 19, 2007) and fire protection systems (Regulation (EC) no. 1497/2007 of December 18, 2007) and installations and systems both containing fluorinated greenhouse gases.

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

The transposition of these European directives is organized by each Member State.

In France, this primarily means compliance with the Law of July 19, 1976 on facilities classified for the protection of the environment, now included in the Environmental Code. Accordingly, Articles R.512-55 to R.512-66 of the French Environmental Code requires a periodic inspection by approved companies of certain installations classified as subject to reporting requirements. The conditions governing these periodic inspections are set out in application orders for the relevant installations. MASE certified installations are no longer required to perform these inspections.

In addition, the national environmental commitment law of July 12, 2010 (Grenelle 2) gives added impetus to the development of energy efficiency and renewable energies. Under this law, companies must obtain operating authorizations, file returns and register information with the competent authorities and scrupulously comply with operating requirements. New legislation published in 2013 enacted this IED Directive, in particular for large combustion plants that require prior authorization (thermal output greater than 20 MW) with the Order of August 26, 2013 which imposes, inter alia, the application of Best Available Techniques (BAT). On the other hand, the review of the Order of July 25, 1997 for small combustion facilities subject to declaration (thermal power comprised between 2 and 20 MW), included, among other things: the integration of periodic control points and the possibility for spreading ash under combustion biomass boilers. Lastly, the Order of September 24, 2013 establishes the requirements relating to combustion facilities subject to the newly created registration requirements that concern the other combustion facilities. Decree No. 2007/737 dated May 7, 2007, which is integrated into the French Environmental Code, supplements EC Regulation No. 842/2006/EC of May 17, 2006 and regulates the conditions of the market release, use, recovery and destruction of substances used as refrigerating fluid in refrigeration or air-conditioning equipment. French legislation completed the legal arsenal with several other orders clarifying how to quantify fluid handling and covering the set-up of training and recovery sectors. The most recent one was Decree No. 2012-1304 dated November 26, 2012 amending section 1185, which now concerns installations that produce, use and store greenhouse gases (GHG) and substances that deplete the ozone layer (SACO). Pursuant to European Directive 97/23/EC of May 29, 1997, requirements governing pressure equipment were set-out in the Order of March 15, 2000, amended by the Order of January 31, 2011.

Lastly, with respect to its production linked to domestic hot water, we are primarily concerned by European Directive 98/83/EC of November 3, 1998, which addresses the quality of water intended for human consumption. Eighteen Member States, including France, have taken the position that this directive applies to cold and hot water and to all types of management systems for the production and distribution of hot and cold water.

In relation to managing the risk of Legionnaires disease, the World Health Organization published guidelines in 2007 entitled Legionella and the prevention of Legionellosis. This was followed in 2011 by guidelines covering Water Safety in buildings. Meanwhile, the European Working Group for Legionella Infections (EWGLI), with the support and approval of the European Commission and based on the European Surveillance Scheme for Travel Associated Legionnaires Disease (EWGLINET), has published European guidelines for the control and prevention of travel-associated legionnaires disease (EWGLI 2005). In general, texts of varying reach are issued in Europe and around the world by public health authorities and associations for the protection of workers. Very often, these texts are presented in the form of preventive recommendations, which take into account the physical-chemical and biological nature of water and prescribe corrective actions when certain indicators are present. Various professional associations have also issued their own guidelines for prevention.

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In France, the Order of February 1, 2010 and its application circular on monitoring Legionnaires disease in domestic hot water production facilities defines the management rules for such facilities. This order supplements a number of texts already covering the management of the risk of bacteriological development, such as legionellosis, in domestic hot water networks. In order to minimize the risk of proliferation of Legionnaires disease from air coolers, these installations have been classified for environmental protection by Section No. 2291 since 2004. Orders published in December 14, 2013, which stemmed from the amendment of section 2921, raised the declaration threshold from 2,000 kW to 3,000 kW and established periodic inspections for installations subject to declaration, including air coolers. In addition, the orders created a registration system to replace the authorization system.

In Spain, decree (*real decreto*) 865/2003 of July 4, 2003 establishes criteria for the quality of water and the frequency of inspection procedures, as well as for when action must be taken once certain limits are exceeded. A range of descriptive procedures set the action and liability framework. A Spanish standard-setting association has issued guidelines on the subject (100030IN). In the United Kingdom, an Approved Code of Practice (ACOP L8) issued by the Health and Safety Executive is applicable in full and largely inspired similar procedures applicable in Flanders (Belgium), the Netherlands, Ireland and at EWGLI. Italy and Portugal have partially adopted the ASHRAE guidelines, focusing preventive measures on the protection of tourists. Similarly, regulations exist in Asia and the Pacific region and were inspired by texts in New Zealand and Australia.

In the United States, the Occupational Safety and Health Administration (OSHA) issues its own guidelines and action plans. The American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) and the Cooling Technology Institute (CTI) have also issued recommendations. ASHRAE will publish Standard 188P (Prevention of Legionellosis Associated with Building Water Systems) in the near future.

French Reporting Requirements on Environmental Policy and Information:
Information Required by Articles L. 225-102-1 and R.225-105-1 of the French Commercial Code

As a specialist in environmental management services, we are naturally concerned about the environmental consequences of each of our businesses, both in France and worldwide. In this respect, we consistently endeavour to comply with applicable regulations, to meet the needs and demands of our customers and to optimize the techniques we implement.

The scope of environmental information we report on includes all relevant activities over which the we exercise operating control and 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 such as heating and cooling systems, thermal and multi-technical installations, industrial utilities and facilities management. To facility reporting on these activities, the international environmental information system we have progressively rolled out since 2004 in over 1,700 entities fully consolidates the activities conducted by these entities. Activities relating to industrial water installations are excluded from our broad reporting. Rather, we report on a more limited scope of indications, such as greenhouse gas effects, water and energy consumption and production of site waste, for activities relating to the design of wastewater treatment plants conducted by our Water division and activities conducted by SADE. We tailor our reporting based on changes in group structure, including acquisitions, disposals, company creations or contract wins, after the change has been in effect for a full year.

General Environmental Policy

Below we report on how we take into account environmental issues and, where appropriate, environmental assessment, certification, employee training, and information on the protection of the environment, as well as disclosing resources set aside for the prevention of environmental risks and pollution.

Since 2002, we have managed our environmental impacts using an Environmental Management System (EMS) and we have been reporting on the basis of this system since 2004. This system is largely based on ISO 14001 and follows guidelines reinforced in 2009. It comprises four levels of responsibility: Group, division, business unit and site. At each relevant level, it enables environmental impacts and compliance with regulations and in-house company requirements to be assessed. Objectives are set and resources and actions plans implemented to attain them. The system also covers the prevention of accidental pollution and defines the resources to be mobilized in the event an accident nonetheless arises.

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In 2011, we started to implement an environmental management system covering 93% of the revenue of relevant activities (including Transdev) by the end of 2014. The ongoing disposal of Transdev combined with ongoing significant operating changes did not enable us to realize this objective. This environmental management system will be reconsidered in 2014 when a new environmental plan is defined.

Given the specific nature of our activities, the main objectives of our environmental commitment are focused on four priorities:

Combating climate change by proposing solutions and services that avoid or reduce greenhouse gas emissions;

Assessing, protecting and developing biodiversity by assisting in the characterization of the ecosystem services and deploying tools and actions aimed at their protection and improvement;

Reducing pollution and protecting human health through the innovative implementation of the best abatement and treatment technologies to protect the quality of aquifers and other water resources, as well as the air; and

Conserving resources (energy and water as well as raw materials) by deploying techniques used to measure and reduce their consumption and replace or recover them and making our processes more efficient while developing alternative and renewable sources and resources.

The objectives of the 2012-2014 plan were defined based on a materiality analysis of the environmental challenges we face in achieving the priorities mentioned above. In accordance with the requirements of our EMS, these objectives are applied to our entire Group, in addition to local objective identified from the analysis of the major environmental issues faced by particular localities, and each entity must complete these general objectives, if relevant, and any applicable local objectives.

Employee Environmental Training

Employee training and information about environmental challenges represents an integral part of the resources managed by the EMS, which includes the preparation of environmental training plans. The Campus Veolia Environnement network provides business units with access to an environmental training offering, prepared at the request of our business committees (see Item 6. Directors, Senior Management and Employees Employees Employment, Mobility and Training Policies - Training, below). This is supplemented by training sessions organized locally based on identified needs.

Furthermore, in order to keep Group employees informed on the major challenges facing society in line with international and political current affairs, the Sustainable Development department organizes Sustainable

Development Surveillance meetings five times a year, with presentations by leading specialists in the areas covered. E-learning tools are also available within business units to raise employee awareness. We also organize awareness-raising events on Environment Day.

Resources Dedicated to the Prevention of Environmental Risks and Pollution

The Sustainable Development Committee, led by the Sustainable Development department, brings together representatives from functional departments and representatives from the various businesses to decide how to best implement sustainable development. Further, it defines our strategy and validates our environmental policy. The EMS is run by an environmental steering committee made up of the individuals responsible for environmental issues within each division and ensures the transfer of information and the coordination of action plans within countries.

Since 2007, a special team of internal environmental auditors, integrated into the internal audit department in 2012 has been supervising the roll-out of the EMS. In addition, our risk department is responsible for coordinating, identifying and assessing Group risks, particularly environmental risks, and ensuring they are under control. It relies in particular on the work of risks committees that meet under the supervision of the Executive Committee. The Executive Committee is chaired by our General Counsel and is coordinated by the risk and insurance director. The Executive Committee validates and monitors the effectiveness of the action plans implemented with respect to significant risks identified during the mapping process. We have also implemented a warning procedure and a crisis management procedure in the regions in which we operate that allows us to track environmental risks and violations. In particular, this encompasses on-call and alert systems in our divisions at the national and international levels, enabling any necessary measures to be taken on a timely basis and at an appropriate level.

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No serious environmental events were discovered or reported to us during the course of this audit procedure for the year 2013.

Given the nature of our services, investment in the prevention of environmental risks and pollution accounts for the large majority of our expenditures and investments. Our industrial investments, described in Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Investing Activities Industrial Investments, include growth and compliance investments. We invested in employee training, certification programs and the implementation of the environmental management system. Our Research and Innovation budget was also renewed. We are implementing a selective investment policy while preserving industrial investments or investments required by contractual commitments.

Our provisions for environmental risks primarily consist of provisions for site closure and post-closure costs, which include provisions for site restoration, the dismantling of installations and environmental risks. These provisions totaled €564.9 million as of December 31, 2013.

Climate Change

Greenhouse Gas Emissions Limiting Greenhouse Gas Emissions

To combat climate change, we contribute to the overall reduction in greenhouse gas emissions by reducing them at the installations we manage by employing operating methods that do not emit greenhouse gases, and by enabling third parties to avoid emissions as a result of its activities by providing energy and materials recovery services.

In the Energy Services division, we reduce greenhouse gas emissions by using energy transformation facilities to achieve energy efficiency, which results in less fuel consumed to produce the same energy output. We also use renewable and alternative energy sources, such as biomass, geothermal, solar and wind energy, instead of fossil fuels whenever possible. Additionally, we employ integrated energy management to optimize the supply of energy services and encourage a more rational use of energy by consumers. Finally, we cogenerate heat and electricity.

In the Environmental Services division, we reduce greenhouse gas emissions by collecting and treating biogas from landfill sites, consuming on-site electricity and heat produced from waste incineration and recovery of biogas and through other actions that enable us to reduce fuel and energy consumption. We prevent the emission of greenhouse gases by selling heat and electricity produced from the combustion of incinerated waste and biogas from landfill sites and biogas plants. We also recycle raw materials continued in waste and produce alternative fuels from waste.

In the Water division, we reduce and prevent greenhouse gas emissions by consuming heat and electricity produced from renewable energy sources, such as biogas from sludge digestion and energy produced from water micro-turbines and heat pumps. We also produce energy from renewable sources drawn from energy generating operations managed by our Water division. Finally, we also rationalize energy consumption by our infrastructures.

In 2013, direct emissions from activities managed by us stood at 34.9 million tons. of CO_2 eq. (34.4 million tons of CO_2 eq. in 2012[4]). Created by industrial processes, facilities, equipment and vehicles that we manage - these are broken down as follows:

57%: CO_2 emissions from Dalkia's activities;

24%: Methane emissions contained in the biogas obtained from the fermentation of waste in landfills;

14%: CO_2 emissions from environmental services activities;

5%: CO_2 emissions from water activities;

0.4%: N_2O emissions from waste combustion.

Indirect emissions stood at 7.9 million tons of CO_2 equivalent (10.4 million tons in 2012). 52% are linked to electricity consumption, and 48% to the purchase of heat.

Our emissions dropped slightly between 2012 and 2013. This is due to the stability of our direct emissions and a sharp drop in our indirect emissions due to the sale of electricity distribution businesses in Morocco in 2013.

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Greenhouse gas emissions linked to coolants are negligible with respect to Veolia Environnement's businesses (estimated at 1% of direct emissions.

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As part of our 2012-2014 Environment Plan, we have defined objectives to improve the carbon performance of combustion facilities by 15% from 2011 to 2014 and reach a 66% methane capture rate in landfill sites in all countries (including Proactiva) by 2014. These two main sources of direct emissions represent 81% of our direct emissions

The carbon performance of combustion facilities improved by 11% compared to 2011. This improvement is due to the decline in the consumption of coal and heating oil in favor of gas, which has a lower carbon equivalent emission factor, and the increased use of wood in our energy mix, especially in France. This result reflects the efforts made under the policy to expand the use of biomass that was developed in 2007 and has been implemented since 2008. Finally, the methane capture rate of landfill sites in operation is increasing, reflecting our policy of installing new collection wells and improving the performance of existing facilities.

Adaptation to the Consequences of Climate Change

We take environmental requirements into account throughout our plants and implement solutions to support our customers.

At the business unit level, adaptation to climate change is integrated into the analysis of environmental risks and challenges performed locally, integrating relevant regulatory changes, resource availability, the identification of additional requirements/volumes and necessary process changes. Adapting to a potential change in the availability of resources, particularly water, can be achieved by developing and reusing treated wastewater and improving the performance of the distribution network.

At the Group level, risks related to climate change are included in the risk mapping process covering resources, regulatory and market changes, purchases and economic risks. The risk mapping process performed at the country/activity level and for our Group as a whole is presented to the Executive Committee and Risk Committee. These committees then evaluate the efficiency of action plans that contribute to the adaptation to climate change.

Pollution and Management of Household Waste

Air Emissions Other than Greenhouse Gas Emissions

We are committed to reducing our emissions below regulatory requirements by (i) improving the treatment of air emissions and developing better technologies (treatment of incineration smoke by our Energy Services division, low NO_X or SO_X emission combustion technologies in Dalkia) and (ii) reducing consumption and encouraging the use of cleaner fuels (low-sulfur fuel oil and coal, natural gas, LNG for combustion installations and vehicles and hybrid electric or bi-modal vehicles).

The main atmospheric emissions managed by us (excluding greenhouse gases) are those of combustion facilities operated by Dalkia and those of waste incinerators.

The management of atmospheric emissions linked to waste treated in incinerators represents a public health challenge for us. In 2013, our average global concentrations of emissions of hazardous and non-hazardous waste incineration units were lower than the threshold values of emissions for the European Union. .

Water Pollution

We constantly strive to improve our performance in order to reduce the impact of water discharges from our activities. The main discharges from facilities operated by us are related to our collection and/or treatment of wastewater for local communities. We provide sanitation services to nearly 62 million people worldwide and collect 6.7 billion cubic meters of waste water, of which 6.0 billion cubic meters are treated in one of the 3,442 urban wastewater treatment plants operated by us.

To ensure the efficient management of wastewater collection and treatment services, our Water division has developed a comprehensive approach to help local communities. The success of a wastewater project involves clearly defined stages, from the assessment of needs, to the definition of a local strategy, high quality, measurement of service performance and communication to residents about the impact of the service. Optimizing the efficiency of the treatment processes is one of our ongoing concerns both in terms of the operation of the facilities under our management and the development of new processes.

The average rates of abatement of pollution, expressed in BOD5 and COD, of wastewater treatment stations operated by us are at good levels. However, in 2013 we observed a very slight drop in treatment efficiency due to the removal from the reporting scope of the Berlin contract which had excellent efficiencies and a high volume of treated wastewater.

We classify plants whose wastewater treatment efficiency in BOD5 is less than 85%, or less than 80% in COD, as sensitive. Special efforts are made at these plants to help them reach more efficient levels of wastewater treatment efficiency.

Finally, pursuant to the framework Water directive, flow monitoring systems were put in place, particularly in France, to detect a number of micro pollutants considered dangerous to the environment and to assess the impact of wastewater treatment plant emissions on the ecological state of bodies of water. Our environmental analysis center has developed regulatory analysis techniques to offer customers a comprehensive range of monitoring services, including sampling and analysis. We have also developed biological tools measuring the impact of these emissions on target organisms. Where necessary, we assist our clients in the implementation of additional treatment solutions to reduce or eliminate emissions of dangerous substances into the environment and assess risks. We do this through upstream actions such as connecting factories to a supervised network and curative actions, such as dealing more effectively with waste or providing additional treatment.

Ground Pollution

We are mindful of not generating any chronic or accidental soil pollution through any of our activities, and in accordance with our EMS requirements, by ensuring good storage and application conditions for the materials used, and good stormwater control and management, as well as by maintaining operational resources to control accidental spillages.

Waste landfills have the highest land footprint of all of the sites we operate. As a result, we use the most advanced technologies and have introduced minimum standards for their design and operation. These standards include, in particular, a sealing system comprising a double barrier (active and/or passive) and systems for collecting, treating and evacuating leachates. During the entire duration of operation and post-operation, which can last at a minimum 20 years, our monitoring program is based, inter alia, on the analysis of surface water, groundwater and waste.

Since 2003, we have integrated all activities relating to the treatment and recovery of sludge into a single entity, SEDE Environment. As a result, we have a precise, global and integrated overview of sludge management options, allowing us to optimize our agricultural recycling in particular.

We propose systems, such as our Actipol method, which our customers can use to monitor emissions into the wastewater network, which allows them to take action earlier to improve the quality of sludge produced. Veolia Eau has finalized certification guidelines defining requirements applicable to wastewater treatment systems for the production of quality sludge to be used in agriculture. Downstream, we promote the agricultural recycling of sludge through composting and use the services of an independent certifying body to audit our composting and agricultural recycling networks. We also rehabilitate polluted soils and process almost all pollutants present in the soil at industrial sites through the use of several processes, including thermal desorption.

Noise and Olfactory Pollution

Noise pollution is taken into account in the local roll-out of activities, as is olfactory pollution and other pollution specific to each activity. The identification of environmental impacts during the roll-out of the EMS can help local management identify challenges specific to these types of pollution and take the appropriate measures.

We directly implement solutions or works with our customers to identify solutions when the customer is responsible for the corresponding capital expenditure. To this end, we have developed technology or work with partners to treat and control odors (e.g., biofiltration treatment, scrubbing and electronic measurement system), and also implement physical-chemical and biological techniques that limit odor problems. In the event of a perceived nuisance, we give priority to dialog with the local population. For example, the creation of a "nose jury", made up of residents in the vicinity of the site, or the assignment of a special telephone line, can be used to better assess the odor problem and take appropriate measures.

We also use new and more silent technologies in some of our installations, including special wall coatings, sound traps and exhaust gas exit silencers for cogeneration installations and vehicles.

Waste

The production of waste is the final result of all the recovery and treatment phases. We are firmly committed to recovery and to converting waste into a resource through the recovery of materials, waste-to-energy processes and organic recovery. We are attentive to the waste generated by our own facilities and those we operate. We seek new recovery possibilities and, where none exist, treat any waste produced.

The main waste we produce is municipal wastewater sludge, bottom ash and RPIFIW, residue from incineration, soot, ash and bottom ash from the combustion of wood and coal in Dalkia's thermal energy plants.

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. However, the quantity of sludge resulting from our water treatment activities was lower compared to 2012. This is mainly due to contracts that were no longer within our reporting scope in 2013, particularly the Berlin contract of which the quantity of waste water treated is very significant.

In order to meet the requirements of our public and manufacturing customers, all of whom must cope daily with an ever-increasing volume of sludge, we strive to process this sludge in order 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 industrial activities.

For our Water division, when the sludge quality and availability of suitable land permit, organic recovery (land application or composting) offers a potential recovery outlet, as does waste-to-energy (anaerobic digestion, used as a substitute fuel and incineration with energy recovery). In 2013, 50% of sludge was recovered for use in farming and 9% was recovered and used for energy. We ensure that the sludge is continuously of a quality compatible with the recovery method chosen by our customer.

The sharp increase in non-hazardous waste produced by our Environmental Services division is linked to a more robust computing model that includes waste from sorting centers in the total volume. All the volumes generated by our Environmental Services division are then sent to recovery or storage sites depending on the type of waste.

Bottom ash is the non-combustible residue produced by incineration. Its recovery is subject to strict regulation. Depending on its composition and potentially after a period of maturation, it can be recycled as road construction material and may be used in France and the United Kingdom. Residues from the purification of incineration fumes from waste are stabilized and then stored in the final hazardous waste landfill sites.

The reporting process used to measure the majority of waste produced by Dalkia is currently being improved. This waste, which consists of soot and bottom ash is due to the combustion of wood and coal at its installations. We are committed to improving combustion techniques and treating or recycling waste in accordance with local regulations.

Sustainable Use of Resources

Consumption of Water Resources and Supply Taking Account of Local Restrictions

Reducing the quantity of water withdrawals at our facilities and those we operate for our customers is a constant concern for us.

We achieved an 86% water withdrawal rate with regards to our potable water production activity. Under the terms of our agreements with local authorities, 8.7 billion cubic meters of drinking water were produced in the 4,532 production plants run by our Water division in 2013. We distributed 9.2 billion cubic meters across a network of 312,839 km.

The volume transformed into drinking water and put back into the distribution networks dropped by 3.5% compared with 2012. This drop is explained by changes in scope in 2013, in particular the termination of the Berlin contract. At constant consolidation scope, the volume transformed into drinking water and distributed increased very slightly in 2013 as compared to 2012, by 0.5%, as a result of the addition of new drinking water production plants with the contract of the city of Nagpur in India.

We are committed to optimizing water-cycle management. Accordingly, we offer a wide range of technical solutions, such as identification of chronic sources of damage to resources, prevention of accidental pollution and creation and supervision of protected areas, to our local municipal customers, which are designed to protect resources. We also provide services to optimize their management in the long term, such as resource monitoring, long-term water withdrawal management and controlled use of resources, conserve them through improved output and fresh water parasite treatments, among others and, if necessary, develop alternative resources through water reuse, recharging groundwater and sea water desalination.

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Climate change in certain regions of the world heightens increasing stress on water resources. Global water stress maps are available on the intranet to enable managers to prioritize their water footprint challenges based on the local context and regional stress on water resources. In addition to these solutions, our Water division has developed the Water Impact Index, a water footprint indicator that enables decision-makers such as companies and local authorities to make the necessary choices concerning water management and use. This water footprint indicator may be used in conjunction with the carbon footprint and applies both to public water and wastewater services and industrial customers. We have also developed tools, such as installation of individual meters and incentive-based pricing, that enable our municipal customers to raise awareness and empower end users to control their consumption.

In many cities across the globe, 20% to 50% of the water produced is lost mainly through leaks on the distribution networks. We have made loss reduction one of our priorities and have set a target of reducing the volume of losses by 5% between 2011 and 2014, on a consolidated scope basis. In 2011, losses totaled 27.2% of the water introduced into the distribution networks. In 2013, they represented 25.3%.

In order to focus our leak detection efforts and advise our customers about the best options in network replacement, we have two complementary indicators that monitor network performance. Network efficiency assesses the percentage of water delivered to the end consumers and is influenced by changes in consumption on the network. The second indicator is the linear loss index. Since the aim is to find an optimal balance between ecology and economy 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.

The pro forma decrease in the volume of losses in distribution networks is due to implementation of leak reduction programs such as leak detection, breaking up of networks into sectors and improved metering control, among others. There was also a drop in water losses, which we interpret as proof that we are capable of improving the efficiency of complex systems, such as those involved in our contract with the city of Sofia, Bulgaria.

Lastly, the use of retreated wastewater has increased sharply in recent years. In order to further improve wastewater recycling, our Water division aims to achieve a 10% increase in the volume of water reused from collected and processed wastewater by 2014 (compared with 2011).

Significant fluctuations in quantities of recycled wastewater can be observed from one year to the next. As a result, the performance of recycled wastewater initiatives can only be assessed in the long term. In 2013, after a first full year of operations, the wastewater recycling and treatment facility Al Wahtba at Abu Dhabi (capacity of 300,000 m3/day) entered into our reporting scope which resulted in strong growth compared to 2012.

Raw Material Consumption and Efficiency

Because of the types of activities that we manage, our main inputs in terms of raw materials are related to chemical processes used. For our Water division, predictive regulation of reagents, such as the Prédifloc TM process for coagulants, makes it possible to optimize dosage levels and results in an average reduction of 15% in the consumption of reagents. We have integrated the optimization of raw material consumption and utilization efficiency at several levels of our organization. We have also adopted a cost reduction objective integrating raw material procurement gains across all activities, requiring a reduction in the consumption of certain raw materials. We achieve this reduction in conjunction with our greenhouse gas reduction objectives.

Because we are firmly committed to the recovery chain, and particularly the recovery of materials, waste and by-products, we contribute to reducing third party consumption of raw materials by making recycled raw materials available to them. In 2013, we treated 52.1 million tons of waste. The selective collection and sorting of waste such as wood, paper, cardboard, glass, metals and plastics, among others, generated by industrial companies and households allows for the waste to be recycled and transformed into reusable materials. Waste that is not suitable for materials recovery can be treated with processes aimed at energy recovery that empty heat produced by incinerators fitted with energy recovery systems and the recovery of biogas produced by the decomposition of landfilled waste. We set a material recovery objective of 26% for our Environmental services division activities in 2014, to help push forward work already commenced, improve utilization efficiency for the waste we treat and increase the volume of recycled raw materials generated, thereby reducing the resource footprint of third parties.

We are responsible for developing innovative and efficient waste management technologies and solutions (selective collection, materials, energy and organic recovery) that enable waste recovery and for proposing these technologies and solutions to our industrial customers and local authorities, who then make the final decision to implement them.

Energy Consumption Energy Efficiency and the Use of Renewable Energies

We are committed to improving energy efficiency, not only in the facilities that we operate, but also through the energy services we provide. Whenever possible, we prioritize the use of renewable and alternative energy such as biomass, geothermal and solar energy and aim to recover the maximum energy potential from waste, wastewater to be treated and the facilities that we operate. We have set specific objectives for our various activities in order to manage more comprehensively our energy efficiency efforts.

Dalkia optimizes energy management at more than 163,500 energy installations worldwide, from urban 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 performances by concentrating production on a single site and involving co generation (the simultaneous production of thermal energy and electricity) represent strong growth areas for Dalkia. Biomass fuel consumed by Dalkia s activities must represent at least 8.5% of total fuel by 2014. In the longer term, Dalkia is targeting a 20% share of renewable energy in its energy mix in the European Union by 2020. Actual levels were 7.7% (for biomass fuels) and 13.4% (for renewable energy) in 2013.

In a bid to reduce its energy consumption, Veolia Eau performs energy audits and has implemented an optimization program which seeks to encourage innovation, accelerate the perfection and adoption of clean water treatment technologies and offer customers sustainable solutions. An increasing number of wastewater treatment plants are excellent examples of energy efficiency, such as the Braunschweig plant (275,000 population equivalent) which produces more energy than it needs to operate. In addition, the replacement policy for electro-mechanical equipment constantly seeks to optimize energy consumption. The expected energy efficiency gain for wastewater treatment activities is at least 5% in 2014 (compared to pro forma 2011 levels).

Energy consumption in terms of BOD5 produced by the wastewater treatment plants increased slightly on a constant consolidation scope since 2011, which we use as our reference year. This was a result of a 7% increase in treated volumes due to increased energy consumption through pumping.

In a bid to reduce energy consumption, environmental services activities are committed to implementing new energy efficiency plans in 60% of sites by the end of 2014. Concomitantly, the development of waste-to-energy recovery at waste processing plants such as landfill sites and incinerators, enables the use of external energy sources for operations to be reduced and energy to be supplied to third parties. Accordingly, we undertook to increase our production of green energy from waste by 7.5%, while helping customers reduce their primary energy needs through recycling and the preparation of solid recovered fuels.

Use of Soils

Ecological Management

Our landfill sites and water treatment and production sites are the largest facilities in terms of real estate acreage used. However, these land areas are not areas entirely developed and the design and operation of these sites minimize our footprint by maximizing the percentage of soil available for the development of biodiversity. As part of our biodiversity policy we continue our work on the integrated management of land. Conditions governing the use of soils are included in site operating rules and are consistent with our ecosystem management policy.

Rehabilitation of Waste Landfilling Cells

The operation of a landfill site requires landfilling cells to be dug and prepared. When we are responsible for this task, we comply with all obligations regarding surface sealing and the recovery of excavated materials. Once used, the cells are covered as quickly as possible, so as to encourage their development while favoring local ecosystems. They are monitored for environmental impacts before being returned to general use and this monitoring is continued after the redevelopment of the entire site to ensure the species planted repopulate the area during the post-operation phase. These stages are integrated into the site biodiversity action plans.

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Protecting Catchment Areas

Protective perimeters are established around catchment areas for water intended for human consumption to preserve the resource. Within these perimeters, certain human activities, that could directly or indirectly affect the quality of the water, are forbidden or tightly controlled. When we operate wellfields, we implement voluntary biodiversity-friendly actions, such as differentiated management of public parks, inventories of animal and plant life, as we have implemented at the Crépieux-Charmy wellfield in Lyon. These good practices are also favored in France at sites we operate, in accordance with the internal ecological management guidelines of our own sites.

Protection of Biodiversity

Measures Taken to Preserve and Develop Biodiversity

Preserving Biological Balance, Natural Environments and Protected Animal and Plant Species

Based on a study measuring the impacts and dependencies with regards to biodiversity, we integrated the protection of biodiversity into the first mission statement of our Sustainable Development Charter and in 2010 formulated a corporate policy on biodiversity. This policy is composed of four main cornerstones:

Control our impact on the environment;

Preserve biodiversity;

Conserve unique habitats; and

Anticipate future needs.

This policy will be rolled out across all our businesses to preserve ecosystems, restore and foster urban biodiversity, protect remarkable ecological areas near our sites and improve understanding of the dynamics of ecosystems, which we differentiate according to the nature of the site. We signed onto the French National Biodiversity Strategy (NBS), which was launched in May 2011, as a demonstration of our commitment to NBS vision, ambition, objectives and governance principles. We are working on the implementation of the voluntary commitment dossier, which will be rolled out in all the major countries in which we operate. To improve the structure of our policies, we use a methodology enabling sites to carry out their own biodiversity appraisals and to implement action plans adapted to the local biological context. Our 2012-2014 environmental plan includes an effort to follow-up and monitoring of action plans implemented at local sites. We have published an ecological management manual with using the International Union for Consevation of Nature (IUCN) for sites operated in France. This manual has been translated for operators located outside of France and is distributed to biodiversity officers in each region. We identify impacts on ecosystems by looking at regulatory physical-chemical and biological factors and by using internal expertise within our businesses and in the Research and Innovation department, which has a primary focus on analyzing biological tools.

Tools to Improve Knowledge and Support Activities Favoring Biodiversity

In several countries, our main activities are subject to environmental protection regulations; for example we operate facilities classed as Installations Classified for the Protection of the Environmental (ICPE) in France and equivalent regulatory regimes in other countries. Therefore, all business development is conducted in tandem with the preparation of environmental impact studies comprising a highly detailed section on animal and plant life. The management of these impacts is, accordingly, a constant concern for the operation of our different businesses (waste processing, decontamination stations, combustion facilities, rolling stock depots, etc.).

Beyond the strict regulatory framework, the biodiversity policy is implemented at each of our sites as part of the roll-out of our Environmental Management System (EMS), which implements the principle of Avoid, Reduce and Compensate. In parallel, specific measures are performed and monitored: the sustainable management of maritime areas and green spaces by Veolia Eau in Braunschweig, Germany, and, the roll-out of diagnostic guidelines in a local partnership with the Malaysia Terengganu University at the Dungun site in Malaysia, and the preservation of ecosystems in the development of sites and their surrounding areas, such as at Graulhet and Saint-Cyr-des-Gats hazardous waste landfill sites in France. The Saint-Cyr-des-Gats hazardous waste landfill received the Noé Conservation label, while the Marchwood incinerator and the Coalmoor and Smalley Hill landfill sites in the United Kingdom were certified by the Wildlife Trust in the United Kingdom.

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Numerous Partnerships with Recognized Stakeholders

We also work with a number of partner universities, associations and institutions in order to enhance our knowledge through innovative research programs covering the interaction of our activities and the functioning of ecosystems. For example, we have partnered with the French committee of the IUCN since 2008, to strengthen and support actions that favor biodiversity. IUCN France comprises 55 members (2 government ministries, 13 public institutions and 41 NGOs) as well as a network of 250 experts. At the international level, IUCN has been a United Nations observer since 1999. As part of our partnership with IUCN France, in October 2013 we participated in the third International Marine Protected Areas Congress (IMPAC2013) and organized an international discussion, titled the "Clean Sea 2013". We have also partnered with the French coastal conservation agency (*Conservatoire du Littoral, Rivages de France*) for the past three years, bringing the expertise of both bodies together to enhance wetlands and raise awareness about their functions and benefits to society. This collaboration led to the publication of an application guide for regional authorities in November 2013.

We have also participated in international studies, primarily through WBCSD, an Ecoystem Services Review (ESR), which carried out a Corporate Ecosystem Valuation, through a case study focusing on our Berlin site. This study was supplemented in 2012 by a biodiversity compatibility case study. The integration into our activities of the principles of the Convention on Biological Diversity (CBD) is highlighted in Responding to the Biodiversity Challenge Business contribution to the CBD, on which a press release was published during the COP 10 convention in Nagoya. A follow-up presentation was made in 2012 to the COP 11 convention in Hyderabad, India. Finally, enhancing the value of our ecosystem services is the subject of case studies within our Group, as demonstrated by the research work of Veolia Recherche et Innovation. Improving our understanding of ecological balance and sharing this knowledge by increasing awareness and communicating on biodiversity, are supplemented by the activities of the Veolia Environnement Foundation. For example, each year since 2010, the Foundation has financed the preparation of a new chapters in a watch list of threatened species in France (such as sharks and rays in metropolitan France, wildlife in Guadaloupe, and various plants in Martinique), with the French Committee of the IUCN and the National Museum of Natural History. We also participate in working groups of recognized bodies whose findings result in publications aimed at promoting the implementation of actions to protect the environment. For example, in 2013 we participated in the publication of "Measuring and managing biodiversity" which focused on the development of biodiversity indicators, published by the business association for environmental protection, (*Entreprises Pour l Environnement*). We also participated in the publication of a entitled "Biodiversity and Economy, stakeholder management, from awareness to action" by the Orée association.

Corporate Sustainable Development and Corporate Social Responsibility Commitments

The information below is obtained from data from our environmental and operational, human resources, financial and sustainable development purchasing reporting as well as from data obtained from departments located in specific geographical regions or with particular business scopes that are centralized within our Group but are excluded for official reporting.

Transdev is not included in the reporting scope described above.

Regional, Economic and Social Impact of the Company s Activities

On Employment and Regional Development

We contribute to the economic and social development of the regions where we operate, not only through the performance of delegated public services, but also through significant investment in the repair, maintenance and development of infrastructure.

Furthermore, through our management, Human Resource and Purchasing policies, we are a major contributor to employment and employability in the regions where we operate, and provide qualifications, equal opportunity and welfare protection for our employees and those of our partner companies and organizations, such as suppliers. Our current workforce comprises 202,800 employees, 151,082 of whom have followed at least one training course. We also welcomed 4,465 interns and 3,423 trainees under work-study contracts in 2013.

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These jobs not only account for the majority of green jobs but they are also, by their very nature, impossible to relocate and to a significant extent are open to low-skilled individuals. For example, our Energy Services division created over 600 local jobs in France, for a total of 1,600 jobs created in a two year period, and more than 900 worldwide, for a total of 3,900 jobs created in a two year period, thanks to the biomass sector in 2013. Our training policy bears witness to our commitment to returning job seekers to the workforce and training them in our businesses, through our regional Campus network, working closely with local partners.

Our companies also develop initiatives aimed at favoring employability through:

prioritizing external recruitment under work-study contracts and, in particular, bringing young people into the workplace (vocational training contracts and apprenticeships);

partnerships between six regional Veolia Campus and Epide second-chance schools and the *Conseil National des Missions Locales*, a national network of local branches, introducing our businesses to young people most alienated from the workplace and defining an apprenticeship training program for those who desire;

recruiting employees with special needs or disabilities In France, our Environmental Services division signed the Charter for the professional integration of disabled persons, two agreement with AGEFIPH (a French government agency promoting the employment of disabled people) as well as an agreement with our social partners on the Integration and job retention of disabled people. In 2013, our Water division signed its third unanimous Handicap agreement between management and all trade unions working for us. The main priorities of this agreement are the continued employment of disabled employees, recruitment and training of disabled individuals, outsourcing work to the protected sectors and raising awareness about disability issues;

support for social integration programs: welcoming individuals into Veolia contractual activities or activities performed in partnership with integration structures (recycling/re-use, sorting of office paper of small companies, etc.). Veolia Propreté has signed partnership agreements with the ENVIE and ELISE associations.

Professional integration is also supported by the Veolia Environnement Foundation, which has made job counseling and strengthening social cohesion one of its three priority areas. It supports, in particular, initiatives and structures that encourage the return to work of people outside mainstream society: work sites, associations and companies that foster professional integration through economic activity, training projects, social assistance, solidarity entrepreneurial activities and microloans, etc. The beneficiaries of these projects are primarily young people in great difficulty, individuals receiving minimum benefits and long-term unemployed and individuals receiving social assistance. Over 340 projects have received support to date. A study of Professional Integration patronage by the Foundation (2004-2009) showed that supported structures help 7,000 individuals each year.

Our "Integration through Work" program, created on the Centre-East Campus in partnership with local players in the Greater Lyon area, strives to ensure that at least 10% of our staff come from disadvantaged groups. It provides training via work-study programs for people with low qualifications and who have not been part of the job market, in order to ensure a successful transition to work. Through its multi-year partnerships, the Veolia Foundation also supports integration projects through various activities with the ARES group, the La Petite Reine association, the Sport dans la Ville association and the Secours Catholique charity, as well as through projects with ADIE that assist in the creation of micro-businesses. For example, the project launched this year with ADIE, Créajeunes, is a training and coaching program for people under 30, who are out of the job market and the traditional banking system and want to create their own business.

We are an equal opportunity employer and are mindful of promoting equal opportunity within our company. Our commitment to equal opportunity employment is evidenced by the inclusion of this principle in our Human Resources policy and the various actions we take to foment equality. Further, in 2012 we created the Equal Opportunity Foundation, which funds boarding schools of excellence. We also contribute to the development of social dialogue in the general interest and try to improve local working conditions in emerging countries, in particular, where we encourage the creation of consultative employees councils.

We also contribute to developing the attractiveness of the regions where we operate through the services that we provide to local communities and industrial companies. These services include the prevention and treatment of pollution and actions that promote biodiversity and environmental protection. For example, we prepare landfill cells and carry out voluntary actions (e.g., differentiated management of public parks, inventory of animal and plant life, etc.) to protect the water catchment areas that we operate. We also participate in regional development through various partnerships in the different regions where it operates. We are also closely involved with the Greater Paris development project through its "*Mission Métropole du Grand Paris*," launched in 2010. In June 2013, this led to 13 concrete proposals concerning energy transition, prepared with about 40 public and private organizations.

In June 2013, we signed the Companies and Neighborhoods charter with the French government and undertook to favor equal opportunity, professional integration, the regional economies and its relationship with SMEs. For example, we signed the SME Pact in June 2012, and now aim to include local SMEs in our offerings, help strengthen and develop them. The project to build and operate the new single head office in Aubervilliers will comply with this pact.

On Neighboring and Local Populations

Through our contracts, our main contribution to society lies in the development and maintenance of sustainable access to the services we operate and particularly to the poorest among them, to ensure the material comfort and wellbeing of the population. Through contracts with local authorities, the Water division provides drinking water to 93.5 million people, and wastewater services to 62 million people, the Environmental Services division provides waste collection services to 51 million people and the Energy Services division supplies heating to 12 million people worldwide. We also contribute to programs for underprivileged populations, which often cannot access services for financial reasons (e.g., high initial connection costs, cost of work required for connection, difficulties in paying subscription fees), administrative, language challenges or physical reasons (e.g., distance, elderly persons with limited mobility, etc.) In the course of our activities in developing and emerging countries, we connected over 4.5 million people to drinking water networks, over 2 million people to wastewater services and nearly 2.5 million people to electricity networks. Through our work with social connection programs in Morocco and Latin America, we are contributing to the attainment of the Millennium Development Goals.

In developed countries, we are mindful of maintaining access for the poorest in society access to services. To this end, our Water division continued to roll out a series of solidarity solutions called Water for all in 2013. Twenty-seven such initiatives were launched in France by 2012, covering over 200 municipalities and nearly 5 million people. This program combines three types of assistance. First, it offers emergency solutions to maintain access to water service by offering different forms of financial assistance adapted to the individual situation such as payment schedules, debt write-off or water vouchers. Secondly, it offer assistance solutions to help manage budgets and water consumption over the long term. And finally it set up prevention solutions to alert people to unusual over-consumption. In 2013, the Water division worked out 119,431 payment schedules with customers and 23,068 water vouchers were used to pay bills. The Water division also participates in the FSL (the French Housing Solidarity Fund) system: 41,170 FSL requests were accepted in 2011 and 2012.

Outside France, the Water division implements several measures providing the poorest members of society with access to basic services, such as social connection programs, scaled pricing, flexible payment agreements, public assistance funds. Use of these different tools varies depending on the local context. The Veolia Foundation also participates in extending access to essential services through its international solidarity activities, such as development assistance or humanitarian assistance in emergency situations or after natural disasters. In 2013, the Foundation mobilized the expertise of our employees, who spent 860 days in the field.

In the Democratic Republic of the Congo, the Foundation supported the DRC Ministry of Health by continuing to implement the national cholera eradication program that it launched in 2007. The French Agency for Development - AFD and the European Union have recently decided to allocate €8.5 million to this program for the rehabilitation of urban water infrastructure in Uvira, a city in the Great Lakes region (one of the eight cholera zones identified in the country). The Foundation also runs and provides secretarial services to the Global Alliance Against Colera, an international alliance against cholera created by the Veolia Environnement Foundation in 2010. In Haiti, the

Foundation's renowned expertise (based on its successful emergency interventions and network restorations) led us to join the coalition to end cholera in late 2012, headed by the Pan American Health Organization (PAHO/World Health Organization). The 75 new projects supported by the Foundation in 2013 also included the research project with the Mérieux foundation and the Pharmaciens et Aide Humanitaire association to develop a kit for the rapid detection of cholera in water as well as assistance to Mali and its displaced populations, devastated by the war that took place in 2012 and 2013, through projects supported by the Malian government, including the provision of water supply through the upgrade or creation of boreholes and reconstruction support.

In France, the Veolia Foundation supports the Unis-Cité association since 2005. Young people between 18 and 25 years old are involved in voluntary civic service work on projects concerning the fight against exclusion, the restoration of social bonds and environmental protection. Accordingly, the "Médiaterre" program provides middle-income families with support in changing their behavior into eco-civic behavior, such as reducing waste and controlling of water and energy consumption. In 2012 and 2013, the Foundation took this program to the towns of Greater Lyon, Nice and the Nord-Pas de Calais region, while supporting the engineering and national coordination of the project.

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The societal impact of our businesses is also measured by actions promoting the right of neighboring and local populations to a healthy environment. The protection of the environment and biodiversity is sought out daily by the core services of our businesses (e.g., waste collection, treatment and recovery, wastewater treatment, green energy, etc.), and on a one-off basis through partnerships (such as the partnership entered into with the French Committee of the IUCN since 2008) and projects supported by the Veolia Foundation (such as the Tara Oceans scientific program, scientific research on coral reefs, "Push back the desert"/Rain Drop in India, protection of pink flamingos/Camargue regional natural park in France, projects to educate the public and raise awareness about beekeeping, etc.).

Relations with Individuals and Organizations Interested in our Activities

Dialogue with Company Stakeholders

Group companies are in constant dialogue with all stakeholders. The management of essential services necessitates the support of consumers and the various stakeholders for the level of service and price demanded. Dialogue with all stakeholders is therefore a prerequisite to the efficiency and legitimacy of operations.

We created an Independent Visiting Committee (IVC) in 2006 at head office level, comprising ten people tasked with providing their opinion on our sustainable development policy and helping mold our strategic vision in this area. In 2013, it was replaced by a new committee of Critical Friends. This committee consists of about a dozen top-level stakeholders, namely associations, institutions and academics, half of which are from places other than France, who are willing to contribute their expertise, vision and constructive criticism to our new organization. The Veolia Environnement Critical Friends Committee met for the first time on June 11 and 12, 2013, in Paris, and for the second time in November 2013. The meetings included site visits to provide the committee with knowledge about our business and help in their understanding of the challenges we face, discussions with our Chairman and CEO about our new strategy and about reputational and opportunity risks. In addition, we regularly exchange ideas with institutional stakeholders, such as associations, international organizations, universities, and labor unions. We also gather information through various think tanks (working groups, conferences, international events) and have formed partnerships with several of them. We contribute to reflections, consultations and projects relating to changes in environmental services management initiated by international, European and French authorities, professional associations, think-tanks and NGOs. We share our expertise by meeting stakeholders requirements on issues that have a direct or indirect impact on their businesses. These activities are carried out within the general framework of the rules of conduct set out in our Guide to Ethics and our commitment to the Global Compact. In addition, we have been listed on the register of interest representatives of the European Commission and Parliament since 2009. In France, we have been registered on the public list of interest representatives of the National Assembly since 2010 and 2011. These registrations formally commit us to comply with the codes of conduct put in place by these various institutions.

At the local level, because the provision of public services implies an inherent partnership between public-private actors, we must maintain a constant dialogue with local authorities and administrations. Accordingly, the appropriate discussion bodies are clearly defined at the heart of contract governance within our Group and the frequency and format of interaction is contractually documented. Our divisions therefore develop local initiatives to foster dialogue on their activities with their clients, local communities, and inhabitants of the region. These include neighborhood meetings, meetings with elected representatives and local associations, as well as site visits and open-house days to inform the general public. This dialogue with local stakeholders therefore involves:

the implementation of a local management structure to respond to the information and service requests of all inhabitants, which respects their diversity and covers the entire area;

regularly informing local stakeholders concerned with and/or interested in access to services and changes therein;

client satisfaction surveys seeking to assess service progress and the benefits enjoyed by users and also to better understand expectations and the reasons for dissatisfaction;

establishing an external communication system to promote new solutions among municipal customers. These include innovation booklet, dedicated website, innovation meetings, research and innovation summary and participation in targeted events on the sustainable city; and

consideration of the informal sector and the stakeholders involved, when applicable.

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A good example of our interaction of the informal sector can be seen in our work in Cali, Colombia, through the roll-out of a CET President social inclusion program for rag-pickers. Following the launch of an action plan aimed at formalizing this activity, 100 rag-pickers created a recycling cooperative. The project was designed and implemented between 2002 and 2008 by Proactiva. The company assumed the entire financing of the project (including training and the creation of cooperatives) and mobilized other local players to provide health, food and education services. Following a consolidation phase in 2008-2012, the cooperatives now operate independently and we are preparing to out-source certain services to them. Another example is our work in the informal sector of the recycling of electrical waste from the Manila, Philippines, metropolitan area. The Veolia Foundation supports a four-year program launched in 2012 by the NGO *Médecins du Monde* (MDM) to improve working conditions and the health of people working in this sectors. The foundation provides financial and skills-based sponsorship. We also provide volunteers from one of our subsidiaries specialized in the recovery of W3E to train these recyclers in the dangers of toxic products and working with them to find solutions to keep health risks to a minimum and to change recycling practices.

Partnerships and Corporate Patronage Actions

In 2013, we continued our policy of partnership relations by continuing to focus on two main goals: the collaborations with institutional, national or international bodies to sharpen the expertise and know-how of our various businesses and actions to provide support for the socioeconomic development of the areas where we are an operator.

Outside of France, we are a partner of international organizations. We continue our cooperation with the main UN agencies, bilateral organizations and international donor agencies, to contribute to the achievement of the Millennium Development Goals and to give effect to the commitments made when we joined the Global Compact. Through its participation in the NGO Regions of Climate Action, which brings together several regions worldwide around a common goal of fighting climate change, we were rewarded with the Sustainia Award, a competition created by the Scandinavian think tank "Monday morning" and developed in close collaboration with the UN Global Compact. This award, which is unique in its kind, rewards a sustainable development innovation each year. In 2012, two of our achievements (an automotive production plant in Morocco with a near 100% control of $C0_2$ emissions and energy collection from computer data processing centers in France) had been rewarded and presented at Rio +20. In 2013, the Veolia/Dalkia/Borås (Sweden) project, concerning an innovation linked to the optimized management of the heating networks of the city of Borås, reducing the use of fossil energy and consequently the city's carbon footprint, won the award for the "best energy solution".

We are also an active member of the World Urban Campaign led by UN-Habitat, the United Nations agency that promotes sustainable urban planning. During the World Urban Forum held in September 2012 in Naples on the urban future , we presented our efficient and sustainable solutions for urban services. This enabled us to join a group of international experts tasked with preparing the Habitat III Conference (2016) focusing in particular on the role of these services in strategic urban planning. In 2013, the city of Monteria in Colombia was voted "benchmark sustainable city" for its "Monteria Ciudad Verde 2019" program, of which we are a partner.

Since 2013, we have been directly involved with the consultation of "major groups" initiated by the UN for the preparation of the next Conference of Parties on climate change (COP21 in Paris in 2015).

A partner of the entrepreneurial partnership program United Cities and Local Governments (UCLG), we have positioned ourselves to appear in the preparatory work and to highlight the importance of its businesses and business model during the "Habitat III" conference scheduled in 2016 in Istanbul.

As part of our national program in the United Kingdom focused on sustainable development, *Go Further Together*, we are carrying out actions with local solidarity-oriented companies involved in projects assisted by the Veolia Environmental Trust, a charity fund comprising nearly 170 community and environmental projects in 2012, totaling GBP 3.999 million (about €4.9 million at December 31, 2012 exchange rates). In Australia, driven by the same wish to make a long-term commitment in the areas where we are established, we began a long-term partnership for infant protection with Barnardos Australia in 2013 and continued our partnerships with the Aboriginal and Torres Strait Islander peoples throughout the year.

In terms of regional solidarity in France and independent of the work of our foundations and local patronage actions, we entered into 94 partnership agreements in 2013, 50% of which supported sport, 29% cultural activities and 21% events such as seminars and associations.

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In particular, we are a founding member of the National Union of PIMMS (UNPIMMS). The "PIMMS" association federates and leads a network of local PIMMS, in partnership with the French State, local authorities and local players in the regions where they operate.

We are also a partner of social entrepreneur players, such as the VoisinMalin association, which carries out awareness-raising and mediation programs targeting inhabitants (information on entitlement to assistance and administrative support, help with reducing consumption, paying bills, etc.) since 2012. VoisinMalin recruits and trains people living in difficult neighborhoods to discuss and explain the operation of public services to other inhabitants of these neighborhoods.

As a founding member of the French Partnership for the City and Regions, which brings together all urban planning players in France, we also contribute our expertise for the export of urban know-how and contribute to its studies and publications.

We are closely involved in discussions regarding the future Greater Paris Metropolis and work with about 40 public and private bodies to support public debate through publications, conferences and reflections on future services.

The Veolia Environnement Institute, IVE, is a special think tank that provides forward-looking insights and promotes innovative modes of interaction between us and civil society. It is an association governed by the Law of 1901 and which we created to build a forward-looking vision of emerging challenges related both to the environment and society. Since 2001, it has been 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. Among the major forward-looking projects developed in 2013, IVE is continuing its work on adapting cities to climate-related disasters as part of the European project RAMSES , and is preparing its seventh conference on the links between Ecosystems, Economy and Society and the large-scale restoration of ecosystems. For all its activities, IVE draws on a multidisciplinary and international network of partners, including the members of its Foresight Committee, which recently welcomed Esther Duflo, an MIT Economist and member of President Obama's Global Development Council. With its magazines S.A.P.I.EN.S and FACTS Report, its surveys and conferences, it captures and develops reliable scientific knowledge and tried-and-tested expertise in the field, communicating it to all public and private players involved in sustainable development discussions.

Additionally, the Veolia Environnement Foundation has established many partnerships in its priority areas of intervention, which include development assistance and humanitarian emergencies, social cohesion and transition to work support, and environmental and biodiversity protection. In the field of humanitarian emergencies and international solidarity, its partners are United Nations agencies (UNICEF, UNHCR) and international bodies (Red Cross, ACF, MDM, Solidarité Internationale, OXFAM, etc.). By extending the Foundation's mandate for a new five-year term (2014-2018), we have confirmed our commitment to a policy of skills-based patronage and partnership.

Outsourcing and Suppliers

The Purchasing Policy and Environmental and Social Challenges

Our social and environmental commitments are integrated into our purchasing process and supplier relationship management as part of our sustainable purchasing policy. This policy contributes to improving our economic performance, foreseeing risks and engaging responsible measures with suppliers that are innovative and create value. Our sustainable purchasing policy is based on the following principles:

involvement of buyers in sustainable development issues;

development of responsible buying practices; and

taking into account corporate social responsibility commitments and performance of suppliers and subcontractors.

Buyers are made aware of the environmental and social challenges accompanying our activities, to ensure their integration into the management of purchase categories. Accordingly, corporate social responsibility commitments are at the core of our purchasing standards, awareness-trainings are regularly carried out and dedicated training sessions implemented. A comprehensive program supplements existing sustainable purchasing training sessions, and includes a one-day training; an e-learning validation session was developed in conjunction with Campus Veolia Environnement and rolled-out in 2012. At the end of 2013, 30% of referenced buyers (excluding Transdev), who represent the majority of our buyers, had completed a training module in sustainable development challenges during the last three years.

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Depending on the purchase category, buyers can take account of certifications, identify eco-design opportunities and analyze life-cycle costs. They can also promote responsible behavior by contract users, for example by encouraging the optimization of consumption or by granting bonuses for the dematerialization of orders or reductions in the number of deliveries, etc.

We have given commitments in this area to various key stakeholders and bodies: by contributing to the drafting of the Responsible purchasing standard published by AFNOR, by supporting various sector-based initiatives and by participating in committees of inter-company experts.

Furthermore, in 2013, as part of the Veolia Water France economic and social unit (UES) partnership with the GESAT network, and in collaboration with the disability strategies of each of our entities, our Purchasing Division adopted an approach to promote the hiring of employees from the protected workers sector, in particular for targeted categories of purchases. For fiscal year 2013, the amount of purchases recorded from the protected workers sector (excluding VAT) in France was €5.5 million. Additionally, in order to promote vocational rehabilitation centers for disabled workers (ESAT) and sheltered companies (EA), the purchasing function has provided a directory (supplier grids, typology of services, etc.) to procurement officers and requisitioners. At the same time, in conjunction with the UES and the GESAT network, the Corporate Purchasing Division has also launched a training program for purchasing outside Paris. This half-day program is designed for the entire Purchasing network and procurement officers from all of our entities. Its objective is to develop purchases from the protected workers' sector by offering a methodological framework for creating mutually beneficial partnerships.

Integration of Social and Environmental Responsibilities in Relations with Suppliers and Sub-contractors

Buyers communicate our CSR convictions and commitments to suppliers and monitor the management of related risks throughout the process, from selection to monitoring the supplier relationship. Appraisal and audit procedures assess performance and enable necessary improvement measures to be launched with suppliers.

Buyers communicate our sustainable development commitments to suppliers, primarily using various tailored media available at each stage of the purchasing process:

the Veolia Environnement Suppliers Charter presents, inter alia, our sustainable development commitments and supplier expectations;